EDISON

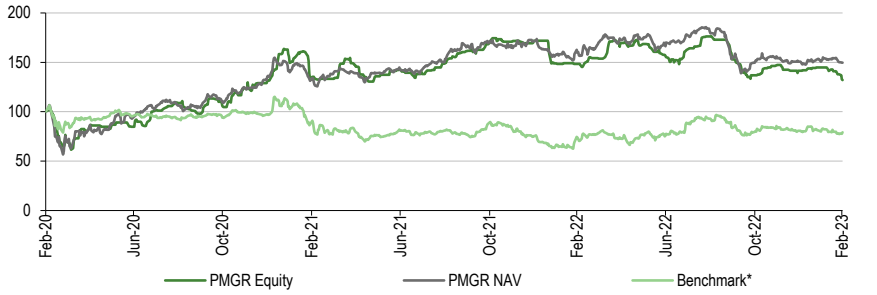
Premier Miton Global Renewables Trust

Positioned for sector rebound

Investment trusts
Renewable energy equities

The imposition of additional taxes on energy companies by UK and European governments in the last quarter of 2022, together with accompanying anticipation, resulted in a very volatile year for the listed renewables sector. Reflecting uncertainty in 2022, Premier Miton Global Renewables Trust's (PMGR's) performance has also been volatile. During the last 12 months, the NAV total return was -8.4%, further depressed by exposure to China, now reduced to 3.1% of the portfolio (at end February 2023). The share price total return was -10.4% because of the gearing effect (both returns in sterling to end February 2023). The manager, James Smith, has responded by restructuring the portfolio away from Chinese holdings towards higher-yielding UK and European companies. He believes that the share prices of renewable companies should start to rise as uncertainty around extra taxation is removed and the market acknowledges the industry's strong fundamentals.

Three-year cumulative performance



Source: Refinitiv, Edison Investment Research. Note: Total returns in sterling, net of dividends. *Benchmark is S&P Global Clean Energy Index; prior to FY21 it was a broad global infrastructure index.

Why invest in PMGR now?

While energy prices remain elevated relative to their historical levels, the imposed extra levies are still allowing renewable energy companies to generate higher revenues, as their fixed costs remain largely unchanged. Combined with inflation-linked revenues, the sector is positioned to perform very strongly. This is particularly relevant in the UK and Europe, where a large portion of companies' revenues is inflation linked, providing investors with stable, covered (and often growing) dividends. PMGR's high exposure to the region aims to capture upside potential, which the manager believes Europe currently presents.

The analyst's view

FY21 and FY22 dividends were fully covered by income and, given ample revenue reserves (c 7.0p per share, almost 1.0x the historical annual dividend), have scope to grow. The manager expects higher income per share for FY23 (7.2p in FY22). The fund is small and highly geared (which potential investors may see in a negative light). The 17.7% discount to NAV remains wider than the three-year average of 9.0%, reflecting investors' cautious attitude towards the renewable energy sector, as investors value it as bond proxy, but may present a buying opportunity at these levels, should sentiment improve.

NOT INTENDED FOR PERSONS IN THE EEA

15 March 2023

Price	**138.5p**
Market cap	**£25.3m**
AUM	**£30.4m**

NAV*		168.3p
Discount to NAV		17.7%
*Including income. As at 13 March 2023.		
Yield		5.1%
Ordinary shares in issue		18.2m
ZDP shares in issue		14.2m
Code/ISIN		PMGR/GB0033537902
Primary exchange		LSE
AIC sector		Infrastructure Securities
52-week high/low	197.5p	137.5p
NAV* high/low	223.9p	166.3p
*Including income		
Net gearing*		32.5%
*As at 31 January 2023		

Fund objective

Premier Miton Global Renewables Trust's (PMGR's) investment objectives are to achieve high income and realise long-term growth in the capital value of its portfolio. PMGR seeks to achieve these by investing principally in the equity and equity-related securities of companies operating primarily in the renewable energy sectors and other sustainable infrastructure investments. The trust is structurally geared via zero dividend preference shares (ZDPs) maturing in 2025.

Bull points

- Exposed to beneficiaries of higher power prices.
- Aligns with global shift towards clean power production and energy security.
- The only pure-play investment trust focusing on listed renewable energy stocks.

