

Business review continued

Foresight Capital Management

We leverage Foresight's deep knowledge of private markets to provide access to real assets and sustainable investment opportunities in listed markets.

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AUM by investment strategy as at period end

£303m

UK Infrastructure
Income

£340m

Global
Infrastructure

£70m

Sustainable
Real Estate

£21m

Sustainable
Future Themes

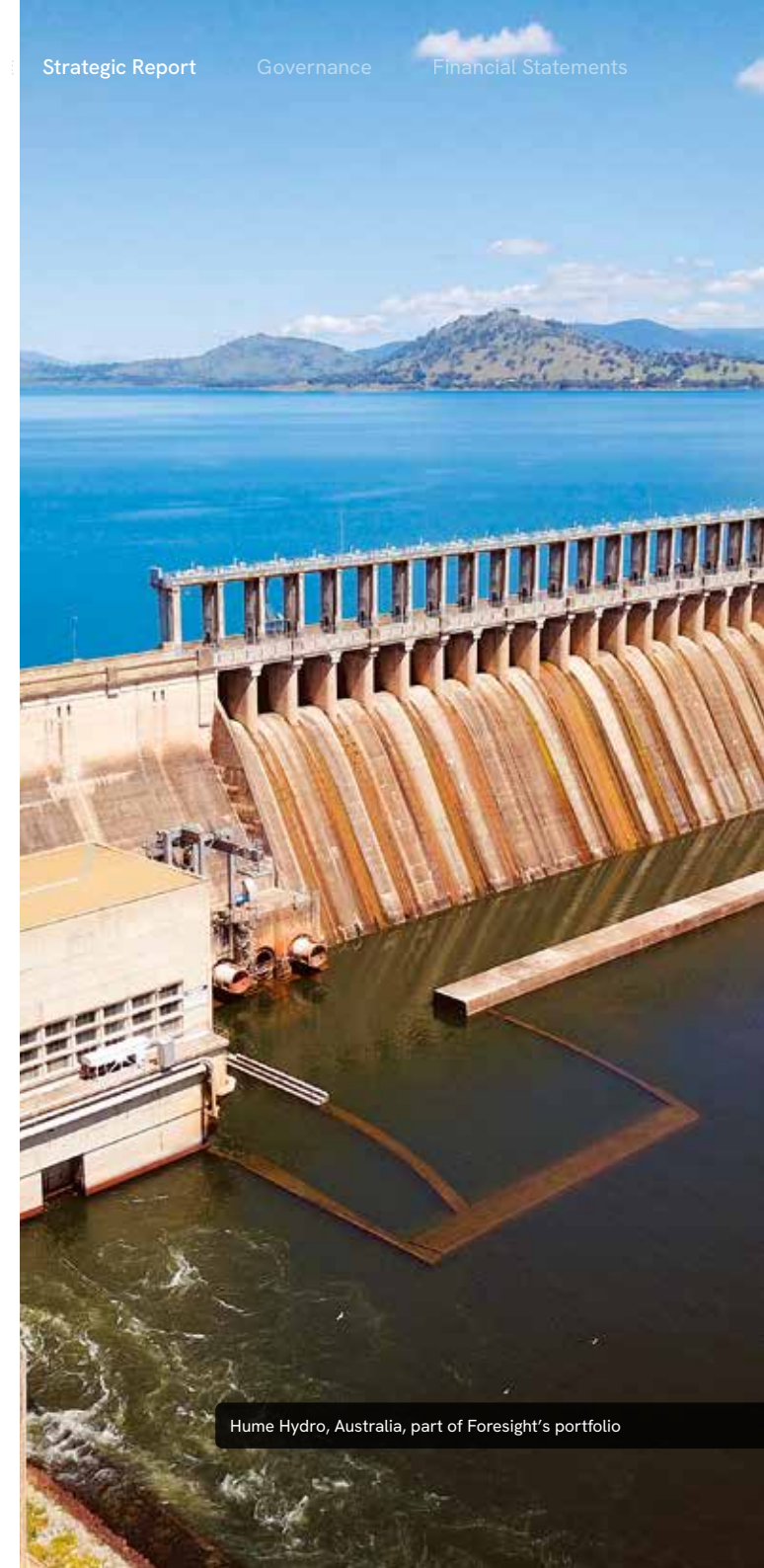
Market opportunity

Globally, retail and institutional investors continue to demand investment products providing liquid exposure to asset classes such as infrastructure and real estate. Our differentiated approach to this market sets us apart from others.

