

GLIL Infrastructure LLP 2020 Review



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2020: Our anniversary year



Ted Frith, Chief Operating Officer, GLIL Infrastructure

Welcome to our fifth anniversary review, a chance for us to take stock of how far we've come, dive into our portfolio and explore what lies ahead as we celebrate our fifth anniversary.

Infrastructure works on a different time frame to much of the rest of the economy. Where others are planning for the next quarter or financial year, our industry is operating in decades and planning for generations ahead.

The current pandemic has provided sobering perspective as the country battles the virus and many of us picked up the rhythm of daily life under lockdown and social distancing. As I sat down to pen this piece, the isolation and grounding of recent months has opened up an opportunity to really consider and appreciate the progress we've made since 2015.

In only five years since GLIL Infrastructure launched, a lot has changed. Our journey began well before George Osborne, the then Chancellor, championed pooling. Our founders had pre-empted the impending evolution for local government pension schemes (LGPS) and were already mapping out a strategy to transform the way that their funds engage with infrastructure investment and work with each other.

Of course, it has been hard. If it wasn't a challenge then I feel more of the schemes and pools would have been following us as we share so many objectives. Collaboration between pension funds requires patience, discipline, a drive to work together and a common goal. Our members have embodied those values, and, with their support, we've taken a concept and crafted a proven alternative way of doing things.

We are now an established investor in core UK infrastructure having deployed more than £1 billion of capital in eight assets – from renewable energy, energy from waste and utilities to ports and rolling stock. We're also making our mark beyond sums of capital invested.

Our team has grown from a hardy group of four to 18 people on the investment team and with a complete support function behind them. The breadth and depth of that expertise has given us the firepower and confidence to complete larger and more complex transactions. But, crucially, it means that we're able to scour the market for the right deals for our members and – as our portfolio has grown – retain a strong voice and influence across our portfolio assets.

That influence and proximity to our investments is the step-change that many LGPS have been looking for.

Fundamentally, they wanted to look for channels for their capital beyond passive funds. Instead, pooling has provided the platform to directly tap into and make the most of the benefits of infrastructure investment – from predictable identifiable cashflows and early income generation to long duration, durable, physical assets with low risk of obsolescence, high barriers to entry and a material yield component of the return.

And for the asset class itself, LGPS make ideal owners in many ways given their long-term outlook, modest target returns, inflation linked liabilities and desire to make a targeted contribution to economic growth.

Quite simply, they are a great fit.

Thankfully, recognition for the role that funds like our members can play in supporting infrastructure is building. Above capital investment, LGPS have been eager to actively engage with management. And that involvement is more important than ever as governance, risk and control hit the top of the corporate agenda – a trend the market has seen well before the COVID-19 pandemic.

Board seats within our portfolio provide the governance rights to drive socially responsible investment and, in collaboration with other directors, support the sound stewardship of those assets for the future.

Now, as we look forward, the challenge remains clear. The UK has significant infrastructure ambitions and taxpayer funds will only go so far – not least as the Treasury reshapes its Budget to cater for the considerable intensive care it has provided the economy in recent months.

I see LGPS having a crucial role to play in plugging that gap. It is now our time to not only be the exemplar long-term custodians of infrastructure assets, but also help drive the sector forward to support the recovery and future growth of the UK economy. I know GLIL will step up to that challenge.

Here's to another five years and beyond.



Five years of growth and impact

£1.825 billion

We are the trusted and preferred investment partner for Northern LGPS and LPP to deploy capital into infrastructure

£1.128 billion

Since inception, we've invested a significant amount of capital to support core UK infrastructure projects

Our portfolio of investments contributes to local communities

Wind and solar energy generation (UK)

1,941,625

(MWH Energy generated)

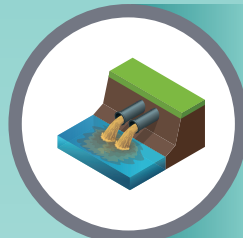


Sufficient to power
606,758
UK households
for a year



Water supplied per household per day
320 (litres)

Wastewater sewers controlled and maintained
47,181
(miles)



Critical infrastructure



Waste management
750,000
(tonnes)

Hospital beds
14,749



Community



Schools
163

GLIL Infrastructure Investment Consumer Survey 2020

Introduction

What do consumers think about infrastructure?

This year GLIL Infrastructure and YouGov conducted a survey of consumers in May 2020 to explore their understanding of infrastructure investment.

