IICS/REIFS – THINNING OF THE RANKS

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Notes:

Closing stock market prices, as at 7 August 2026, have been used, unless otherwise specified.

Executive summary

- Many of the remaining 23 quoted infrastructure funds – there were 31 only three years ago – continue to struggle. Of the 23, six are currently in managed wind-down (MWD) as investor confidence erodes, especially with respect to the Renewable Energy Infrastructure Funds (REIFs). High interest rates, which may increase further, are continuing to weigh on NAV discounts, thus making equity fund-raising for most REIF participants a non-starter.

- Nevertheless, with the notable exception of Digital 9 Infrastructure, which is currently in MWD and recently wrote down its £459m investment in Arqiva to zero, the remaining Infrastructure Investment Companies (IICs) are performing solidly, with Cordiant Digital Infrastructure and HICL both reporting a notably higher NAV return and a progressive dividend growth policy. IICs now account for 60% of the combined infrastructure sector value, with the remaining 40% attributable to REIFs.

- Most REIFs are experiencing difficulties, although the larger funds, including Greencoat UK Wind and TRIG, have avoided many of the issues affecting the smaller REIFs. Earlier in the year, Bluefield Solar recommended a £561m bid from the Drax Group, the operator of the eponymous – and heavily subsidised – biomass generation plant in Yorkshire; as such, shares in the former were recently de-listed.

- However, it is on the downside where focus on the REIFs rests. Aside from Digital 9 Infrastructure, an ICC, no less than five REIFs, excluding the now de-listed Hydrogen Capital Growth, are at various stages of MWD. This route was successfully – and surprisingly quickly – completed by Triple Point Energy Transition. Nevertheless, to deliver sales at close to NAV – albeit at written down valuations – will be challenging for several REIFs, especially for SDCL, which has indicated that its MWD "could take a number of years to complete".

- With a few exceptions, recent NAV movements have been flat. To be sure, some telecoms-related IICs – such as Cordiant Digital Infrastructure – as well as HICL have reported increased NAVs, but some REIFs have announced substantial falls; Gore Street Energy Storage and SDCL fall into this category.

- Not surprisingly, dividend policy in the sector has been quite cautious, even though 3i Infrastructure is projecting a 6.3% dividend increase per share for this year. HICL has also re-instated a dividend growth policy after paying an unchanged dividend of 8.25p per share between 2018/19 and 2024/25. GCP Infrastructure is still retaining its 7.00p per share dividend – and seems set to do so for some time.

- Given the mostly low sector cover ratios, REIF dividends are decidedly fragile. Both NextEnergy Solar and SDCL have cut their dividends recently. In terms of prospective yields, the two largest REIFs, Greencoat UK Wind and TRIG, were both yielding above 10% until very recently – a considerable premium in excess of 5% to the latest long-term year gilt yield of 5%.

- UK political issues may also continue to affect the sector. With a new Prime Minister in office, policy shifts are expected. At the macro-economic level, interest rate changes may result; currently, the market expects slight increases rather than further cuts. For the REIFs, any major adjustments to the controversial Net Zero policy are particularly relevant, with subsidies being a key financial element, especially in the solar generation sector.

Background

IICs generally solid

For some years, there have been various IICs with a public quotation. Currently, eight maintain this status within the sector, with only the highly successful BBGI – the recipient of a favourable bid – recently being de-listed. All eight IICs, with the notable exception of Digital 9 Infrastructure, have held their own in a challenging investment environment, although 3i Infrastructure has outperformed its peers on several fronts, including dividend growth.

Many REIFs are weak – and some already in MWD

As the Government's quest for clean energy took root, many REIFs were floated; most attracted substantial investment at their IPOs. Back in 2024, there were 22 quoted REIFs; although TRIG, among others, had been quoted for some years. Subsequently, some have been de-listed, including Asian Energy Impact (formerly ThomasLloyd Energy Impact), Atrato Onsite Energy and the renamed Hydrogen Capital Growth. Several others are currently in MWD – a process that, within the sector, only Triple Point Energy Transition has completed to date. In short, virtually all REIFs have faced challenges in seeking to increase their NAVs, especially as their putative access to capital markets has effectively been barred in recent years.

