



**Disclosure - Non-Independent Marketing Communication** This is a non-independent marketing communication commissioned by Greencoat UK Wind (UKW). The report has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on the dealing ahead of the dissemination of investment research.

# Investing in renewable energy infrastructure with investment trusts

Renewable energy infrastructure trusts provide attractive income and defensive potential.

David Brenchley

[david.b@keplerpartners.com](mailto:david.b@keplerpartners.com)

In the classic novel Don Quixote by Miguel de Cervantes, the eponymous hero mistakes a row of spinning windmills for fierce giants, riding at them on his horse with a lance and trying to fight them. It's where we get the idiom 'tilting at windmills', in this case meaning attempting to fight imaginary enemies.

Today, we see a similarly misguided mission being undertaken by climate change sceptics: railing against not only wind farms but other forms of renewable energy, too. Despite their objections, renewables are undoubtedly going to be an important part of the UK's energy mixture for decades to come, in our view.

We agree, of course, that declaring all-out war on fossil fuels is unhelpful, as other dirtier kinds of energy and technologies are undoubtedly going to be needed to smooth out the transition to a low-carbon economy.

Yet, the stigmatising of renewables is equally unhelpful. Sure, the UK has plenty of untapped oil and gas potential, but so does it have lots of wind and, somewhat surprisingly in recent years, sun. The cost of renewable energy generation has also come down significantly over the years, meaning it is the cheapest form of energy generation in some locations.

The sceptics have mistaken wind turbines, solar farms and the like for the enemy, but the truth is they will all need to be used in the future. In our view, this should mean that there is a strong case long term case for the investment returns from renewable energy infrastructure investment trusts.

## Why invest in renewables infrastructure?

As advances in technology and regulatory changes have helped to usher in an era of green energy usage over the past decade or so, we've seen a steady increase in interest in renewable energy investment.

We think that this is only going to continue and there are a number of reasons why investors should consider allocating to renewables.

### Inelastic demand

Renewable infrastructure is ultimately about selling energy, demand for which is less sensitive to changes in price or the state of the wider economy.

In other words, the price of energy can rise substantially without a commensurate drop off in demand. Similarly, even if there is an economic downturn, demand for energy is unlikely to subside dramatically.

In the last few years, the demand for electricity has been boosted by two big structural themes that we think will continue to run for many years. Firstly, fossil fuel-powered cars are seeing significant competition from electric vehicles. Secondly, the rise of AI and data centres, together a huge source of energy demand, has seen huge demands placed on grids worldwide.

This structural increase in demand means that renewables can arguably provide defensiveness to an investor's portfolio. Although the price of energy can fluctuate, the end investor can say with a level of certainty that demand for that energy is not going to subside substantially.

### Strong and stable cash generation

Renewable assets tend to be highly cash generative. Although, as noted, the price of energy is hard to predict and can fluctuate, the point remains that there are comparatively low levels of volatility in renewable infrastructure's cash flows.

Not only is a proportion of revenues typically made up of inflation-linked subsidies, but managers of trusts can sell forward electricity production to reduce volatility.

Beyond the fact that this can make the sector more attractive to income investors, for the actual direct investor in the infrastructure, it often means that the leverage used to finance transactions can be acquired at more attractive rates than in other sectors.

### **Long-term investment**

Renewable energy infrastructure assets typically have long economic lives. They are usually capital intensive to set up, but once that is done, there are typically low operating costs, especially compared to hydrocarbons.

Again, this provides a degree of certainty to investors. They know that a given infrastructure asset has a certain useful life, over which time it can generate a fairly predictable amount of energy. This makes forecasting cash flows simpler than it would be compared to other asset classes.

### **Inflation-linked cash flows**

Energy is a significant component that feeds into the inflation calculation. Rising prices boost the revenues of producers, and although this can eventually be counteracted by falling demand, demand is relatively inelastic. As such there is a natural inflation-hedging element to an investment in energy producers.

Additionally, many renewable energy providers have contracts that contain direct inflation linkage. This means that if inflation does rise, a proportion of renewable energy infrastructure operators' cashflows increase in line with it. On the other hand, some renewable energy trusts fix the prices they receive for the energy they produce, so these revenues won't rise along with wholesale energy prices.

The result is that the income renewable energy infrastructure assets produce can be resilient in the face of inflation. A bit of research into each renewable energy infrastructure trust is necessary to understand its individual circumstances.

### **Low correlation with other asset classes**

Renewables energy infrastructure performance has historically had a low correlation with traditional assets. In fact, over the 10 years to 30/09/2026, the average renewable energy infrastructure trust had the joint-third lowest correlation of any sector to the Vanguard FTSE All-World UCITS ETF, in share price total return terms, according to the data provider FE fundinfo.