Most importantly, more than 2,000 respondents from across the country identified which types of infrastructure developments matter to them most – from road, rail, and airports to renewable energy, utilities and telecommunications.

The UK has significant infrastructure ambitions, and, despite the COVID-19 global crisis, our research indicates that among the general population there is a strong case for investment in infrastructure to get the economy back on track.

Consumers have had to contend with travel restrictions, furlough schemes, food shortages and social distancing measures, but their appetite for a sustainable future for the environment is high and they seek commitment from government and business alike to make this happen.

However, other infrastructure projects which are even more critical to daily lives – roads, rail, utilities, energy and telecommunications – need to do more to raise public awareness of their positive impact on local communities.

Lastly, although 63% of survey respondents think the UK government should pay for infrastructure, the government has other fiscal priorities right now, with money rightly being directed to healthcare and supporting businesses and people from across the economy.

Perhaps now more than ever the government should be encouraging the private sector and local government pension schemes to step up and help fill the infrastructure funding gap as part of the nation's recovery.

Public opinion on sources of UK infrastructure investment








When respondents were asked where they think the majority of UK infrastructure investment should come from, almost two thirds (63%) said the UK government should pay.

Outside of the government, respondents think private investors (6%) should provide the biggest contribution to investment, followed by sovereign wealth funds (2%). More than a quarter (27%) said they were unsure where the majority of UK infrastructure investment should come from, indicating poor awareness of the contribution that pension funds could make to infrastructure in the UK and to the recovery of the economy.

Renewable energy top of public agenda

Investment in renewable energy was described as 'very important' by the largest proportion of respondents (62%), followed by utilities (43%). Respondents were least likely to consider investment in airports to be very important, with 40% describing investment in airports as either 'not very important' (32%) or 'not at all important' (8%).

Infrastructure considered 'very important' by consumers








Infrastructure type	% of 'very important' responses
 Renewable energy	62%
 Utilities	43%
 Rail	40%
 Energy	38%
 Roads	37%
 Telecommunications	37%
 Airports	14%

Local perspectives matter

Our survey was split across 11 regions in England, Scotland and Wales. London saw the highest percentage of respondents regard renewable energy as very important (68%), while in Scotland almost half (49%) described investment in utilities as very important.

Elsewhere, rail had most backing in the South East (46%), telecommunications had most support in Scotland (44%), roads are wanted in the East of England (41%), while energy (42%) and airports (19%) were both considered very important in the North East.

Regions where each infrastructure type is most considered 'very important'

Infrastructure type	Region infrastructure type most considered 'very important'	
 Renewable energy	London	68%
 Utilities	Scotland	49%
 Rail	South East	46%
 Energy	Scotland	44%
 Roads	North East	42%
 Telecommunications	East of England	41%
 Airports	North East	19%

Investment portfolio timeline

We've built a robust portfolio over the past five years. Here we provide some background to each investment and bring you up to date with some of the successes we've achieved during that time.

GLIL Infrastructure offers investors exposure to a growing portfolio of high quality assets



December 2019
Cubico Sustainable Investments
Diversified 250MW wind and solar portfolio



June 2018
Semperian
High quality and established PPP/PFI portfolio



September 2017
Clyde Extension
Follow-on investment

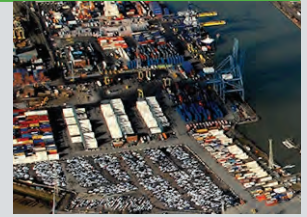


October 2016
East Anglia Rail
Disruptive platform
Innovative financing



November 2015
Iona Biomass
Early mover
Proven technology

October 2018
Forth Ports Group
Leading UK port group with diversified geography & cargo



February 2018
Anglian Water
Best-in-class operator
Outstanding management



June 2017
South West Rail
Disruptive platform
Innovative financing



March 2016
Clyde Windfarm
High-quality operator
Top-class utility partner



The track record of direct investments by the GLIL Infrastructure team over recent years amounts to over £1.1 billion

Cubico Sustainable Investments

Cubico is a leader and global investor in renewable energy and backed by two of Canada's largest pension funds, Ontario Teachers' Pension Plan and PSP Investments. Its UK portfolio has been operational for more than three years and comprises over 250 MW of wind and solar projects at 18 sites across the UK.

GLIL Infrastructure investment

In December 2019, GLIL Infrastructure acquired a 49% equity stake in the operational UK wind and solar portfolio of Cubico.

As part of the deal, Cubico continues to provide long-term management services for the day-to-day operation of the assets.