Bear points

- Energy markets are volatile and hard to forecast in the wake of Russia's war in Ukraine.
- High structural gearing is inflexible and can be detrimental in a falling market.
- PMGR has a small size, which limits liquidity to an extent, and hence better suits investors with a long-term investment horizon.

Analyst

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Premier Miton Global Renewables Trust is a research client of Edison Investment Research Limited

The fund manager: James Smith

The manager's view: Myopia in financial markets continues

Smith believes that the market has an overly pessimistic view of power prices and commodities and that the recent fall in the share prices of listed renewable companies has been overdone. He observes that these companies are valued as bond proxies. He says that the market largely ignores the other two components of the renewable sector's future returns, aside from yield, namely inflation linking and ongoing elevated power prices.

Power prices are much higher than their long-term historical average and this supports strong revenue and profit generation for renewable energy companies. The UK electricity baseload one-month forward contract, which was £116/MWh on 6 March 2023 (source: Refinitiv), has been very volatile over the past 18 months. While below its 18-month highs, the contract price has seen a significant increase versus the historical level of c £50–60/MWh prior to 2022.

The manager considers the current price level more beneficial for the renewable energy sector, compared to the peak level prices of c £300–£400MWh reached during the last 18 months. Smith explains that it allows the sector to operate profitably and steadily without further government intervention. With gas prices remaining at the current level, other energy sellers, including renewable companies, continue to benefit from higher revenues and largely unchanged input costs.

Smith also argues that the market remains too fixated on rising interest rates, ignoring the strong economics and fundamentals of the renewable energy industry. He believes that the market has discounted higher interest rates correctly (higher discount rates applied to future cash flows reduce the net present value of a company's share), but ignored sticky high power prices and the benefits of inflation on government feed-in tariffs and historical subsidy schemes.

The UK government is aiming to diversify away from gas into renewable technologies and secure primarily home-based energy supplies. Following the announcements in Q422 regarding the Electricity Generator Levy, the manager believes that the UK government's climate change policies will remain renewable energy friendly, creating further growth opportunities for the UK renewable energy sector. He says that the government will maintain incentives for large-scale investment in renewable energy required in coming years.

The levy took effect on 1 January 2023 and will run to March 2028 at a rate of 45% on power sales achieved above a threshold of £75/MWh. Power prices remain substantially above this level (month forward baseload contracts are currently priced at £116/MWh). Therefore, renewable generators are still able to achieve healthy prices for their output in comparison to historical wholesale electricity prices, which typically traded in ranges between £40/MWh and £70/MWh. We also note that one of PMGR's larger holdings, Drax Group, has secured a higher threshold price given that biomass generation costs are currently higher than £75/MWh, and the biomass threshold will be revised periodically to take account for changes in future generation costs.

The EU has proposed a cap on revenue received by 'inframarginal' generation, ie generators such as renewables and nuclear with low to zero marginal cost of €180/MWh, although many countries have adopted a lower threshold, with varying rates of tax above that level. Smith believes this is an acceptable compromise between capping excessive prices and maintaining investment incentives.

Smith says that if inflation remains higher than interest rates, resulting in negative real rates, it will benefit renewable energy producers whose revenues are inflation linked, as their returns will be higher than those of bonds. According to the Bank of England, the current Bank rate is 4% and the inflation rate is c 10%. At the end of February, five- and 10-year government bonds yields were 3.6% and 3.8%, respectively. While there is a risk of interest rates rising further, they are unlikely to

exceed the rate of inflation, argues Smith. He believes that governments will start loosening their economic policies before interest rates approach inflation rates. The high rate of inflation will benefit UK and European producers with index-linked supply contracts.

Smith believes that the situation in the United States is also favourable, as the government provides tax credits to various renewable subsectors as part of its broader inflation reduction plan. However, producers in the United States tend to sell their power on long-term, fixed-price contracts, so they benefit less from high inflation and are less well positioned than their UK and European counterparts.

The manager's view on Chinese equities has turned negative over the past 18 months. Despite strong Chinese fundamentals and the rebound in Chinese stocks over the past three months in response to positive news from China on the progress of economic reforms and termination of the zero-COVID policy, the manager remains cautious. He believes the performance of Chinese renewable energy equities will be dampened by geopolitical risks and uncertainty about further developments in US-China relations, and prefers to identify what he believes are better risk/reward opportunities in the developed world.

