

Menhaden Resource  
Efficiency

# Investor Presentation

June 2022

- **Investment Objective:** To generate long-term shareholder returns by investing in businesses and opportunities delivering, or benefiting from, the efficient use of energy and resources
- **Market Cap:** £81m\*
- **Net Asset Value:** £110m\*
- **Exchange:** London Stock Exchange
- **Launch Date:** July 2015

## Investment Team



### **Ben Goldsmith, Chief Executive Officer**

Ben is the Chief Executive Officer of Menhaden Capital Management LLP, which manages the portfolio of London-listed investment trust, Menhaden Plc. Menhaden seeks to generate long-term shareholder returns by investing in businesses and opportunities which are delivering or benefiting from the more efficient use of energy and other resources. Prior to launching Menhaden Ben co-founded WHEB Asset Management, a leading sustainability-focused investment management firm. Ben began his career in stockbroking and wealth management firm Hargreave-Hale.

Ben chairs the Conservative Environment Network and is a Trustee of the Children's Investment Fund Foundation (CIFF), the world's largest climate change focused philanthropic fund. Ben sits on the Board of the UK Government's Department for Environment, Food and Rural Affairs (DEFRA).



### **Graham Thomas, Chairman of the Investment Committee**

Graham is the Managing Partner of Stage Capital, a private equity firm backed by Goldman Sachs Asset Management and Glendower Capital.

He currently serves as the Chairman of the Investment Committee of Menhaden Capital Management LLP and is also a member of the investment committee of Apis Partners.

Until April 2014 Graham was Chairman of the Executive Committee of RIT Capital Partners plc ("RIT") and headed up RIT's private investment business. RIT is an investment trust chaired by Lord Rothschild, listed on the London Stock Exchange with net assets of around £3bn. Before that, Graham was the founder and head of the Standard Bank Group's global Principal Investment business. Previously he was a founding partner at MidOcean Partners, formerly DB Capital, which he joined from Goldman Sachs.

Graham is a Rhodes Scholar, with a Bachelor of Commerce (Honours) degree from the University of Cape Town, and an MA from Oxford.



### **Luciano Suana, Chief Investment Officer**

Luciano is the Chief Investment Officer at Menhaden Capital Management LLP where he manages the portfolio and its risk. Before joining Menhaden Capital Management LLP, Luciano was a Director for Barclays Capital in the Capital Markets division where he ran the credit trading operations for Brazil out of São Paulo. Before Barclays, Luciano was a Director at Dresdner Kleinwort in London. There he focused on Infrastructure, Utilities and Real Estate assets as head of the Illiquids Credit group.

Luciano holds a Licenciatura in business administration from Universitat Autònoma de Barcelona and was granted the Premio Extraordinario de Fin de Carrera for outstanding academic performance (ranked 1st out of 213 students).



### **Edward Pybus, Investment Analyst**

Edward Pybus is an Investment Analyst at Menhaden Capital Management LLP. Before joining Menhaden Capital Management LLP, Edward was an Equity Research Analyst at Exane BNP Paribas, specialising in Oil & Gas and primarily focusing on global integrated oil companies. Before Exane BNP Paribas, Edward qualified as a Chartered Accountant at Deloitte.

Edward is also a CFA Charterholder and holds a BA in History from University College London.

## Board of Directors



### **Sir Ian Cheshire (Chairman)**

Sir Ian Cheshire was the Group Chief Executive of Kingfisher plc from January 2008 until February 2015. Prior to that he was Chief Executive of B&Q Plc from June 2005. Before joining Kingfisher in 1998 he worked for a number of retail businesses including Sears plc where he was Group Commercial Director. He was the Government lead non-executive director from April 2015 - March 2020.

Sir Ian is the Chairman of Barclays UK, the ring-fenced retail bank. He is a non-executive director of Barclays PLC and BT Group plc.

In addition, Sir Ian is Chair of the Prince of Wales Charitable Fund and President of the Business Disability Forum.

Sir Ian was knighted in the 2014 New Year Honours for services to Business, Sustainability and the Environment.

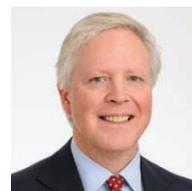


### **Barbara Donoghue**

Barbara Donoghue (also known as Barbara Donoghue Vavalidis) is a non-executive director of Byredo AB, a Stockholm based luxury fragrance company, having been its chairman for the six years to 2020. Until 2020 she was also a partner in London based Manzanita Capital, a private equity partnership specialising in the beauty and personal care industry.

Other past appointments include chair of Susanne Kaufmann Ltd, an Austrian based beauty company, director and audit committee chair of Eniro AB, a Stockholm listed media company, member of the Competition Commission and Competition and Markets Authority and member of the board of the Independent Television Commission.

She had a previous career in finance in Toronto, New York and London advising companies on raising debt and equity financing and on executing mergers and acquisitions, during which she worked at Bank of Nova Scotia, Bankers Trust and NatWest Markets.