The Cubico UK portfolio was assessed on a number of criteria, and was deemed to fit well into the GLIL Infrastructure portfolio providing:

- A stable, predictable, inflation-linked cash flows supported by government renewable energy subsidy regimes.
- A value aligned partner in Cubico that shares GLIL Infrastructure's long-term approach to infrastructure investing.
- A diversified portfolio of young operating solar and wind assets.
- A secure capital structure.
- An experienced asset management team.

Achievements

In the short time since acquiring the asset GLIL has played an active role in governance and has supported the review and trial of new blade technology designed to maximise yield.

GLIL hopes to use the relationship with Cubico as a platform to review development opportunities in the renewable energy sector in the future.

ESG

- We see renewable energy assets as integral to UK power generation and a critical part of the country's future infrastructure.
- We are working with the team at Cubico to build a portfolio of solar and wind energy assets across the country that meet the highest standards.
- We are committed to making an impact on the UK's transition to renewable energy and supporting economic growth and decarbonisation.



Forth Ports Group

Established over 50 years ago as a Port Authority, Forth Ports Group consists of eight strategically positioned ports across the UK. Through continued investment and acquisitions, it has grown to be the third largest port operator group in the UK.

The ports facilitate the fast and efficient import and export of raw materials and finished products, operate as logistical bases for major construction projects across the country, and are considered hubs for key established and emerging industries, from oil and gas and agriculture, to renewable energy and North Sea decommissioning.

The Port of Tilbury is the largest port within the group. With 130 years of experience, the Port of Tilbury is London's major port and the UK's greenest port. The port handles 16 million tonnes of cargo per annum.

Other ports include Grangemouth, Rosyth, Dundee and Leith.

GLIL Investment investment

In October 2018, GLIL acquired a minority shareholding in Forth Ports alongside PSP Investments as majority investor, plus two Australian superannuation funds and another pension fund.

For GLIL, Forth Ports is an attractive investment with highly resilient cash flows and long-term GDP-linked value accretion thanks to the ports' freehold and perpetual landlord nature.

Achievements

- The port now handles 41 million tonnes of cargo a year and contributes £950 million of economic value
- The Group has more than 1,100 employees and has invested over £1 billion into the UK economy
- GLIL's investment in Forth Ports provides the group with local capital supporting a long-term investment programme such as the construction of Tilbury2, a new port terminal on the Thames at the former Tilbury Power Station site.

The team is supporting the Group to:

- Establish Dundee as the port of choice in Scotland for offshore wind and North Sea decommissioning activities.
- Enhance the position of Grangemouth as the largest port in Scotland with investment in port and rail facilities.
- Prepare the business to take advantage of new investment opportunities.

ESG

- Ports help the arrival of the bulk of UK goods by the most efficient route – the sea – an important consideration in decarbonising the economy.
- Development of Port of Dundee, to support growth and construction of wind farms.
- Forth Ports plays an important part in the decommissioning of oilfields in the North Sea.
- Construction work all done with the oversight of Natural England and other bodies responsible for wildlife protection.
- Industry-leading health and safety record.



Semperian

Semperian is a UK-focused social infrastructure company with 94 assets predominantly in the PPP/PFI sector.

Launched in October 2007 with the initial acquisition of a £1 billion portfolio of infrastructure assets from Land Securities Plc, Semperian invests in UK infrastructure that provides essential public services to local communities.

Its portfolio comprises 2.8 million square meters of accommodation, 15,000 hospital beds, 1,600 car parking spaces, 163 schools and more than 500 kilometres of road.

GLIL Infrastructure investment

In June 2018 GLIL acquired a minority equity stake in Semperian PPP Investment Partners to support the future growth of the business and its portfolio.

The investment provided access to a large and diverse portfolio of mature assets with long-term, inflation-linked returns that match the long-term liabilities of GLIL's members. The composition of Semperian's corporate structure makes it ideally suited for GLIL to deploy further capital in the PFI/PPP sector.

It was also an attractive proposition given the company's experienced and well-resourced management team that holds a stand-out reputation as an 'active' investor.

Achievements

- Semperian retains an appetite to deploy more capital and is currently exploring opportunities for new acquisitions, as well as increasing investment in existing assets.
- Proven ability to transact on assets off market and a strong reputation to deliver.

ESG

- Social infrastructure is vital to supporting our communities across the country. It is imperative that we work with Semperian to ensure that its investments not only deliver on their core purpose, but also strive towards our environmental, social and governance objectives.
- That's why we work with the leadership team to review all aspects of the construction and project development cycle to consider impact on climate change, pollution and waste, biodiversity and sustainability, as well as ensure comprehensive support for direct and indirect staff – safeguarding labour rights, health and safety, and diversity and inclusion.