Over the longer term, Smith expects the large-scale expansion of liquefied natural gas (LNG) and renewable energy capacity in Europe, the United States and globally, but this will take time and is unlikely to reduce prices in the near future. Smith believes that due to the complexity, scale and lengthy construction periods of LNG infrastructure, energy prices are likely to remain elevated until price-supply equilibrium is achieved.

Asset allocation

Current portfolio positioning

PMGR invests across a broad range of renewable energy-focused market areas (see Exhibit 3), with a particular focus on renewable energy developers and yield companies (or yieldcos) and funds. While both these categories broadly cover businesses that own and operate renewable energy generation facilities, the principal difference is that the developers take on construction risk, while the yieldcos (which, as the name suggests, have a focus on providing income to investors) buy pre-existing assets.

The major portfolio shift over the past 11 months was the c 14pp reduction in Chinese holdings (Exhibit 1). Chinese companies were a good contributor to the FY21 performance, but in the current environment the manager finds better risk/reward opportunities elsewhere. He also reduced US exposure, as he prefers to invest in UK and European companies, as their revenues have better inflation linkage, compared to US sector peers.

Exhibit 1: Portfolio geographic exposure (% unless stated)

	Portfolio end-February 2023	Portfolio end-February 2022	Change (pp)
United Kingdom	34.2	31.0	3.2
Europe (ex UK)	29.9	17.3	12.6
Global	20.6	18.2	2.4
North America	8.5	12.3	(3.8)
China	3.1	17.1	(14.0)
Latin America	2.0	2.0	0.0
India	0.0	0.8	(0.8)
Cash	1.9	1.3	0.6
	100.0	**100.0**	

Source: Premier Miton Global Renewables Trust, Edison Investment Research

The manager has added to UK and European assets, particularly within the yieldcos and funds space. This segment was up 12.6pp over the past 12 months (see Exhibit 3). Four UK listed companies (three of which are yieldcos) are currently in the top 10 holdings. The largest holding is

Greencoat UK Wind (UKW), which performed strongly over the past 12 months. Drax Group (the second top holding), a UK-based former coal-fired power generator that has switched to using wood pellets (biomass) for electricity production, has attracted negative publicity, but Smith believes biomass has a key role to play in the energy transition, and that Drax operates in compliance with all relevant legislation. PMGR's top 10 holdings (Exhibit 2) accounted for about half of total assets, around the same level as at end-February 2022.

Exhibit 2: Top 10 holdings (as at 28 February 2023)

Company	Sector	Country	Portfolio weight %	
			28 February 2023	28 February 2022
Greencoat UK Wind	Yieldcos & funds	United Kingdom	6.5	5.4
Drax Group	Biomass generation and production	United Kingdom	6.2	7.1
NextEnergy Solar Fund	Yieldcos & funds	United Kingdom	6.2	5.1
RWE	Renewable energy developers	Europe (ex UK)	5.9	5.7
Aquila European Renewables Income Fund	Yieldcos & funds	Europe (ex UK)	5.2	N/A
Atlantica Sustainable Infrastructure	Yieldcos & funds	Global	5.2	4.6
Octopus Renewables Infrastructure Trust	Yieldcos & funds	Europe (ex UK)	5.1	N/A
Grenergy Renovables	Renewable energy developers	Global	4.0	2.5
Iberdrola	Renewable focused utilities	Global	4.0	N/A
Harmony Energy Income Trust	Energy storage	United Kingdom	3.9	N/A
Top 10 (% of holdings)			**52.0**	**52.3**

Source: Premier Miton Global Renewables Trust, Edison Investment Research. Note: N/A when not in the top 10 holdings at 28 February 2022.

Three European companies are represented in the top 10, namely RWE and two funds, Octopus Renewables Infrastructure Trust (ORIT) and Aquila European Renewables Income Fund (AERI). While listed in the UK, ORIT and AERI operate in Europe, and also add to the yieldcos and funds segment of PMGR. The manager added to both positions over the past few months on share price weakness, as he believes both funds have solid portfolios and their share prices are likely to rebound. Other new entries into the top 10 are Spanish renewable energy generator Iberdrola, as its share performed strongly over the past year, and Smith considers it to be a growing renewable business, and Harmony Energy Income Trust, an energy storage company.

