Premier Miton Global Renewables Trust

Investment companies
Renewable energy equities

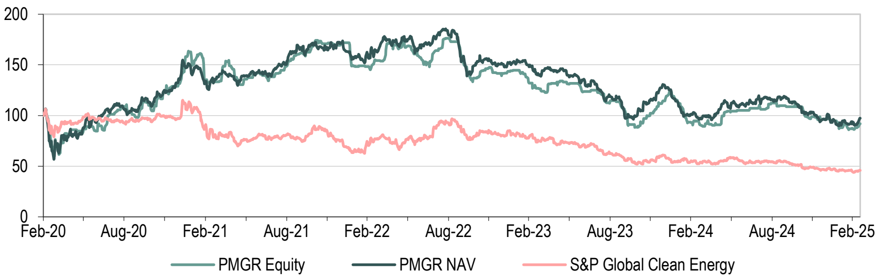
Continuation vote in April; outlining options

24 March 2025

Premier Miton Global Renewables Trust's (PMGR's) investors will be presented with a continuation vote at the AGM on 24 April. The board is recommending that investors vote in favour of continuation and is offering a range of options for realising value. It would be disappointing to see a fund like PMGR potentially exit the sector, as it provides wide exposure to a managed set of underlying renewable investments. The difficulty is, of course, the sector-wide depression in valuations across renewables. These headwinds, as well as the requirement to redeem the zero dividend preference shares (ZDPs) later in 2025, are weighing on PMGR's scale. The board's view is that there is low demand from investors for smaller-sized investment trusts, and it has indicated that it will begin to explore options that may include winding up the fund with a distribution of cash, as well as the potential for shareholders to roll over into a similar open-ended fund. The board will consult with shareholders and advisers to reach an optimal outcome for all parties.

Price		**86.00p**
Market cap		**£16m**
Total assets		**£35m**
NAV		101.6p
Discount to NAV		13.4%
Current yield		9.3%
Shares in issue		18.2m
Code/ISIN		PMGR/GB0033537902
Primary exchange		LSE
AIC sector		Infrastructure securities
52-week high/low	111.0p	82.0p
NAV high/low	146.9p	101.6p
Gross gearing		93.0%

Historical cumulative performance over five years



Source: LSEG Data & Analytics

Fund objective

Premier Miton Global Renewables Trust's investment objectives are to achieve high income and realise long-term growth in the capital value of its portfolio. It seeks to achieve these by investing principally in the equity and equity-related securities of companies operating primarily in the renewable energy sectors and other similar infrastructure investments. The trust is structurally geared via zero dividend preference shares maturing in 2025.

In broad terms, PMGR has a market capitalisation of approximately £16m, reflecting gross assets of c £35m and a liability of £18m related to its ZDPs. The ZDPs mature on 28 November 2025 (for a total value of c £18.1m to be paid by PMGR). They were issued in November 2020 with a gross redemption yield from the date of issue (30 November 2020) of 5.0% per year. The board has indicated that a repeat of this size or yield looks unlikely. It is supportive of a 'yes' continuation vote and indicates that it will explore options including winding up the fund with a distribution of cash, as well as the potential for shareholders to roll over into a similar open-ended fund.

PMGR has provided an actively managed way for investors to gain exposure across the renewable energy space (developers, yieldcos, multiple technologies) and has outperformed the S&P Global Clean Energy Index. However, the challenge has been broader sector performance, with the index down 24.1% for the year ending 31 December 2024.

In our view, the vote for continuation effectively brings additional optionality for investors. A 'no' vote would compel the board to put forward proposals to wind up the fund over nine months, something the board has indicated that it intends to do. A 'yes' vote would enable the same options to be explored while retaining the option to continue if market conditions were to drastically change by the deadline for ZDP redemption in November. The additional optionality from a 'yes' vote looks sensible in our view.

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Continuation vote on 24 April 2025

In its annual report, PMGR's board indicated that it did not believe it would be cost-effective to issue new ZDPs when the existing ZDP issue matures in November 2025. As PMGR is measured by gross assets, not issuing new ZDP shares would leave the trust too small to be viable. It also indicated that there is a lack of demand from investors for smaller-sized investment trusts, so increasing the size of the company through ordinary share issues looks unlikely. As such, the board has stated it will begin to explore alternative options for the future of PMGR, which may include winding up the company, with a cash distribution and a potential option for shareholders to roll over into a similar open-ended fund.

The board has begun consulting with its advisors and investment manager, Premier Miton, and has recommended that investors vote in favour of the company's continuation on 24 April to allow maximum flexibility in bringing forward proposals to wind up or otherwise reconstruct PMGR or, should market conditions improve substantially, continue as an investment trust.