This note addresses recent developments among the eight IICs and the remaining 15 quoted REIFs. The ranks of the latter have thinned out of late, a process that seems set to continue.

Recent share price performance

Very high discounts to NAV are prevalent

The share price charts reproduced below, one for the IICs and one for the REIFs, show the current market ratings for the combined sector's stocks. They indicate the latest NAV figures and the discounts, some considerable, at which they are trading. Also included are the prospective dividends and the relevant yields; in the latter case, many yields for the RECs are in double figures.

Current market ratings of UK IICs

IIC	Share price (p)	Shares in issue (m)	Market cap (£m)	Year-end	NAV per share (p)	Premium vs. discount (%)	Prosp. dividend (p)	Prosp. yield (%)
3i Infrastructure	385	922	3,551	Mar	405.0	-4.9	14.30	3.7
Cordiant Digital Infrastructure	123	766	942	Mar	146.0	-15.8	4.45	3.6
Digital 9 Infrastructure	4	542	24	Dec	9.3	-52.7	0.00	n/a
GCP Infrastructure	82	808	663	Sep	98.6	-16.8	7.00	8.5
HICL	139	1,865	2,592	Mar	160.2	-13.2	8.50	6.1
INPP	143	1,791	2,561	Dec	151.5	-5.6	8.79	6.1
Pantheon Infrastructure	113	469	530	Dec	134.8	-16.2	4.50	4.0
Sequoia Economic Infrastructure	86	1,467	1,262	Mar	93.6	-8.1	6.88	8.0
			12,123					

Source: Hardman & Co Research

Current market ratings of UK REIFs

REIF	Share price (p)	Shares in issue (m)	Market cap. (£m)	Year-end	NAV per share (p)	Prem./ disc. to NAV (%)	Prosp. dividend (p)	Prosp. yield (%)
Parvus Energy Efficiency	22	81	18	Dec	44.0	-50.0	0.00	n/a
Aquila European Renewables	14	378	55	Dec	48.2	-70.0	0.00	n/a
Ecofin US Renewables Infrastructure	10	138	25	Dec	28.2	-64.5	0.00	n/a
Foresight Environmental Infrastructure	86	624	537	Mar	104.7	-17.9	8.04	9.3
Foresight Solar	71	546	388	Dec	94.9	-25.2	8.10	11.4
Gore Street Energy Storage	58	505	293	Mar	74.9	-22.6	7.00	12.1
Greencoat Renewables (ex €)	65	1,086	711	Dec	82.5	-20.7	5.80	8.9
Greencoat UK Wind	114	2,159	2,461	Dec	134.2	-15.0	10.70	9.4
Gresham House Energy Storage	93	569	529	Dec	114.6	-18.8	0.00	n/a
NextEnergy Solar	47	591	278	Mar	76.1	-38.2	4.5	9.6
Octopus Renewables Infrastructure	61	528	322	Dec	86.2	-29.2	6.23	10.2
SDCL Efficiency Income	38	1,085	412	Mar	77.8	-51.2	0.00	n/a
TRIG	78	2,333	1,820	Dec	101.1	-22.8	7.55	9.7
US Solar	25	308	77	Dec	46.3	-46.0	0.00	n/a
VH Global Energy Infrastructure	73	396	289	Dec	103.8	-29.7	5.80	7.9
			8,214					

Source: Hardman & Co Research

The table below shows how each stock performed between 9 February 2026 and 7 August 2026: there were some significant movements over the six months.

Variable sector performance

IIC/REIF share price performance

IIC/REIF	Share price performance over the past six months
Bluefield Solar (now de-listed)	+31%
Foresight Environmental	+20%
HICL	+20%
Greencoat UK Wind	+16%
Gresham House Energy Storage	+16%
Foresight Solar	+14%
INPP	+13%
Cordiant Digital Infrastructure	+13%
3i Infrastructure	+12%
Greencoat Renewables	+12%
TRIG	+11%
Parvus Energy Efficiency	+10%
Pantheon Infrastructure	+9%
Sequoia Economic Infrastructure	+9%
GCP Infrastructure	+7%
Octopus Renewables Infrastructure	+5%
US Solar	+5%
VH Global Energy Infrastructure	+4%
NextEnergy Solar	-7%
Gore Street Energy Storage	-16%
SDCL	-22%
Digital 9 Infrastructure	-23%
Ecofin US Renewables	-28%
Aqua European Renewables	-35%