Exhibit 3: Portfolio sector exposure (% unless stated)

	Portfolio end-February 2023	Portfolio end-February 2022	Change (pp)
Yieldcos & funds	38.7	26.0	12.6
Renewable energy developers	29.7	28.9	0.7
Renewable focused utilities	9.8	14.4	(4.5)
Energy storage	7.9	7.1	0.7
Biomass generation and production	6.2	8.4	(2.2)
Electricity networks	2.4	2.7	(0.4)
Renewable technology and service	2.4	2.2	0.2
Waste to energy	1.2	6.1	(4.9)
Liquidation portfolio	0.0	0.8	(0.8)
Renewable financing and energy efficiency	0.0	0.0	0.0
Carbon markets	0.0	2.0	(2.0)
	100.0	**100.0**	

Source: Premier Miton Global Renewables Trust, Edison Investment Research

Yieldcos and funds is the largest segment and Smith expects these companies to continue to generate stable income for PMGR, despite the current uncertain environment. Renewable-focused utilities, energy storage and biomass generation and production remain sizeable segments of the portfolio and jointly account for c 30% of the fund, although the weighting has been reduced as the manager added to yieldcos.

Performance and discount

Following PMGR's strong performance in the 12 months to end-February 2022, the year to end-February 2023 has been more challenging, with NAV and share price total returns lagging the MSCI AC World Index (Exhibit 4).

Exhibit 4: Five-year discrete performance data

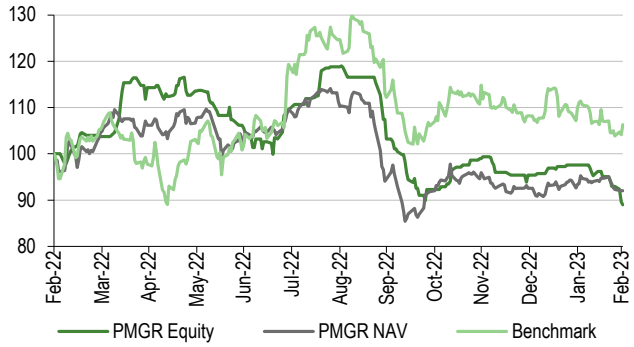
12 months ending	Share price (%)	NAV (%)	Benchmark* (%)	MSCI AC World (%)	CBOE UK All Cos (%)
28/02/19	(2.4)	2.5	16.8	3.3	1.6
29/02/20	14.7	9.2	10.9	8.8	(2.1)
28/02/21	32.8	31.3	(12.7)	19.6	2.8
28/02/22	11.7	23.9	(14.7)	12.8	16.7
28/02/23	(10.4)	(7.9)	4.1	2.2	8.2

Source: Refinitiv. Note: All % on a total return basis in pounds sterling. *Benchmark is S&P Global Clean Energy Index; prior to FY21 it was a broad global infrastructure index.

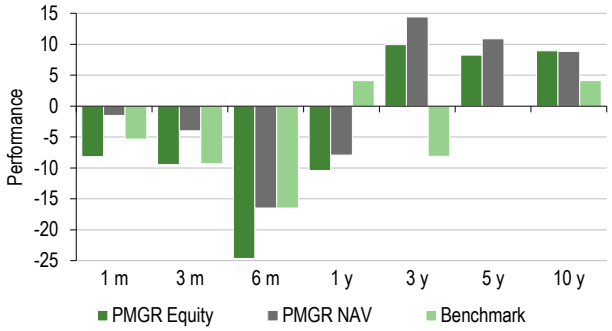
While the fund does not construct its portfolio with reference to any index, during 2021 it adopted a new performance benchmark, the S&P Global Clean Energy Index. Over the 12 months to end-February 2023, PMGR has underperformed the index, as shown in Exhibit 5.

Exhibit 5: Investment trust performance to 28 February 2023

Price, NAV and benchmark total return performance, one-year rebased



Price, NAV and benchmark total return performance (%)



Source: Refinitiv, Edison Investment Research. Note: Three-, five- and 10-year performance figures annualised.