Anglian Water Group

Anglian Water Group is the largest water and sewerage company in England and Wales by geographic area, and the fourth largest water company as measured by Regulated Capital Value (RCV).

Anglian Water Group's principal business is Anglian Water Services Limited, the group's regulated water and sewerage company, which supplies water and water recycling services to more than six million customers in the east of England and Hartlepool.

GLIL Infrastructure investment

GLIL Infrastructure purchased a 15% stake in Anglian Water Group via its joint venture entity, Camulodunum Investments Limited, along with Dalmore Capital. The deal was signed in December 2017, completing in February 2018. GLIL joined the Osprey consortium of investors - which had remained unchanged since the group was delisted in 2006 - comprising Canada Pension Plan, IFM Investors, Infinity Investments S.A. (ADIA), and First State Investments..

The investment in Anglian Water Group represents an ideal fit for GLIL Infrastructure and its members. The company provides essential infrastructure and services for a large and growing population of customers in the east of England. The business is committed to reducing carbon across operational and investment activities. The executive team are extremely focused on the health and safety of the workforce, especially during the COVID-19 pandemic.

The business has one of the most experienced chief executives in the sector, along with a motivated and well qualified management team, who have delivered on efficiencies for both customers and shareholders in the past. For example, Anglian Water has a sector leading position in lowering leakage rates despite the length of its network, beating the regulatory target for the last nine years in a row.

Achievements

GLIL Infrastructure is working with other shareholders and the executive team to:

- Promote capital investment to enhance efficiency and improvements in environmental standards; almost no capital has been returned to shareholders since GLIL Infrastructure invested in Anglian Water in order to support the future capital expenditure plans.
- Support the company's challenge to Ofwat's Final Determination issued in December 2019 which compromises the ability of the business to deliver the improvements and investments which customers had supported.
- Continue to achieve efficiencies while maintaining the status that Anglian Water has delivered the lowest price increases of any water company since the industry was privatised in 1989.
- Beat the target to reduce capital carbon in 2010 by 60% in 2020 by delivering a 61% reduction, as well as delivering the best performance for renewable energy during the year 2019/20 with 131 GWh produced - enough to power 40,000 homes for a year.



Rock Rail

Rock Rail was established in 2014 to develop innovative project finance models to support the introduction of new rolling stock on selected rail routes in the UK.

The business is responding to calls by the Department for Transport of operators to introduce new rolling stock, increase routes and frequencies to provide an enhanced passenger experience. It is a challenger to the three rolling stock leasing companies (ROSCOs) that have dominated the market since they were formed during the privatisation of the railways in the 1990s.

Rock Rail also demonstrates a strong commitment to delivering responsible investments with a focus on sustainable benefits for the environment, local communities and wider society.

GLIL Infrastructure investment

On 4 October 2016, GLIL Infrastructure and Aberdeen Standard Investments reached financial close, alongside Rock Rail, to provide equity finance for the manufacture of a fleet of 58 trains comprising 378 vehicles to be operated on the East Anglia franchise. The fleet is a mix of 20 electric multiple units and 38 bi-mode units (which can operate using overhead lines or diesel generators) and is provided by Stadler Rail AG.

Following the successful close of the East Anglia transaction, GLIL Infrastructure, Standard Life Capital (SLC) and Rock Rail once again collaborated to provide equity finance for the manufacture of a fleet of 75 trains comprising 750 vehicles to be operated on the South Western franchise. Financial close occurred on 19 June 2017. The fleet is all electric, with 60 ten-car intercity trains and 15 five-car inner-suburban trains and will be provided by Bombardier from their Derby factory. The fleet will be delivered throughout 2020 and 2021.

For GLIL Infrastructure, the investment provides an opportunity to directly invest in strategically important UK passenger rolling stock and other rail infrastructure to support the economy, and at the same time play an important role in the development of greener rail solutions.

The East Anglia and South Western projects will provide stable, predictable cash flows on the back of a long duration asset. The sector also has high barriers to entry and minimal construction risk. Furthermore, strong governance underpinned the investment decision.

Achievements

- East Anglia fleet: The final trains were delivered to the operator in May 2020. Most are now in service with the first of the Stansted Express trains accepting passengers in July 2020.
- South Western fleet: the first complete train was delivered to the operator for testing in June 2020. We anticipate the new units will start to enter passenger service later in 2020.