Source: Hardman & Co Research

Bluefield Solar boosted by Drax bid – two businesses very dependent on subsidies

Among the IICs, decent share price performances were achieved by HICL, Cordiant Digital Infrastructure and INPP. And, within the REIF sector, investors in Bluefield Solar prospered following the agreed £561m bid from leading electricity generator, Drax Group – the cash price was 92.6p per share. The finances of the bidder and its target are both highly dependent on heavy government subsidies. It should be noted, too, that both Harmony Energy Income and Downing Renewables and Infrastructure were taken over in 2025.

SDCL's exit begins

On the downside, Aqua European Renewables has faced real problems with specific assets, which lie at the heart of its MWD. SDCL, now in MWD, has also performed poorly, with a passed 4Q dividend and the recognition that realising an acceptable level of value from its complex portfolio of investments will be very challenging.

One-year share price graphs of the, now de-listed, Bluefield Solar and SDCL – experiencing markedly different share price performances over the period – are set out below.

Bluefield Solar – one-year share price performance

Source: LSEG, 2026

SDCL Efficiency Income Trust – one-year share price performance

Source: LSEG, 2026

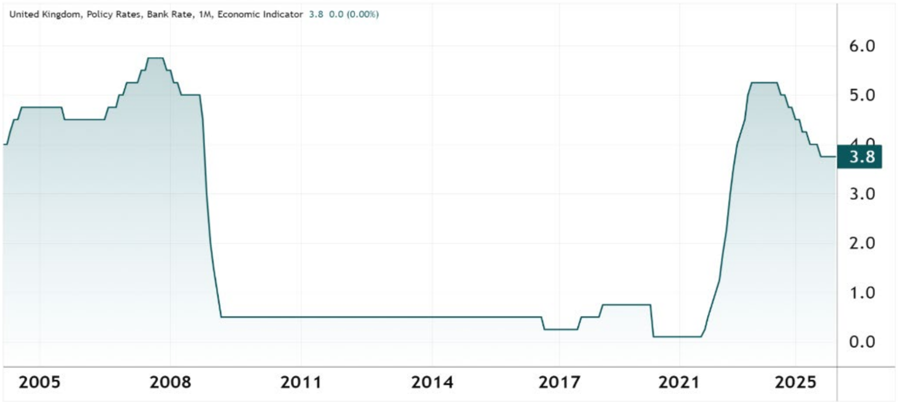
Interest rates

Next interest rate movement up?

Valuations of both IICs and REIFs are heavily impacted by the level of UK interest rates. In recent years, interest rates have remained higher than anticipated, due in part to UK inflation – currently 2.6% – remaining quite sticky. At present, the UK base interest rate is 3.75%, and it is likely that it will rise to 4.0% and possibly higher. Much will depend on the resetting of government economic policy, especially the levels of borrowing, under new leadership.

The graph below shows how UK interest rates have moved since 2004.

Bank of England Base Rate, late 2004 to 2026



Source: LSEG, 2026

10-year gilt yield is pivotal – the bond vigilantes are in play

More specifically, movements in the 10-year gilt yield are a leading indicator. As political uncertainty has risen in recent months, long-term gilt yields have increased. While the new leadership of the Labour government has reasserted a firm commitment to its long-term borrowing criteria, there is no guarantee that these key financial targets will be achieved, especially given the seemingly unquenchable appetite for additional government expenditure. Of course, bond market vigilantes will follow carefully the impact of any shift in the government's economic policy.

The graph below highlights the movements over the past decade in the yields of 10-year gilt-edged stock. Perhaps not surprisingly, the 10-year yield figure has been volatile of late, due partly to the machinations of the Labour Party leadership.

