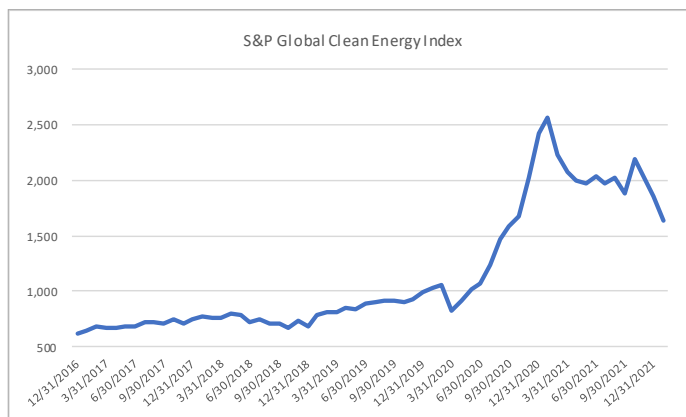


EGA Renewables Infrastructure Quick Note - February 2022

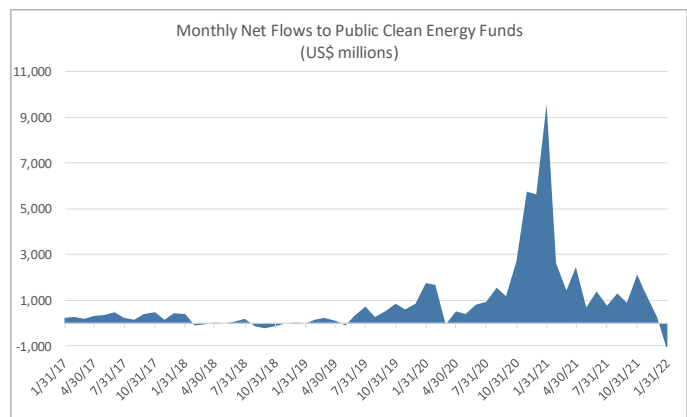
From the EGA Renewables Infrastructure Team

Infrastructure: Offering Upside To the Downside

After peaking on January 8, 2021, the S&P Global Clean Energy Index declined 44% as investors' enthusiasm took a pause following the sector's meteoric rise of 170% from 2019-20. Some of this retracement was due to profit taking. Some of it was attributable to the old Wall Street adage "Buy the rumor, Sell the news". We think a good portion of the final run-up was in anticipation of a Joe Biden victory in the 2020 Presidential Election. Many predicted a Biden win would lead to more aggressive renewable energy policies. Unfortunately, the selloff began shortly thereafter as the grand promises of Build Back Better's (BBB) benefits to Energy Transition gave way to the harsh realities of passing the bill through an evenly split Congress. As the year dragged on and the prospects of BBB's swift passage (or passage at all) faded, so did flows into clean energy funds. Inflationary fears fanned the selling flames when the U.S. CPI reached 7% for the first time in 40 years this January.



Source: Bloomberg



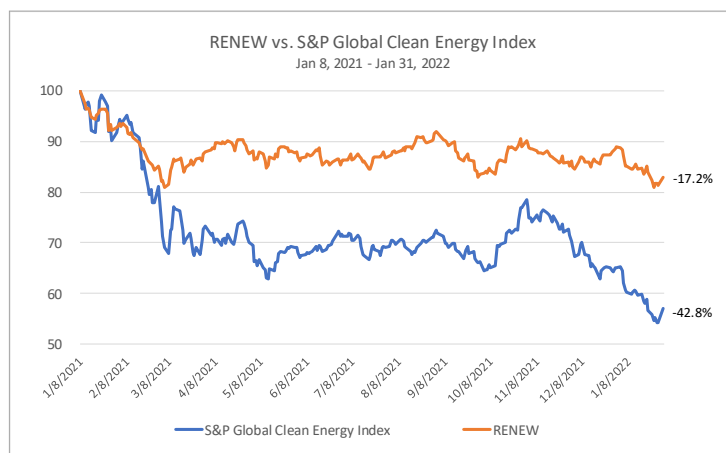
Source: U.S. Capital Advisors

We think this fatalistic view is overwrought, and believe some version of the \$550 billion earmarked for renewable energy will eventually make its way into U.S. law. The world keeps on marching toward "Net Zero" and we are continuously amazed by the magnitude of investment fueling the breakneck pace of technological innovation. Climate tech startups raised \$39 billion across 605 venture deals in 2021, a near doubling of 2020 which at that time was a record. While investors have pulled some money from once high-flying public equities, the capital available for Energy Transition innovation remains high.

Renewables Infrastructure

Short-term market corrections are painful and difficult to navigate. One option for investors who seek the benefits of Energy Transition but don't like the volatility is market timing. However, buying the bottom and selling the top isn't as easy as it sounds. Another option is to identify sub-sectors within renewable energy that afford more stable, predictable cash flows and returns. Renewable Infrastructure companies own and operate real assets (e.g. wind, solar farms) that generate cash flow from long-term power purchase agreements. These attributes should provide downside protection.

From the peak on Jan 8, 2021 to Jan 31, 2022, the S&P Clean Energy Index declined by 42.8%. During the same period, the Eagle Global Renewables Infrastructure Index (RENEW) declined by 17.2%.



Source: Bloomberg

We think peak-to-trough is an important measure of risk since it asks the question “How much might I lose while I am waiting around to win?” Another measure of risk is standard deviation. Measured over the trailing 5-year period to capture both the up and the down market, the S&P Global Clean Energy Index had an annualized standard deviation of 33%. RENEW’s standard deviation over the same period was 18%. By either measure, infrastructure provided the expected cushion to a down market.

	Typical Renewables Strategy	Renewables Infrastructure	Advantage
Portfolio Focus	Invests in high-risk renewables manufacturers (e.g. Tesla, Sunrun, Plug Power)	Invests in stable, fee-based infrastructure companies (e.g. NEE, BEPC)	Lower earnings multiples, and lower portfolio volatility
Company Lifecycle	Will invest in new companies, often pre-revenue	Invests in proven business with established revenue streams	Lower individual company risk profiles
Portfolio Income	Little or no portfolio income	Robust income supported by long term power purchase agreements	Current Income

Megatrend Intact

We believe the long-term investment thesis on renewables is intact. The Energy Transition will continue for decades as will uncertainty around the timing and execution of the massive shift in consumer behavior, investment capital, and the energy supply chain. Investors seeking the benefits of investing in the Energy Transition who are concerned with the risk associated with high growth stocks, should take a look at Renewable Infrastructure as a lower risk option.

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Disclosures

The indices shown are for informational purposes only and are not reflective of any investment. They are unmanaged and shown for illustrative purposes only. The volatility of the indices are likely materially different than the strategy depicted. Eagle Global's Renewables Infrastructure Strategy includes buying and selling various renewables infrastructure companies. Holdings will vary from period to period and renewables infrastructure companies can have a material impact on the performance.

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