Clyde Windfarm

Clyde is a 522MW windfarm developed by SSE Plc in Abington, South Lanarkshire. It is one of Europe's biggest windfarms, boasting 206 turbines and generates enough energy to power 290,000 homes.

Clyde Wind Farm was constructed in two stages, the initial site was granted permission by Scottish Ministers in July 2008 with construction commencing in 2009. At the peak of construction, over 400 people were employed on the site. Over the next two years, 152 turbines were constructed, making the first grid connection taking place in 2011. A further 54 turbines were built in July 2014.

The two construction projects have contributed hundreds of millions of pounds of socio-economic benefits to the Scottish economy, including job creation, skills training and opportunities for local and Scotland-wide businesses. In operation, Clyde Wind Farm employs up to 50 full-time staff.

GLIL Infrastructure investment

GLIL Infrastructure purchased a minority equity stake in March 2016, alongside Greencoat UK Wind Plc, SSE retained a controlling equity stake and would continue to perform long-term management of day-to-day operations.

On investment, the site comprised an operational fleet of 152 Siemens 2.3MW turbines and a further 54 Siemens 3.2MW turbines under construction. Upon the commercial operation date in 2017, GLIL Infrastructure and Greencoat exercised a right of first offer and acquired additional stakes in the business.

For GLIL Infrastructure, Clyde provides an unleveraged, direct investment opportunity for its members in an excellent wind resource alongside a top-tier operating partner in SSE, and enhanced by Government-backed inflation linked revenues.

Achievements

- GLIL Infrastructure's investment supported the construction of the extension site on time and without issue.
- The investment has outperformed GLIL Infrastructure's base case assumptions during its period of ownership.
- The investment supports National Grid's increased requirement for 'reactive power'.



Iona Capital

Iona Capital was established in 2011 and manages funds for institutional investors that provide equity and subordinated debt into renewable infrastructure projects in the bioenergy sector.

Iona works closely with UK and international waste management industry stakeholders to source long-term projects, which it prepares for investment. Iona will finance projects from planning consent through to construction, with the intention of holding the operational plants through their economic life.

Its investment and asset management experience within the waste and renewables sectors demonstrates that investment in sustainable, low carbon businesses and projects can deliver above market risk-adjusted returns.

The company currently has £260m of assets under management.

GLIL Infrastructure investment

GLIL Infrastructure first partnered with Iona in 2015, investing into Iona Environmental Infrastructure LP 2 (IEILP 2), Iona's second fund offering. The fund's primary strategy is to invest in bioenergy infrastructure projects in the UK. It has since followed its initial investment with a further commitment to IEILP 3.

Through IEILP 2, GLIL Infrastructure is supporting the development and use of well-proven biological and thermal conversion technologies, such as Anaerobic Digestion (AD) and biomass Combined Heat and Power (CHP), among others. As for IEILP3, the fund's primary strategy is to invest in bioenergy infrastructure projects in the UK.

For GLIL Infrastructure, the investment provides attractive returns with a strong cash yield and inflation-linked revenues in the form of Renewable Obligation Certificates (ROCs), Feed in Tariffs (FITs) and Renewable Heat Incentives (RHIs). Furthermore, there is risk mitigation through Engineering Procurement and Construction contracts (EPCs) with construction partners, while project operators are similarly aligned with long-term feedstock supply contracts in place.

Achievements

- GLIL Infrastructure's investment immediately provided capital funding for Leeming Biogas, a biogas to grid plant in Yorkshire.
- The IEILP 2 fund is now fully invested across eight assets, with the majority of these now 'fully operational' and ramping up production towards expected capacity.
- IEILP 3 has now made four investments in sites across the UK.

ESG

Our work with Iona Capital is developing the UK's bioenergy infrastructure for a more sustainable future. From construction to operation, environmental impact is considered, monitored and mitigated wherever possible.



The GLIL Infrastructure team

Our investment and asset management specialists are located in London, Liverpool, Manchester and Bradford.

If you would like to talk to us, please contact:

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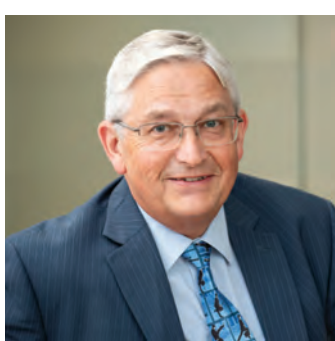
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