UK 10-year gilt yield

Source: LSEG, 2026

Relationship between rising interest rates and NAV valuations

Prevailing interest rates are a key factor in determining the discount rates used, for valuation purposes, by IICs and REIFs. Higher interest rates, unless offset by other factors, will normally increase the discount rate and thereby lower the fund's valuation. Assuming that the share price discount to NAV remains unchanged, this trend will inevitably depress the relevant share price.

Managed wind-downs

Treading the MWD path

Over the past two years, several IICs and REIFs have entered MWD, generally after an adverse vote from discontented shareholders. Only Triple Point Energy Transition has completed the arduous process: many others are aiming to liquidate their assets – and seeking to achieve proceeds that are as close as possible to the latest published NAV figure. The combined sector funds currently in MWD are:

- Digital 9 Infrastructure is the only IIC in MWD, and investors are unlikely to receive significant funds since the value of its key asset, the majority stake in Arqiva, was written down to zero in February 2026. Having invested £459m for the business in 2022, its eventual sale will almost inevitably give rise to a heroic loss of shareholder value.

- Aqua European Renewables has made decent progress in selling off its assets, with the 89% stake in the Greek-based wind generation business, Desfina, being the latest major sale. However, the process is being overshadowed by financing issues with some remaining businesses, notwithstanding a serious dispute with its financial advisers.

- Ecofin US Renewables Infrastructure, following the key sale of the Whirlwind businesses in Texas, now has few assets to sell – they are led by the shareholdings in the Beacon 2 and 5 wind generation projects in California.

- The re-named Hydrogen Capital Growth, although nominally outside the parameters of this document, is ploughing a slightly different furrow from other REIFs. In fact, its shares have been effectively de-listed and discussions continue to conclude sales of its various hydrogen-related assets, many of which are located in northern Europe.

- Parvus Energy (formerly Aquila Energy Efficiency) made discernible progress in selling its assets in 1H25, but 2H25, by contrast, was a very quiet period. Issues with its financial advisers, as with Aqua European Renewables, have also been a serious distraction.

- SDCL recently moved into MWD. Given its complex energy portfolio, with many US-based minority investments, realising its asset value – at close to the latest NAV – will be immensely challenging. SDCL has conceded that its MWD "could take a number of years to complete" – hardly a reassuring message to send to its disillusioned investors.

- VH Global Energy Infrastructure has chosen, rightly, to focus on selling its core assets, namely the 198MW Mascarenhas run-of-the-river hydro plant in Brazil and its valuable storage terminal complex in Texas.

NAVs

Some IICs confirm higher NAV returns

Over the past six months, NAVs for the IICs – with a few exceptions – have been flat. Cordiant Digital Infrastructure has outperformed its peer group, with an NAV increase of 12.6% over the previous year. INPP has also seen some growth, as has HICL, which has – at last – committed itself to a progressive dividend policy.

A rare 3i Infrastructure mishap

Surprisingly, 3i Infrastructure, which has delivered so many profitable investments in the past, was forced to write off £220m from its DNS:NET telecoms business in Germany. It will not be the last UK telecoms business to meet serious turbulence in Germany – many others have done so in recent decades.

An astonishing £459m write-down by Digital 9

Also, on the downside, Digital 9 Infrastructure, now in MWD, continues to struggle to realise funds for its disillusioned shareholders. Its £459m investment in Arqiva, undertaken just four years ago, has now been written down to zero – an appalling loss of shareholder value for a relatively modest undertaking.

Gore Street and SDCL confirm major NAV hits

By and large, NAV increases for REIFs have been few and far between, with many reporting relatively flat NAV figures, which imply lower long-term dividend growth. Two REIFs have announced major falls in their NAV. Gore Street Energy Storage, after undertaking generous dividend payments arising from its US Investment Tax Credits (ITCs), then confirmed a 27% decline in its NAV, due mainly to lower merchant price projections for battery storage sales. SDCL also published a sharply lower NAV, down by 14% when compared with the previous year, as its recent entry into MWD provided a more incisive – and market-related – valuation of its assets.