That is partly due to the stability of the cashflows, which such investments produce. Another factor is that capital valuations are appraisal-based, like private equity. This can 'smooth' out returns.

The result is that renewable energy infrastructure assets might offer diversification benefits to investors.

## **How difficult is it to invest in renewable energy infrastructure?**

Investing in renewable energy infrastructure directly is effectively off limits for individual investors and wealth managers.

Fundamentally, this is due to cost. As a private investor or wealth manager, such investors simply don't have the huge sums – potentially hundreds of millions of pounds – needed to make a direct investment in institutional quality infrastructure assets.

Even if this were possible, then this is a specialist asset class, which requires time and expertise to manage what is more akin to a company than a 'normal' fund management business, investing in traditional equity or bond portfolios.

It's for this reason that investors tend to either invest in the shares of renewable energy companies that provide a level of indirect exposure to the sector or in different types of funds that invest in the sector directly.

## **Why invest in renewable energy infrastructure with investment trusts?**

Investment trusts offer an easy and affordable way for investors to access the diversification benefits that investing in renewable energy infrastructure brings.

The ability to use gearing is important for renewables trusts and many of them utilise this structurally; as is the ability to

hold back up to 15% of the income they receive in any one year to help smooth dividend payments if there is any unexpected drop-off in income.

The investment trusts housed within the renewable energy infrastructure sector are diverse beasts. Some offer exposure to specific technologies – wind or solar, say – while others invest across the whole gamut; some focus solely on one country or region – like the UK, US or Europe – while others invest globally.

These trusts are structured as investment companies that are listed on the London Stock Exchange, meaning it's easy for investors small and large to buy their shares. The permanent capital structure of closed-ended funds provides liquid exposure to an inherently illiquid asset class.

In addition, all these trusts can currently be bought at a discount to the underlying value of their net assets, providing a potentially attractive entry point.

## Case study: Greencoat UK Wind (UKW)

**Launched:** 2013

**Manager:** Schroders Greencoat

**Ongoing charges:** 0.83% (as of 31/12/2025)

**Investment policy:** The Company's aim is to provide investors with an annual dividend that increases with CPI inflation while preserving the capital value of its investment portfolio in the long term on a real basis through reinvestment of excess cash flow. The substantial majority of the investment portfolio will be operating UK wind farms. The Company intends to maintain a balanced exposure to power prices. Aggregate Group Debt will not exceed 40% of GAV at drawdown.

**Benchmark Index:** UKW does not measure performance against a given benchmark.

[Greencoat UK Wind \(UKW\)](#) invests in a portfolio of wind farms operating around the UK, both onshore and offshore. The revenue that it generates helps it to provide shareholders with an annual dividend that increases with consumer price inflation annually.

UKW also aims to preserve the capital value of its investment portfolio in the long run, on a real basis. It does this through reinvestment of excess cash flow.

UKW was the trailblazer of the renewable energy infrastructure sector and remains the largest and most liquid fund in its peer group. Its net asset value (NAV) is almost £3bn and its gross asset value (GAV) is just under £5bn.

UKW is managed by Matt Ridley and Stephen Packwood at Schroders Greencoat, both of whom have more than two decades of experience in the renewables sector.

From its IPO in 2013 to 30/06/2026, UKW delivered an annualised NAV total return of 8.6% and an annualised share price total return of 6.3%.

### 1) What is the investment trust's goal?

*UKW's goal is to provide investors with an annual dividend that increases with CPI inflation while preserving the capital value of its investment portfolio, which consists of a portfolio of operating UK wind farms.*

### 2) Are investment decisions driven by a particular investment style?

*UKW's success has, in large part, been down to the simplicity of its investment proposition. The trust focuses very specifically on the higher financial returns provided by wind farms relative to other renewable assets.*

*Traditionally, UKW has maintained around 50% of its lifetime revenues as fixed per unit of energy produced and around 50% variable, on an NPV basis. The fixed revenues are either from subsidies, in the form of Renewable Obligation Certificates or contracts for difference, short-term hedges or via direct sales to corporates.*

*The variable revenues are through selling electricity to the grid, with most of UKW's power sold at prevailing day-ahead prices under route to market Power Purchase Agreements (PPAs), typically with large utilities. This means that when the price spikes, like it has this year as a result of the ongoing US-Iran war, UKW should make more money.*