Note that the index returns for periods of more than one year in Exhibits 5, 6 and 7 also include the trust's benchmark prior to FY21, which was a broad global infrastructure index. The index, like PMGR's portfolio, consists of listed companies involved in the generation and supply of renewable energy, although in terms of constituents the two are very different, with the index having higher exposure to the United States and to companies at the technology/components end of the renewables value chain.

There are three main reasons for PMGR's underperformance over the past 12 months relative to the (new) benchmark and MSCI AC World Index: Chinese positions detracted materially and the holding in the Finnish generator Fortum was sold in the period at a substantial discount to the level at which it started the calendar year. Fortum's Russian investments, accounting for approximately 20% of profits, caused its share price to fall sharply. Following the Fortum sale, PMGR's portfolio has no investment exposure to Russia. Finally, US holdings detracted more than their European counterparts, as their revenues' inflation linkage is weaker.

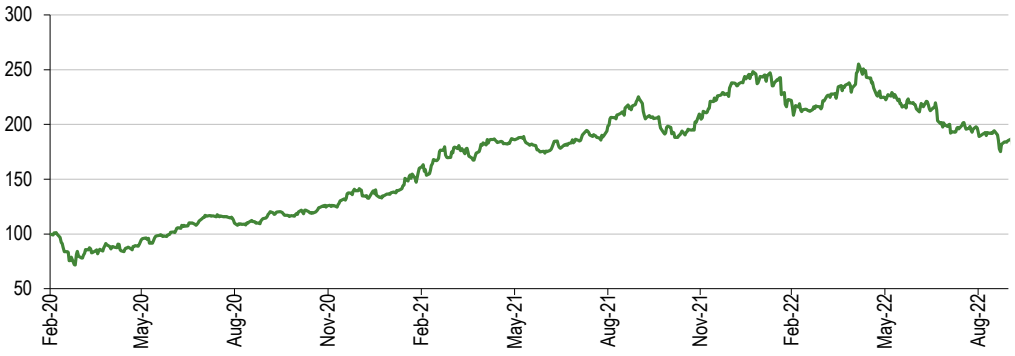
Chinese holdings are now 3.1% of the portfolio (at end-February 2023) versus 22.3% at end-September 2021, and the manager intends to reduce this to less than 3% of the portfolio. Smith has switched to developed markets, which he believes offer better rewards versus their risks.

Exhibit 6: Share price and NAV total return performance, relative to indices (%)

	One month	Three months	Six months	One year	Three years	Five years	10 years
Price relative to benchmark	(3.0)	(0.2)	(9.7)	(14.0)	71.3	48.2	57.1
NAV relative to benchmark	4.1	5.8	0.0	(11.6)	93.1	67.0	55.7
Price relative to MSCI AC World	(7.1)	(8.1)	(24.2)	(12.3)	(3.6)	(3.9)	(16.8)
NAV relative to MSCI AC World	(0.3)	(2.5)	(16.1)	(9.9)	8.7	8.3	(17.6)
Price relative to CBOE UK All Cos	(9.7)	(13.5)	(31.1)	(17.2)	2.3	15.2	27.6
NAV relative to CBOE UK All Cos	(3.2)	(8.3)	(23.6)	(14.9)	15.4	29.8	26.5

Source: Refinitiv, Edison Investment Research. Note: Data to end-February 2023. Geometric calculation.

Exhibit 7: NAV performance versus benchmark over three years



Source: Refinitiv, Edison Investment Research

In Exhibit 8 we present PMGR alongside a group of peers drawn from several AIC sectors, all focused to some extent on renewable energy, utilities and/or infrastructure.

Although it is the smallest fund in the peer group (as measured by market capitalisation; by total assets including ZDPs it is of a similar size to Jupiter Green), PMGR ranks third by NAV total return performance over three years (out of 16 funds). This strong relative performance has been achieved by the manager following the mandate's switch in late 2020 from infrastructure to global renewable infrastructure companies. The lower relative ranking over five years (six of 12 funds) arguably reflects a period underperformance for the trust in 2018, and the environmental funds' greater exposure to renewable energy technology over the entire five-year period, as PMGR lags the likes of Ecofin Global Utilities & Infrastructure, Bluefield Solar Income Fund, Foresight Solar Fund and JLEN Environmental Assets Group – all of which are focused renewable energy trusts.

