Results analysis: Jupiter Green

JGC announces the conclusion of its review...

Update
24 December 2024

- **In the six months to 30/09/2024, Jupiter Green (JGC) delivered a NAV total return of 2.5%, compared to a 0.8% decrease in the trust's benchmark, the MSCI World Small Cap Total Return Index.**
- **A significant narrowing in the trust's discount from 31% to 20% during the period helped to support a substantial share price total return of 19.3%.**
- **The Green Buildings & Industry and Sustainable Water themes were the primary drivers of positive NAV returns during the period, supported by the increasing energy demands of artificial intelligence solutions.**
- **The board announced the conclusion of its strategic review and has proposed a scheme of reconstruction and voluntary liquidation of the trust due to its persistent discount and comparatively low liquidity. Shareholders will be given the choice of rolling over their investment into the Jupiter Ecology fund, which is managed by the same team, or a cash exit.**
- **JGC Chair Michael Naylor said: "The board's conviction in the long-term prospects for Environmental Solutions investing remains high, but we recognise that in the current market environment, a pragmatic approach is required. The plan outlined today will provide investors with the opportunity to continue their investment through a rollover option."**

Kepler View

Jupiter Green (JGC) has a broad remit to invest in environment solutions providers that offer the potential for long-term structural growth. Manager Jon Wallace runs a well-diversified portfolio across six main themes, reducing the exposure to any one environmental theme.

The higher interest rate environment has been a headwind for smaller companies and environmental stocks in the past few years. However, the trust has achieved a modest positive net asset value total return during the period under review, and outperformance against the modest fall in its benchmark index.

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We believe that the strong performance of the green buildings theme, which is currently the largest portfolio weighting, demonstrates the strong secular growth drivers in this sector. This includes the substantial forecast rise in energy demand to supply the needs of artificial intelligence technologies, which has boosted investment in energy grid and power management systems. The hyper-scalers, such as Amazon and Microsoft, are also investing billions of dollars in the roll-out of 'green' data centres using renewable energy.

Portfolio changes during the period included a new position in Belimo, a Swiss-listed manufacturer of Heating, Ventilation and Air Conditioning (HVAC) devices, which has enjoyed a significant year-to-date rise in share price. The trust also initiated a holding in clean energy developer EDP Renováveis, and increased its stake in Norwegian biorefinery operator Borregaard, which demonstrates the broad exposure to a range of environmental themes. The trust exited its position in Johnson Controls and took profits on water solutions business Veralto.

In July, the board announced that it was evaluating options for the future of JGC due to its size and the challenging backdrop for the wider investment trust universe. While JGC is currently trading on the narrowest discount amongst its peers in the AIC Environmental sector, it is also the smallest by some margin, which has limited the ability of larger investors to buy shares in the trust due to liquidity constraints.

The board has looked to manage the persistent discount through a share buyback programme but has concluded that the interests of shareholders would be best served through a scheme of reconstruction and voluntary liquidation of the trust.

Shareholders will be given the option of rolling over their investment into the open-ended Jupiter Ecology Fund, which also provides exposure to environmental solutions themes and is managed by the same team. This will provide better liquidity than the closed-ended structure and lower ongoing costs.

Jupiter Ecology also has a flexible approach to investing in environmental solutions companies and does not seek to emphasise smaller-company and/or earlier-stage innovation within its portfolio as has been the approach of Jupiter Green since September 2020. Alternatively, shareholders can opt for an uncapped cash exit at a modest discount to net asset value and it is expected that the scheme will take effect during the first quarter of 2025.

The environmental solutions sector continues to enjoy strong secular growth drivers in the transition to net-zero, from the required upgrade to electricity infrastructure to the preservation of water resources. High inflation and interest rates have been a headwind in the last two years, however the macroeconomic environment looks more supportive going forward for the sector.

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