

Gresham House Energy Storage Fund plc

Q4 Factsheet - 31 December 2019



Gresham House
Specialist asset management

Summary

Gresham House Energy Storage Fund plc (GRID or the Fund) seeks to capitalise on the growing intraday supply and demand imbalances caused by Great Britain's ever increasing reliance on renewable energy. The Fund aims to provide investors with an attractive and sustainable dividend by investing in a portfolio of utility-scale Energy Storage Systems (ESS) located in Great Britain, which primarily use batteries to import and export power, accessing multiple revenue sources available in the power market.

The Fund targets a Net Asset Value (NAV) total return of 8.0%+ per annum, once the Fund is fully invested, before leverage and net of Fund expenses, and a target dividend of 7.0p per Ordinary Share¹. Returns are not correlated to the absolute level of wholesale power prices and are not dependent on any subsidies.

Financial highlights

The Fund continued to perform well in the fourth quarter, delivering 2.62% in NAV total return and 3.85% in share price total return. For the period since the IPO in November 2018 to 31 December 2019, the Fund delivered 6.48% in NAV total return and a share price total return of 11.15%, with the shares consistently trading at a premium to NAV. The NAV per share finished the period at 100.79p.

Performance from inception was driven by cash generated by the portfolio and project level value enhancements. We note that at time of writing, the share price is currently at 96.5p due to the effect of the coronavirus pandemic on listed markets.

The Fund met the 2019 dividend target of 4.5p per share, including the final dividend of 1.0p per share which was paid to investors on 20 March 2020. Dividend cover for the period from IPO to 31 December 2019 was 1.1x. The Board is pleased to be able to reaffirm the Fund's dividend target of 7.0p per share for the financial year ended 31 December 2020.

Cashflow is expected to grow over 2020 driven by deployment of capital into new projects, Capacity Market contracts starting, and cost reductions. Acquisitions made in December are currently held at cost in line with the Fund's valuation policy. These are expected to be accretive to NAV when valued in line with the methodology applied to all other projects in due course.

Post period end a £31.2 million fundraising was completed successfully and due diligence on the c.50MW "Potential Acquisition" is underway. In addition, the Fund signed conditional Share Purchase Agreements to acquire the 50MW Thurcroft and 50MW Wickham projects. These are conditional on commissioning.

Portfolio activity & market outlook

We are excited by developments in the electricity market in terms of renewable deployment, favourable regulatory changes, increasing confidence in the revenue outlook, from both trading and frequency services and cost reductions.

In Q4 2019, the Fund added 99MW by acquiring three projects; Glassenbury (40MW), Cleator (10MW) and Red Scar (49MW). These projects have battery sizes ranging from c.35 minutes at Glassenbury and Cleator to 1 hour 30 minutes at Red Scar. All three projects have symmetrical import and export capacity.

Glassenbury and Cleator benefit from Enhanced Frequency Response (EFR) contracts running until January 2022. EFR and FFR, which is more common, are frequency services provided to National Grid to improve grid stability.

We have c.190MW of capacity in the immediate pipeline; Thurcroft and Wickham Market are 50MW each and are in advanced stages of construction; a 10MW upgrade of the Glassenbury site; and the c.50MW 'Potential Acquisition' project to be acquired with funds raised in Q1

2020. In addition, the Fund has exclusivity over a further project in Scotland which will be acquired subject to funding, towards the end of 2020.

Our focus for 2020 is on cost improvement, operational uptime and revenue conversion from trading and other services, as well as further integration of acquisitions to strengthen cash generation and cement our position as the leading Energy Storage fund in GB.

The effects of the Coronavirus pandemic are still unfolding. However, we have ensured the operational integrity of all projects and not witnessed any impact on revenues from the sharp moves in power prices, as our revenues are driven by the fluctuations in the intraday supply and demand of electricity rather than the absolute level of power prices, as well as frequency service contracts which earn availability payments. We have, however, experienced some delay to the Wickham and Thurcroft project commissioning dates (both targeted Q2 2020): guidance from Ofgem has ensured the connection and commissioning of these projects is still progressing.

Key facts as at 31 December 2019

Share price (mid-market):	107.5p
NAV per share:	100.79p
Market capitalisation:	£219.6m
Net assets:	£205.9m
Mgt. fee:	1.0% net assets <£250m 0.9% net assets from £250m-£500m 0.8% net assets >£500m
Ongoing Charges Figure:	1.43%
2020 target dividend per share ¹ :	7.0p
Shares in issue:	204,270,650

	Q4 2019	YTD	Since inception
Share price total return	3.85%	7.91%	11.15%
NAV total return	2.62%	6.44%	6.48%

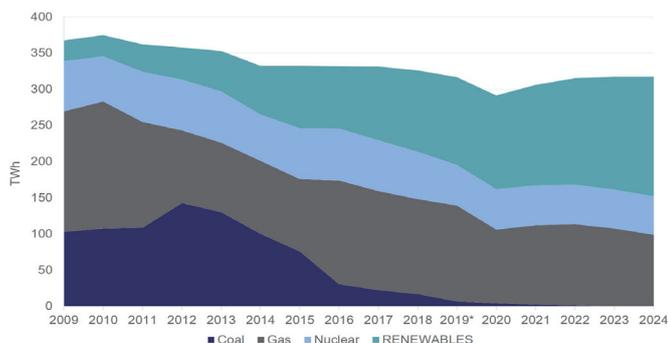
Key information

Ticker:	GRID
Listing:	LSE Specialist Fund Segment
ISIN:	GB00BFX3K770
Dividend frequency:	Quarterly
Year end:	31 December