Specifically, Foresight's experience investing in private markets through the Infrastructure and Private Equity divisions enables us to make attractive investments in listed companies. Our core investment competencies are renewable energy, the energy transition, infrastructure, real estate, natural capital and sustainable equity. These themes are supported by structural demand drivers and we believe that the market opportunities are characterised by:

- Continued demand for open-ended funds
- Transition to net zero driving international investors to demand access to sustainable investment strategies

- Opportunities for us to launch further investment vehicles globally to meet international demand for our existing strategies
- A scalable platform, with significant capacity for growth in AUM
- A UK sales team solely focused on FCM's product range, seeking to increase capital raising and retention by deepening both investor relationships and market penetration
- Potential to continue to expand distribution beyond the current focus on independent financial advisers ("IFAs") and wealth managers



Hume Hydro, Australia, part of Foresight's portfolio

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Operational overview



Operational overview

Our team of specialist listed securities professionals follows a sustainable, active and bottom-up investment process. The team of 12 draws on the Group's wider private market capabilities and applies these skills and knowledge to investing in public markets.

This experience, combined with dedicated internal resource focused on sustainability due diligence and analysis, creates valuable capabilities and insights that are hard to replicate. We continue to challenge ourselves to be a thought leader and have enhanced the sophistication of our investment approach beyond others in the market.

Our investment approach is to target listed companies at the leading edge of global sustainable development that offer potential for value accretion through increasing yield and capital appreciation. We seek to invest in businesses that are at the forefront of driving change and making a tangible difference. To achieve this, we follow a rigorous process to ensure that we continue to identify those companies in growth markets that can also offer ongoing resilience, especially during periods of macroeconomic uncertainty.

We have actively continued to expand the international reach of our distribution channels to further strengthen our resilience and enhance our growth potential. This has provided us with access to established distribution and marketing channels and opened new markets and countries. Specifically, in the year, we signed a new strategic agreement covering the Nordic region and Switzerland, complementing our existing US partnership and the creation of a specialist UK OEIC sales team. As a result of this strategic activity, we have positioned ourselves to deliver growth and ongoing sustainable investment opportunities and performance.



FCM expanded into the US market with its appointment as sub-adviser to the Baltimore-based Cromwell Foresight Global Sustainable Infrastructure Fund

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Investment strategies and funds

FCM offers four investment strategies, which clients can access through four UK, one US and two Luxembourg domiciled funds:

Strategy	Fund	Investment focus
Foresight UK Infrastructure Income	<ul style="list-style-type: none"> FP Foresight UK Infrastructure Income Fund ("FIIF") 	<p>Harnesses Foresight's infrastructure investment expertise and taps into the demand for lower volatility, predictable and often inflation-related income, actively managing UK-listed renewable energy and infrastructure investment companies.</p> <p>The investment objective of the Fund is to generate income and preserve capital with potential for capital growth over an investment term of five years.</p> <p>As at 31 March 2024, the strategy's total net assets were £303 million.</p>
Foresight Global Infrastructure	<ul style="list-style-type: none"> FP Foresight Global Real Infrastructure Fund ("GRIF") VAM Global Infrastructure Fund (Lux) ("VAM") Foresight Global Real Infrastructure (Lux) Fund ("Foresight SICAV") Cromwell Foresight Global Sustainable Infrastructure Fund (US) ("Crom") 	<p>Invests in publicly traded shares of companies located in developed economies, which own or operate real infrastructure or renewable energy assets anywhere in the world.</p> <p>The Fund aims to grow, over any five year period, by more than 3% per annum above the rate of UK inflation (as measured by the UK Consumer Prices Index).</p> <p>As at 31 March 2024, the strategy's total net assets were £340 million.</p>
Foresight Sustainable Real Estate	<ul style="list-style-type: none"> FP Foresight Sustainable Real Estate Securities Fund ("REF") 	<p>Provides investors with exposure to a highly liquid and globally diversified portfolio of Real Estate Trusts. Given the lack of liquid open-ended funds in the UK that address sustainable real estate in a focused manner, REF is a highly differentiated strategy.</p> <p>The Fund aims to provide an income yield of 4% net of fees with a secondary objective to achieve capital growth over a rolling five year period.</p> <p>As at 31 March 2024, the strategy's total net assets were £70 million.</p>
Foresight Sustainable Future Themes	<ul style="list-style-type: none"> FP Foresight Sustainable Future Themes Fund ("SFT") 	<p>Invests in a global portfolio of scalable listed companies that address the following core themes of sustainable development and decarbonisation as a key sustainable investment focus:</p> <ul style="list-style-type: none"> Sustainable energy Sustainable food, land and forestry Waste, water and the circular economy Digital world Health and education <p>The Fund aims to grow capital over a five year period by investing in companies which meet the manager's sustainability criteria for positive environmental and/or social impact.</p> <p>As at 31 March 2024, the strategy's total net assets were £21 million.</p>

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Performance

FY24 was characterised by continued interest rate volatility and emerging geopolitical risks driving performance across listed markets. Asset allocation rotations, changing expectations of short-term interest rates and, in the UK, industry consolidation and uncertainty over cost disclosures have driven greater downside in share prices than were warranted by fundamentals. Despite these headwinds, operational and financial performance from underlying portfolio companies remains resilient. Portfolio companies have adapted to prevailing macro realities and we remain well positioned towards areas that benefit from structural growth trends.