Dividends/yields

3i Infrastructure's planned 6.3% dividend rise…

Not surprisingly, yields for IICs are seemingly attractive, although allowance should be made for low dividend cover, which applies in several cases: the average unweighted IIC prospective yield, excluding Digital 9 Infrastructure, is close to 6%. In HICL's case, its decision to announce its dividend policy until 2028 – with a target figure of 8.65p per share – is reassuring: it follows many years, dating back to 2018/19, of flat dividends. As expected, 3i Infrastructure continues to score well on the dividend front – with a projected 6.3% increase for next year to 14.3p per share.

…but the REIFs' dividend outlook is less bright

The REIF dividend outlook is considerably less optimistic. Sector leader, Greencoat UK Wind, has pulled back its formidable dividend growth of late. It is now linking its future dividend payments to increases in CPI. Other REIFs have set out more modest targets. Octopus Renewables Infrastructure has adopted a dividend increase of just 1%, similar to the figure of Foresight Environmental Infrastructure but above TRIG's held dividend. There have been some notable dividend cuts of late, including those of NextEnergy Solar and SDCL; the latter is now in MWD. In many cases, dividend cover is low, so further dividend cuts cannot be ruled out, especially for many REIFs.

Politics

Policy vacuum

The recent change in Prime Minister gives rise to different risk factors for the IICs and REIFs. Various shifts in policy have been widely discussed, but it is unclear – for the moment at least – which ones will materialise. Among the main issues affecting the IICs and REIFs are:

- Major macro-economic changes that could have an impact on future interest rate movements. Clearly, a pronounced surge in public expenditure – something the bond markets undoubtedly would not welcome – could well see long-term gilt yields increase as borrowing fears rise.

- The ongoing commitment to Net Zero, which has been at the heart of the Labour Government's energy policy to date – despite the vast expense of implementing this policy.
- Changes in corporate taxes have been widely rumoured. To what extent they affect the sector is not clear, although the Windfall Tax applying to oil and gas companies may be amended.
- Key decisions on the Jackdaw and the Rosebank oil/gas fields, which would allow production to proceed. While many permissions have been obtained to date, receipt of the necessary operating licences remains outstanding.
- The commissioning of a major expansion of social housing, which could benefit those IICs that are involved in the sector.

Other renewable energy issues

Net Zero commitment wobbles – or does it?

Aside from the obvious doubts about the quest for Net Zero, which – under the new government leadership – may give rise to substantial changes, there are several issues that specifically affect the REIFs.

Inflation upgrade methodology for ROC-able investments

The issue of how inflation is accounted for under the old ROC regime is very relevant to those REIFs who benefit from ROC-related payments. In the event, the government decided that a CPI-related upgrade was appropriate – to the evident relief of the more well-established REIFs. Indeed, Greencoat UK Wind has specifically cited the CPI-upgrade decision as a key factor in determining its revised dividend policy of CPI-linked annual increases.

Market prices are also a key valuation factor, especially when considerable emphasis is placed on merchant sales. This factor was central to the recent cut to the NAV of Gore Street Energy Storage, which is highly dependent on revenues from battery storage sales.

Over-egging the wind generation pudding

Recent data from the government suggests that there is excessive optimism regarding wind yields. Several REIFs, over the past three years, have attributed significant revenue shortages to low or erratic wind speeds. Perhaps, though, the forecasts were too high anyway.

Solar generation funds, which continue to struggle, also face similar issues. The fact that few UK solar plants are located either in Scotland or in the north of England may reassure investors.

Conclusion

REIFs' ranks continue to thin

Undoubtedly, the sector faces challenging times – the remaining REIFs particularly. For the various funds in MWD, realising sales proceeds, that are as close as possible to the latest NAV, remains the priority. As the sector ranks thin, there will inevitably be more focus on the IICs. The larger funds are delivering solid results, while the two profitable telecoms-related stocks, Cordiant Digital Infrastructure and Pantheon Infrastructure, are prospering – Digital 9 Infrastructure is certainly not.

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Nigel specialises in the energy sector, with a particular focus on the expanding renewable generation market, both in the UK and overseas, about which he has written several reports assessing the sector's finances. He has been involved in analysing the utilities sector since the 1980s. He covered the privatisation of the water and electricity companies for Hoare Govett between 1989 and 1995. Subsequently, he researched the UK and EU telecoms sector for Williams de Broe.

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