newenergy.greshamhouse.com/funds/esf

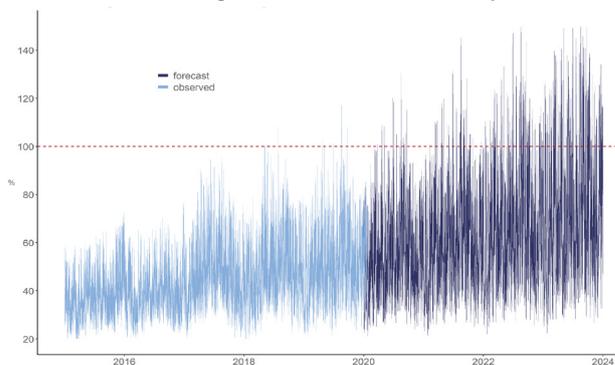
1. This is a target only and not a profit forecast. There can be no assurance that this target will be met or that the Fund will make any distributions at all. This target return should not be taken as an indication of the Fund's expected or actual current or future results. The Fund's actual return will depend upon a number of factors, including but not limited to the Fund's net income and the Fund's ongoing charges figure. Potential investors should decide for themselves whether or not the return is reasonable and achievable in deciding whether to invest in the Fund

GB electricity generation by technology



Sources: 2009-2019 - BEIS: Fuel used in electricity generation and electricity supplied - March 2020
2020-2024 - Gresham House New Energy Research

Low carbon generation as % of electricity demand



Source: Elexon, and Gresham House New Energy Research

The charts above illustrate the rising market penetration of renewables at the expense of baseload coal and gas generation and the impact this is having on load factors for baseload generation. These trends point to rising instability and power volatility, which is beneficial for battery energy storage systems.

Current portfolio

Project	Location	MW	Acquisition date
Staunch	Staffordshire	20	November 2018
Rufford	Nottinghamshire	7	November 2018
Lockleaze	Bristol	15	November 2018
Littlebrook	Kent	8	November 2018
Roundponds	Wiltshire	20	November 2018
Wolverhampton	West Midlands	5	August 2019
Glassenbury	Kent	40	December 2019
Cleator	Cumbria	10	December 2019
Red Scar	Lancashire	49	December 2019
Total		174	

Pipeline

Project	Location	MW	Commissioning ¹
Wickham Market	Suffolk	50	Targeted Q2 2020
Thurcroft	South Yorkshire	50	Targeted Q2 2020
Potential Acquisition	Not disclosed	50	Expected Q2 2020 ²
Glassenbury extension ³	Kent	10	Expected Q3 2020
Potential Acquisition ⁴	Scotland	30	Expected Q4 2020
Total		190	

In addition to the above, the Manager has identified over 250MW of additional pipeline.

1. Expected commissioning dates are indicative and based on most recent conversations with relevant Distribution Network Operators (DNOs) and assume no major commissioning delays due to COVID-19 personnel availability
2. This project has already been commissioned and this is the expected purchase date
3. Remains subject to planning consent
4. To be acquired subject to funding

Fund Manager

Gresham House Asset Management Ltd

Ben Guest

Managing Director, Gresham House New Energy & Fund Manager, Gresham House Energy Storage Fund plc

Gareth Owen

Investment Director, Gresham House New Energy

Bozkurt Aydinoglu

Investment Director, Gresham House New Energy

Rupert Robinson

Managing Director, Gresham House Asset Management Ltd

Board of Non-Executive Directors

John S. Leggate CBE, FREng
Chair

Duncan Neale

Audit Committee Chair

David Stevenson

Cathy Pitt

Contact information

General enquiries

Gresham House Asset Management Limited
E: info@greshamhouse.com
T: 020 3837 6270

Rupert Robinson
Managing Director, Gresham House Asset Management Limited
E: r.robinson@greshamhouse.com
T: 020 3829 0770

Ben Guest
Fund Manager, Gresham House Energy Storage Fund plc
E: b.guest@greshamhouse.com
T: 020 3903 0558

Professional investors

Richard Harris
Managing Director, Head of Investment Company Sales at Cantor Fitzgerald
E: richard.harris@cantor.com
T: 0207 894 8229

Registrar enquiries

Computershare Investor Services plc
T: 0370 703 0157
W: www.investorcentre.co.uk

Administrator & Company Secretary

JTC (UK) limited, 7th Floor, 9 Berkeley Street, London W1J 8DW

IMPORTANT NOTICE: This document has been approved as a financial promotion for the purposes of section 21 of the Financial Services and Markets Act 2000 by Gresham House Asset Management Limited (GHAM). GHAM is authorised and regulated by the UK Financial Conduct Authority. This document is intended for information purposes only and does not constitute investment advice. No undertaking, representation, warranty or other assurance, express or implied, is made or given by or on behalf of GHAM as to the accuracy or completeness of the information or opinions contained in this document and no responsibility or liability is accepted by any of them for any such information or opinions. This document does not itself constitute an offer or invitation or any solicitation of any offer to subscribe for or purchase any shares or other securities or recommendation to invest in any shares or other securities, and should not be construed as such. The distribution of this document may be restricted by law and persons into whose possession it comes are required to inform themselves of and comply with any such restrictions. Before investing you should satisfy yourselves as to suitability and the risks involved, and you may wish to consult a financial adviser. It should be borne in mind that the shares of the Fund are admitted to trading on the Specialist Fund Segment (SFS) of the London Stock Exchange. The SFS is designed for highly specialised investment entities that wish to target institutional, highly knowledgeable investors or professionally advised investors only. Past performance is not indicative of future results. The value of investments may fall as well as rise and investors may not get back the amount invested.