### **3) How many wind farms does the investment trust typically hold?**

*UKW's portfolio currently consists of 49 wind farms, of which around 57% by value is onshore and 43% is offshore. All its wind farms are located in the UK and Northern Ireland and the portfolio currently has a weighted average expected remaining life of 9.5 years (as at 31/03/2026).*

*Offshore wind projects tend to be bigger in terms of unit size, which means that they are over-represented in UKW's top 10 investments.*

### **4) What is the investment trust's dividend policy?**

*UKW aims to provide shareholders with an annual dividend that increases with CPI inflation. In fact, UKW is the only one of its peers to have an explicit link between its dividend and inflation. Hence, the historic dividend serves as one important yardstick of whether the trust has achieved its aims.*

*UKW has increased its dividend each year from an annualised 6p per share at IPO in 2013 to 10.35p paid last year and a dividend target for 2026 of 10.7p. This is equivalent to a yield of c. 9.6% at the share price at the time of writing on 07/10/2026.*

*UKW has exhibited strong dividend cover historically, having averaged 1.7x since launch. Dividend cover for the first half of 2026 was 1.9x and the trust believes that over the next five years it will achieve an average dividend cover of 1.8x.*

### **5) What are the investment trust's ongoing charges?**

*The stated ongoing charges figure was 0.83% on 31/12/2025.*

*UKW was the first of the renewable peer group to move its fees to be 100% based off the lower of market capitalisation or NAV, ensuring even greater alignment with shareholders. Given its scale and market-leading fee basis, UKW has the lowest OCF in the sector.*

*The management fee structure comprises 1% on market capitalisation (MC), with a further 0.2% paid in equity (new shares issued at NAV or bought in the market and awarded at NAV) for MC below £500m. The fee declines to 0.9% (and an equity fee of 0.1%) on MC over £500m, 0.8% (no equity fee) over £1bn of MC, and 0.7% over £3bn.*

### **6) Does the investment trust have performance fees?**

*No, there are no performance or acquisition fees.*

### **7) Does the investment trust use gearing and if so is it structural or opportunity-led?**

*UKW has consistently employed structural gearing over its life, essentially benefitting from the relatively low cost of borrowings compared to the returns it is able to invest in wind farms at.*

*The board has a self-imposed medium-term maximum target of 40% of GAV, or 65% of NAV. As at 31/03/2026, group aggregate debt was £2.1bn, which is 41.7% of GAV, or c. 70% of NAV. While this means UKW is currently above its internal gearing limit, this has no impact on the operations of the trust and UKW still has the ability to use excess cash generation to fund growth or repay debt over time to bring borrowings below the 40% threshold.*

*All data as at 30/06/2026 unless specified otherwise.*

---

## Disclaimer

---

### Disclaimer

This report has been issued by Kepler Partners LLP. **The analyst who has prepared this report is aware that Kepler Partners LLP has a relationship with the company covered in this report and/or a conflict of interest which may impair the objectivity of the research.**

**Past performance is not a reliable indicator of future results. The value of investments can fall as well as rise and you may get back less than you invested when you decide to sell your investments. It is strongly recommended that if you are a private investor independent financial advice should be taken before making any investment or financial decision.**

Kepler Partners is not authorised to make recommendations to retail clients. This report has been issued by Kepler Partners LLP, is based on factual information only, is solely for information purposes only and any views contained in it must not be construed as investment or tax advice or a recommendation to buy, sell or take any action in relation to any investment.

The information provided on this website is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject Kepler Partners LLP to any registration requirement within such jurisdiction or country. In particular, this website is exclusively for non-US Persons. Persons who access this information are required to inform themselves and to comply with any such restrictions.

The information contained in this website is not intended to constitute, and should not be construed as, investment advice. No representation or warranty, express or implied, is given by any person as to the accuracy or completeness of the information and no responsibility or liability is accepted for the accuracy or sufficiency of any of the information, for any errors, omissions or misstatements, negligent or otherwise. Any views and opinions, whilst given in good faith, are subject to change without notice.

This is not an official confirmation of terms and is not a recommendation, offer or solicitation to buy or sell or take any action in relation to any investment mentioned herein. Any prices or quotations contained herein are indicative only.

Kepler Partners LLP (including its partners, employees and representatives) or a connected person may have positions in or options on the securities detailed in this report, and may buy, sell or offer to purchase or sell such securities from time to time, but will at all times be subject to restrictions imposed by the firm's internal rules. A copy of the firm's Conflict of Interest policy is available on request.

PLEASE SEE ALSO OUR TERMS AND CONDITIONS

Kepler Partners LLP is authorised and regulated by the Financial Conduct Authority (FRN 480590), registered in England and Wales at 70 Conduit Street , London W1S 2GF with registered number OC334771.