If the vote for continuation is not passed then, according to its articles of association, 'the directors shall, within nine months after the date of the resolution, put forward proposals to shareholders to the effect that the company be wound up, liquidated, reorganised or unitised'. A rejection of the continuation vote therefore does not necessarily mean that a rapid wind-up of the fund would be implemented. Given that the board has clearly stated its intention to explore options including winding up the trust (given the requirement to settle the ZDPs in November if a continuation vote is passed), the outcome for shareholders is likely to be very similar under either a 'yes' or 'no' vote. However, one significant difference that a continuation vote brings is the opportunity to continue if market conditions change substantially by November.

Capital structure

PMGR offers investors both ordinary shares and ZDPs. Ordinary shareholders are entitled to all of PMGR's net income available for distribution by way of dividends. On a winding-up, ordinary shareholders will be entitled to any undistributed revenue reserves and any surplus assets of PMGR after the accrued capital entitlement from the ZDPs and payment of all liabilities. PMGR uses ZDPs as a replacement for long-term debt facilities and is bound to repay them at maturity.

Gearing (ZDP shares)

Following a weaker performance throughout 2024, PMGR's gearing increased to 93.6% (61.7% at end-December 2023). Its gearing is calculated as the share liability of the ZDPs divided by the equity attributable to ordinary shareholders. The ZDP price rose by 7.3% during 2024, from 110.0p to 118.0p, while its NAV increased at an accrual rate of 5%, reaching 122.07p at the close of the year. At end December 2024, PMGR's ZDPs stood at a 3.3% discount to their accrued total value. ZDP cover fell during the year from 2.26x to 1.89x, reflecting the fall in PMGR's assets. No ordinary shares or ZDPs were issued or redeemed in 2024.

The company's 2025 ZDPs have a final capital entitlement of 127.6111p on 28 November 2025 (for a total value of c £18.1m to be paid by PMGR), equivalent to a gross redemption yield from the date of issue (30 November 2020) of 5.0% per year. Management has stated that, based on current market conditions and assessments undertaken by the board, the existing ZDPs will not be replaced by a new issue of ZDPs. This seems a sensible reflection of the market, given the underlying change in risk-free rates since the issue of the current ZDPs.

Exhibit 1: ZDPs and gearing

Year-end 31 December	2024	2023	Y-o-y change
2025 ZDP share return			
NAV/share (p)	122.1	116.2	5%
Mid-market price/share (p)	118.0	110.0	7%
Balance sheet			
Gross assets less current liabilities (£m)	35.9	43.3	-17%
ZDP shares (£m)	(17.4)	(16.5)	5%
Equity shareholder funds (£m)	18.5	26.8	-31%
Gearing	94%	62%	
ZDP share cover (non-cumulative)	1.89x	2.26x	

Source: PMGR

Key portfolio developments throughout 2024

At end 2024, PMGR's portfolio weighting shifted in comparison to the previous year, with renewable energy developers being the largest segment at 34.2% (33.7% at end 2023) versus yieldcos and investment companies (40.7% at end 2023 and 33.2% at end 2024). PMGR's decision to move away from yieldcos as its largest position in 2024 demonstrates an active decision made by the investment manager, which correlates with wider investor sentiment surrounding renewables trusts. These trusts have experienced a continuing widening of their discounts to NAV, reaching an average of c 34% currently. These widening discounts to NAV could be associated with both the general lack of appetite for renewable energy stocks over the last few years and the fall in UK 10-year gilt yields, from c 4.6% in September 2023 to c 3.5% by the end of that year. Consensus expected further easing of these yields back to 2022 levels of c 1–2%, but the opposite occurred. Yields slowly rose throughout 2024 back to c 4.7% by the end of the year and have stabilised around c 4.5% so far in 2025. Many investors are therefore moving money out of these renewable energy investment trusts, which have an averaging yield of c 10.2% but with significant risk and no indication of a change in investor sentiment, into secure money market funds.

Exhibit 2: Historical UK 10-year gilt yields

Source: LSEG Data & Analytics, Edison Investment Research

Many of PMGR's holdings that fall under the segment of renewable energy developers had operationally strong years despite many of their share prices falling, which has been a common theme among stocks involved in the wider renewable energy sector. For example, Spain-listed **Grenergy Renovables** made good progress in developing its large solar and storage asset in Chile (2,000MW of solar capacity and 11,000MWh of battery storage). In December, it sold the first three phases of the project, equal to more than 20% of the total project size, all of which is scheduled for commissioning by the end of 2025. The sale should provide Grenergy with the equity required to fund the remainder of the project. Despite the above, Grenergy's share price fell by 4.5% in the year to end December 2024.

