

Octopus Renewables Infrastructure Trust

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Octopus Renewables Infrastructure Trust in prime spot as investors switch on to green energy

Octopus Renewables Infrastructure Trust PLC's (LON:ORIT) IPO late last year provided more evidence of the demand currently for green energy investments.

Originally, the fund intended to raise £250m, but such was the interest it eventually pulled in £350m.

Matt Setchell, the trust's co-investment manager, says there is a huge appetite from investors for renewable energy at present.

The good yields on offer at a time when interest rates are close to zero are one attraction.

Setchell, though, believes that investors increasingly also want their money to 'do something' and to have an impact on issues such as climate change.

This will lead to a major shift in investment behaviour, he adds.

A survey carried out by Octopus among investing institutions at the end of 2019 identified a move away from fossil fuels as a major theme.

Over the next ten years as much as US\$1trn might shift into the renewable space from oil, gas and coal, Setchell suggests.

And a combination of an attractive yield plus the holistic benefit of investing in renewable energy is exactly what ORIT is offering to investors, he says.

Fossil fuel switch

ORIT's initial focus will be onshore wind and solar power projects and while there are other investment trusts with a similar remit, Setchell believes the fund's reach, flexibility and ability to invest at an early stage of a project's development give it an edge.

Rather than just acquiring operational assets in a single technology in a single country such as UK solar or onshore wind, ORIT intends also to build new renewable energy assets across Europe and Australia.

It will acquire assets already in operation but there will also be projects where it takes responsibility for the building.

The aim is to have a 'real impact' on the environment, he adds.

Target returns are 7-8% over the long-term, which will include a dividend of 3% in year one and 5% thereafter plus asset appreciation.

Price: 100

Market Cap: £350 m

1 Year Share Price Graph



Share Information

Code: ORIT

Listing: LSE

52 week	High	Low
	112	88

Sector: Renewable Energy

Website:
octopusrenewablesinfrastructure.com

Company Synopsis:

Investment opportunities in wind and solar assets

Octopus Renewables Infrastructure Trust Plc (the "Company" or "ORIT") is a closed end investment company incorporated in England and Wales that is focused on building and operating a diversified portfolio of Renewable Energy Assets in Europe and Australia.

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Setchell says those forecast returns are higher than the peer group and reflect the strategy to invest in 'construction-ready' opportunities at an early stage.

"By taking on construction risk, we can add value and give investors that extra bit of return profile while still buying operational assets to deliver dividend yield."

Mix of assets

A mixture of assets with different profiles also helps manage the fluctuations in electricity prices and changing regulatory regimes.

So the portfolio might include operating assets in France and the UK with guaranteed 15-20 year subsidies alongside unsubsidised wind farms in Finland or newbuild assets in Spain and Italy.

ORIT is part of the Octopus stable, where a renewable operation already handles £3bn worth of assets for institutions, pension funds, private equity and family offices.

That side of the business employs a team of 70 and is the largest investor/owner-operator of solar in Europe, but having a listed vehicle is a chance to deliver a differentiated product to investors.

Demand only set to grow

Setchell is sure the need for new renewable energy projects will only keep growing and the trust has been set up to be flexible.

Many countries in Europe are aiming for 50% of electricity generation to be renewable by 2030, for example, a target that will be a huge driver for the sector.

Eventually that might mean different renewable technologies but, for now, ORIT's focus is proving the strategy in onshore wind and solar.

"It's about dividend yield and growth alongside doing better things with money."

At 109.2p, ORIT is valued is £380mln.

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