Against this challenging backdrop, AUM reduced by 44% to £0.7 billion (FY23: £1.3 billion). This reflected negative NAV performance of £122 million and net outflows of £446 million, including inflows of £274 million. In H2 net outflows decelerated when compared with H1.

We have remained steadfast and committed to our focus on managing attractive strategies that benefit from multi-decade structural growth trends while leveraging our private market approach to public market investing. We continue to invest in leading, innovative, sustainable and high-quality companies that remain well positioned for the long term.

Fund	Inception date	12 month TSR	TSR since inception
FP Foresight UK Infrastructure Income Fund	4 December 2017	-11.02%	11.55%
FP Foresight Global Real Infrastructure Fund¹	3 June 2019	-12.05%	11.06%
FP Foresight Sustainable Real Estate Securities Fund	15 June 2020	4.12%	-5.13%
FP Foresight Sustainable Future Themes Fund	28 March 2022	8.84%	2.86%

1. Return figures relate to UK domiciled vehicles in GBP.

FCM market outlook

Looking ahead, we believe our funds are well positioned to perform as the macroeconomic landscape normalises and markets focus again on fundamentals.

Considering the dislocation across markets, our portfolio of listed companies remains attractive relative to private markets and the valuation gap should eventually close as public markets re-rate with easing interest rates or as takeouts occur. The funds have already benefited from M&A activity in the sector, and we expect this to remain a theme over the next year as market participants seek to deploy capital into areas that offer attractive inflation-linked income streams and defensive growth characteristics. The investment opportunity across areas such as core infrastructure, data centres and renewable energy remains as strong as ever and the investment delivery models are going to continue to adapt as private capital is required in the sector.

The long-term investment themes of digitisation, ageing demographics, energy transition and deglobalisation are well represented across our funds. These themes continue to provide attractive investment opportunities within the strategies and the team remains vigilant for new investment ideas to benefit the funds. Our work in FY24 to lay strong foundations for future growth, including the expansion of our distribution channels, means that we are well positioned to capture appetite from the market into our highly scalable investment strategies, which have significant investment capacity.

We remain confident in the long-term prospects of the FCM funds, as well as the division's strategic positioning, which provides customer, product and geographic diversification to the wider Group.

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Foresight Sustainable Future Themes Fund (“SFT”)

We launched our Sustainable Future Themes strategy in 2022 with a focus on providing capital either help to decarbonise certain sectors of the global economy or provide positive social outcomes. With around 90% of global GDP now covered by a net-zero target, the Fund is well positioned to benefit from the global push for decarbonisation and sustainable development. The Fund focuses its investments across five core themes:

- Sustainable energy
- Sustainable food, land and forestry
- Waste, water and the circular economy
- Digital world
- Health and education

When assessing companies for the Fund, we consider both their “footprint”, which is the impact of their day-to-day operations, and their “handprint”, which is the scope for their goods and services to decarbonise an economic sector or provide positive social outcomes. Through this focus we are aiming to build a portfolio that generates good financial returns and drives positive change. Our holdings include an energy company specialising in renewable energy solutions and a cable manufacturer facilitating the exchange of energy between countries. Both companies are set to benefit from the continued surge in demand for new, clean energy capacity globally.

We also believe that the emergence of AI is a developing structural megatrend that is set to benefit renewable energy developers and generators within our portfolio and the broader FCM investable universe.

We are also focusing on developing an effective framework to assess the environmental, social and economic impacts of SFT’s healthcare sector investments. We believe that many third-party metrics currently used within this investment sector ignore some of the important outcomes that healthcare companies can provide. Our focus is to develop metrics and indicators related to health outcomes, improved access to healthcare services, the environmental sustainability of healthcare operations, and potential economic benefits to communities.

There is increasing regulatory scrutiny on how sustainability-focused asset managers assess, monitor and communicate their impact. As such, beyond our investment work, a core focus of the past 12 months has been to ensure that the Fund’s sustainable investment processes are appropriately aligned with incoming regulations. This relates most notably to the FCA’s Sustainability Disclosure Requirements (“SDR”). In response to SDR, we have created and will disclose KPIs that will help us measure SFT’s performance against its sustainability objectives. We have always internally measured the Fund against KPIs, and we welcome the incoming sustainability regulation as an opportunity to further formalise and codify our long-term approach to sustainable investment.

Another key focus of the last 12 months has been our work to expand our stewardship activities. This year we released our Stewardship Framework which outlined the team’s approach to voting and engagement. We also implemented new engagement software enabling us to track, monitor and report our engagements. We will soon be releasing our inaugural Stewardship Report, providing highlights of our active ownership across the past year.

Our efforts and progress across our stewardship activities were reflected in Foresight Group’s UN PRI assessment. The Company received a five-star score across the “Policy, Governance and Strategy” sector which assessed, amongst other considerations, FCM’s stewardship approach. We will continue to work hard over the next reporting cycle to further build out our stewardship approach.