Exhibit 8: Selected peer group as at 14 March 2023*

% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV TR 10 year	Ongoing charge	Perf. fee	Discount (cum-fair)	Net gearing	Dividend yield
Premier Miton Glbl Renewables Trust	25.3	(8.4)	52.3	74.1	143.6	1.7	No	(17.7)	133	**5.1**
Impax Environmental Markets	1,251.7	2.6	53.6	74.8	244.2	0.8	No	(4.5)	102	0.9
Jupiter Green	49.5	4.7	33.8	40.4	130.5	1.6	No	(8.1)	100	0.0
Menhaden Resource Efficiency	74.6	(10.2)	17.6	49.4		1.8	Yes	(29.5)	100	0.1
Ecofin Global Utilities & Infra	239.9	6.1	34.9	94.3		1.4	No	1.6	113	3.6
Bluefield Solar Income Fund	828.5	23.3	44.0	77.7		1.0	No	(4.6)	100	5.9
Foresight Solar Fund	655.1	24.1	49.2	63.5		1.1	No	(14.8)	100	5.7
Gore Street Energy Storage Fund	496.8	16.8	49.0			1.6	Yes	(10.2)	100	6.3
Greencoat UK Wind	3,622.8	13.4	25.8	54.2		0.9	No	(6.4)	129	6.1
Gresham House Energy Storage	863.4	36.7	77.5			1.2	No	7.0	100	4.7
JLEN Environmental Assets Group	758.1	32.6	46.9	74.3		1.2	No	(6.9)	100	7.2
NextEnergy Solar	612.4	23.5	35.4	58.0		1.0	No	(13.9)	123	6.2
Octopus Renewables Infrastructure	532.7	12.3	25.8			1.2	No	(13.7)	100	4.8
Renewables Infrastructure Grp	2,974.4	19.1	39.2	74.4		0.9	No	(10.8)	100	5.1
SDCL Energy Efficiency Income	959.0	7.2	27.4			0.9	No	(18.2)	100	5.6
Utilico Emerging Markets	423.2	6.4	14.3	10.8	64.1	1.4	No	(14.5)	103	3.4
Simple average (16 funds)**	898.0	13.1	39.2	62.2	145.6	1.2		(10.4)	106.9	**5.2**
PMGR rank in peer group	**16**	**15**	**3**	**6**	**2**	**2**		**14**	**1**	**9**

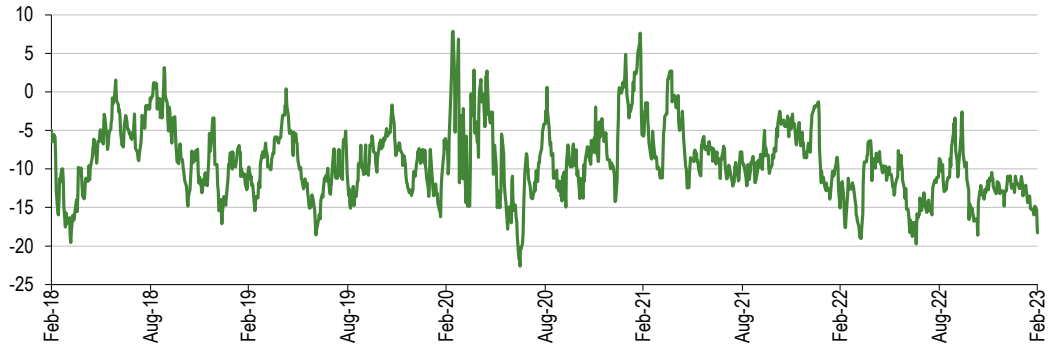
Source: Morningstar, Edison Investment Research. Note: *Performance as at 28 February 2023 based on ex-par NAV. TR = total return. Net gearing is total assets less cash and equivalents as a percentage of net assets (100=ungeared). ** Median for dividend yield.

PMGR ranks 15th (of 16 peers) by NAV total return performance over the past year. During this period. the Chinese holdings and the subsequent repositioning of the portfolio away from China affected the relative performance. The manager has purchased a number of new European and UK holdings, and added to existing ones on lower valuations, by using dips in their share prices during volatile periods in FY22. Smith is confident that the portfolio is well positioned to capture the upside, should the cautious market sentiment turn due to the robust industry fundamentals. In addition, he expects the c 40% weighting of yieldcos to add to the total return and provide stable income to the fund.