PMGR stated that it believes **Northland Power**, **RWE** and **Orsted** all suffered significant share price weakness, especially in the latter part of 2024, as a result of being sold down on sentiment arising from the US presidential election. Orsted represents a more recent position for the trust (started towards the end of 2024) and the manager believes that the market over-reacted to the US election, which has been reflected in its share price. RWE's shares fell by 30.4% during 2024, which the manager attributes to the loss of some value based on sentiment surrounding the trust's US investments, combined with lower earnings reported in 2024 as a result of power price declines from the exceptional levels seen in 2023. However, RWE has commenced a €1.5bn share buyback programme, highlighting its further commitment to shareholder value. The manager substantially increased the shareholding in Northland Power towards the end of 2024 to take advantage of the share price weakness. The company has large investments in offshore wind in the North Sea and is in the later stages of construction projects off Poland and Taiwan. The manager believes Northland Power's shares, which saw a 30.4% decrease in 2024, were sold down on sentiment following the US election, despite the company only owning fully operational contracted onshore assets in North America, and the manger therefore increased the stake to take advantage of this mismatch in the share price.

However, not all of PMGR's holdings experienced losses on their share prices in 2024, with Oslo-listed **Bonheur** increasing by 8.4%. The company operates a wind energy business in the UK and Scandinavia, offshore wind installation vessels and a cruise line business. Despite the renewable business producing lower earnings in 2024 due to the fall in power prices, profitability in its installation vessels and cruise lines showed strong growth.

Performance

PMGR once again experienced a negative performance in 2024, with renewable and clean energy companies remaining out of favour with investors. The total return of its assets, including costs, was negative 14%, down from negative 7.5% in 2023. However, PMGR outperformed its comparative index, the S&P Global Clean Energy Index, which returned negative c 24% in 2024 and negative c 20% in 2023 (in GBP terms), highlighting the global struggles for listed stocks in the wider space. It is worth noting that PMGR managed to outperform its benchmark index on both a 10-year and a five-year basis, despite its small scale.

Exhibit 3: FY24 versus FY23 performance

Year-end 31 December	2024	2023	Y-o-y % change
Total return performance			
Total asset total return	-14.0%	-7.5%	
S&P Global Clean Energy Index	-24.1%	-20.1%	
Ordinary share returns			
NAV/share (p)	102	147	-30.8%
Discount to NAV	8.5%	19.3%	-21.5%
Net dividends per ordinary share (p)	8.0	7.4	8.1%
NAV total return	-26.1%	-13.5%	
Share price total return	-15.2%	-19.2%	

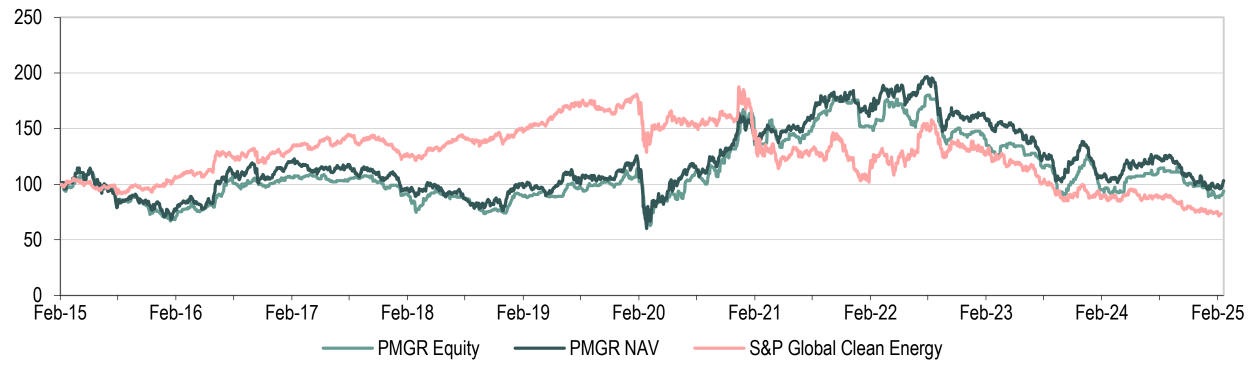
Source: PMGR, Edison Investment Research

Exhibit 4: PMGR relative performance versus benchmark index

	1 month	3 months	6 months	1 year	3 years	5 years	10 years
Price relative to S&P Global Clean Energy	3.0	(3.7)	(5.2)	14.1	(2.0)	95.2	22.3
NAV relative to S&P Global Clean Energy	4.7	(1.0)	(1.5)	13.5	(4.1)	109.6	36.3

Source: LSEG Data & Analytics

Exhibit 5: 10-year performance versus benchmark



Source: LSEG Data & Analytics, Edison Investment Research

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