Ongoing charges (1.7% for FY22) are above average, while the 5.1% dividend yield is in line with the group as a whole, and the highest among the equity funds by some margin. PMGR's gearing, at c 33% of net assets, is the highest in the table above, although we note that it is hard to make a meaningful comparison given that, particularly among the yieldcos, companies can either carry debt at the parent company or project level, and this is not always consolidated.

To an extent reflecting its smaller size, relative to most peers, PMGR has the 14th widest discount to NAV, versus a peer group average discount of 10.4%. In a volatile 2022, with governments' actions to tackle persistent inflation, stubbornly high energy prices, the war in Ukraine and slowing global growth, the discount has fluctuated from virtually zero to c 19%. During the first two months of 2023 the discount has been wider than 10%, as the sentiment towards renewable energy equities remains subdued. The current discount is above the one-year average (12.4%) and above the three-year average of 9.0%.

Exhibit 9: Five year % discount to NAV at par (diluted)

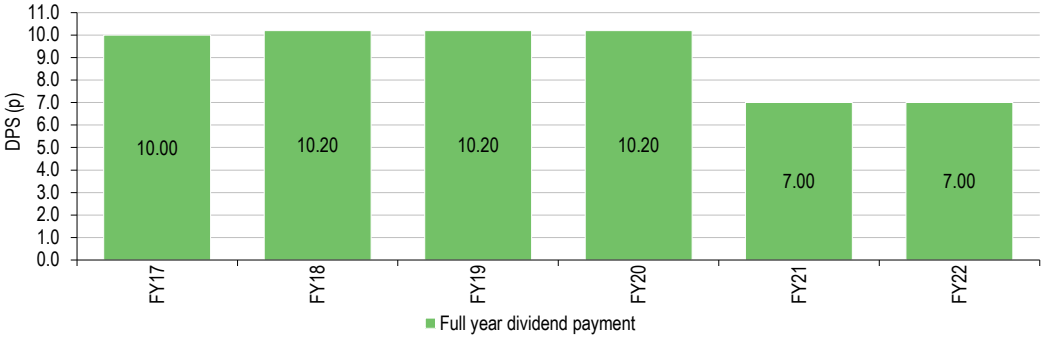


Source: Refinitiv, Edison Investment Research

If, as Smith expects, the renewed focus on energy security causes a reassessment of the renewable energy sector (which sold off in 2022 due to uncertainty about how governments would deal with this crisis and is currently under pressure as interest rates keep climbing), PMGR's discount could return to the lower end of the 0–10% range that persisted for most of 2021.

Dividends: Rebased but covered, with scope to grow

Exhibit 10: Dividend history since FY17



Source: Bloomberg, Edison Investment Research

PMGR aims to reward its shareholders with a high income in the form of dividend payments in addition to long-term capital growth. Dividends are paid quarterly, in broadly equal amounts.

For FY22, four equal dividends of 1.75p have been declared, totalling 7.0p (consistent with FY21; FY20: three dividends at 2.5p and a fourth at 2.7p, totalling 10.2p). Although the total dividend per share was rebased during FY21 compared to the prior years, ZDP financing costs also fell.

Consequently, the overall outcome for shareholders of the dividend cut and cost reduction during FY21 was slightly positive (+0.2p per share). The company intends to pay the fourth interim dividend for FY22 on 31 March 2023.

The FY22 dividends were fully covered by income (7.24p per share). At end-FY22, PMGR's revenue reserve stood at c £1.2m, sufficient to cover the FY22 annual dividend by c 1.0x (c £1.2m at end-FY21). The company also has £7.5m of special distributable reserves (c 5.2x cover of FY22 dividend). Based on the current share price and the FY22 total dividends, PMGR currently yields 5.1%.

Fund profile: Unique focus on listed renewables

Premier Miton Global Renewables Trust has been part of the Premier (now Premier Miton) stable for almost 20 years, ever since the 2003 rollover of the Legg Mason International Utilities Trust. Initially known as Premier Utilities Trust, it changed its name to Premier Energy & Water Trust (PEWT) in 2008 and subsequently to Premier Global Infrastructure Trust (PGIT) in late 2017. PGIT's mandate built on that of PEWT, investing in equity and equity-related securities of companies operating in the energy and water sectors generally, as well as other generic infrastructure investments. In October 2020, reflecting a gradual shift in focus towards the renewable energy segment of the infrastructure universe, PGIT's shareholders voted in favour of proposals to change its name to Premier Miton Global Renewables Trust (PMGR) and its investment remit to a more targeted investment proposition dedicated to renewable energy and sustainable infrastructure investments. The trust has been managed since 2012 by James Smith.

PMGR sits in the AIC's Infrastructure Securities sector, a peer group for funds that invest in infrastructure shares. There is currently no sector for funds investing in renewable energy shares, underlining the differentiation of the trust's approach. While it is hard to find an equity benchmark to reflect PMGR's diversified global approach, since FY21 the trust has measured its performance against the S&P Global Clean Energy Index (previously it used a broad global index of infrastructure shares).

The trust's official investment objective is to achieve a high income and to realise long-term growth in the capital value of its portfolio. PMGR pays dividends quarterly. The trust is geared via ZDPs (see below).

Gearing: Structural use of ZDPs

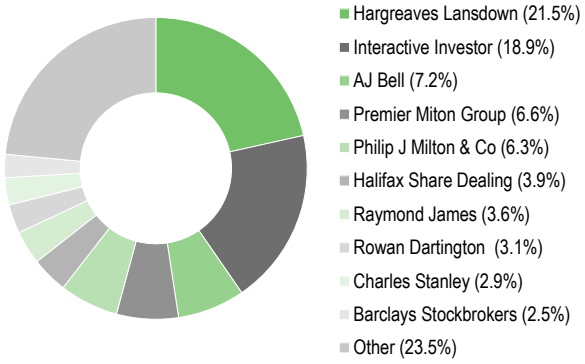
PMGR's use of ZDPs as gearing (see our initiation note for more details) has the advantage of eliminating annual interest coupons, with the redemption value of the ZDPs instead hopefully being covered by the trust's higher investment returns (as a result of the gearing effect) over the life of the ZDP issue, although it also carries the potential risk of being highly geared in a falling market. The 2025 ZDP issue was smaller than previous issues, with £14.2m shares issued at 100p – equivalent to c 50% gearing – on 30 November 2020. The 2025 ZDPs have a redemption price of 127.61p, equivalent to a gross redemption yield of 5.0% at issue. Based on the NAV of both the ZDPs and the ordinary shares (cum income) at 31 December 2022, PMGR's gearing represents 48.4% of net assets (39.0% at 31 December 2021). Given the ZDPs are a sterling liability, the manager may use currency hedging to offset any sterling underweight in the portfolio and is currently substantially hedged on the portfolio's euro exposure.

Capital structure, life of the company and ownership

PMGR is an investment trust with two classes of share: ordinary shares and ZDPs, which it has used throughout its existence to provide gearing.

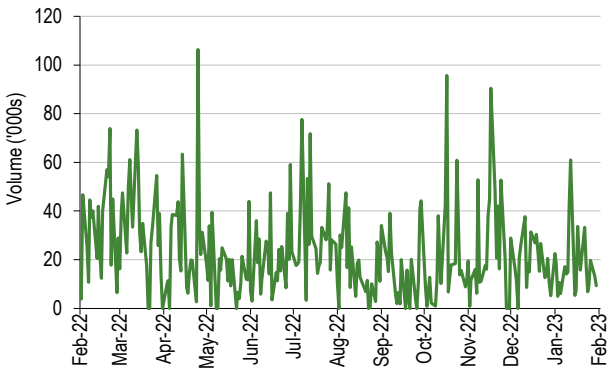
PMGR has an indefinite life, subject to a five-yearly continuation vote, the next of which is due in 2025. At the March 2020 vote, more than 99% of votes cast were in favour of continuation. As shown in Exhibit 11, PMGR's ordinary shares have a high level of retail ownership on platforms such as Hargreaves Lansdown, Interactive Investor, AJ Bell and Halifax Share Dealing (which together account for around half of the share base). Average daily trading volume on the London Stock Exchange over the past 12 months (Exhibit 12) was c 22.5k ordinary shares, or c 0.1% of the share base.

Exhibit 11: Major shareholders



Source: Bloomberg, as at 28 February 2023

Exhibit 12: Average daily volume



Source: Refinitiv. Note: 12 months to 28 February 2023.

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