### **Duncan Budge**

Duncan Budge is Chairman of Dunedin Enterprise Investment Trust plc and Artemis Alpha Trust plc, and a non-executive director of Lowland Investment Company plc, Biopharma Credit plc and Asset Value Investors Ltd.

He was previously a director of J. Rothschild Capital Management from 1988 to 2012 and a director and chief operating officer of RIT Capital Partners plc from 1995 to 2011. Between 1979 and 1985 he was with Lazard Brothers & Co. Ltd.

He is a member of the Audit Committee and the Management Engagement Committee.



### **Howard Pearce**

Howard Pearce is the founder of How ESG Ltd, a specialist environmental, asset stewardship, and corporate governance consultancy business. His non-executive roles include independent Chair of the Bank of Montreal Global Asset Management (EMEA) Responsible Investment Advisory Council and Non-Executive Director of Response Global Media Limited, the publishers of Responsible-Investor.

Previously he was Chair of the Board of the Avon and Wiltshire Pension Funds, a Board member and Chair of the Audit Committee of Cowes Harbour Commission, and a Trustee and Chair of the Investment and Audit Committees of the NHS 'Above and Beyond' charity. Between 2003 and 2013 Howard was the Head of the Environment Agency pension fund and a member of its Pensions and Investment Committee. Under his leadership, the fund won over 30 awards in the UK, Europe and globally for its financially and environmentally responsible investment, best practice fund governance, public reporting and e-communications.

He is the Chairman of the Audit Committee and a member of the Management Engagement Committee.

## **Long-only, Multi-Asset Strategy**

- Focused on capital preservation
- Seeking best balance between risk & reward across equity, credit & private universes

## **Global Mandate**

- Flexible approach but an emphasis on US & Developed markets

## **Concentrated Portfolio**

- Expect to hold 15-25 positions
- Highest conviction ideas >10% of NAV
- Low turnover

Patient approach targeting absolute returns with low volatility

## **Accelerating Disruption**

- The rate of change and pace of innovation continuing to accelerate across the globe
- Leaving active investors playing an increasingly difficult game

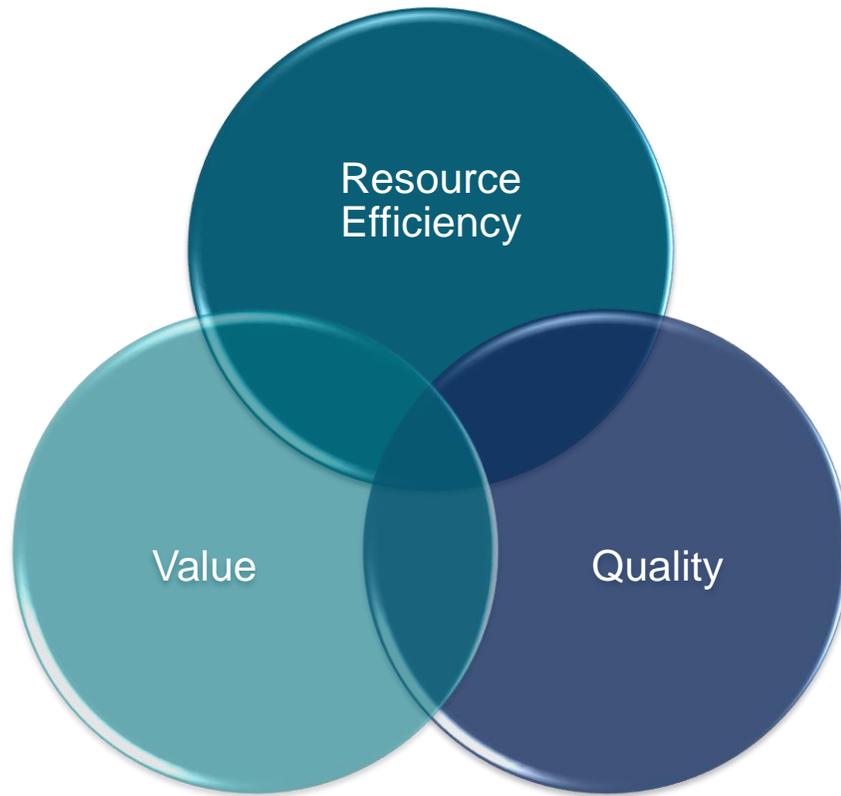
## **Competitive Moats Under Siege**

- Incumbent business models are under attack
- New technologies and its applications are acting to level the playing field for new entrants
- Traditional barriers to entry are continuing to diminish and fall

## **Growing Risks to Terminal Values**

- Climate change
- Rapid technological innovation
- Dramatically evolving consumer tastes & expectations

How do we invest against this backdrop?



## **Resource Efficiency**

- Businesses which are focused on using resources more efficiently
- Pragmatic approach which recognises companies working to reduce their environmental footprint

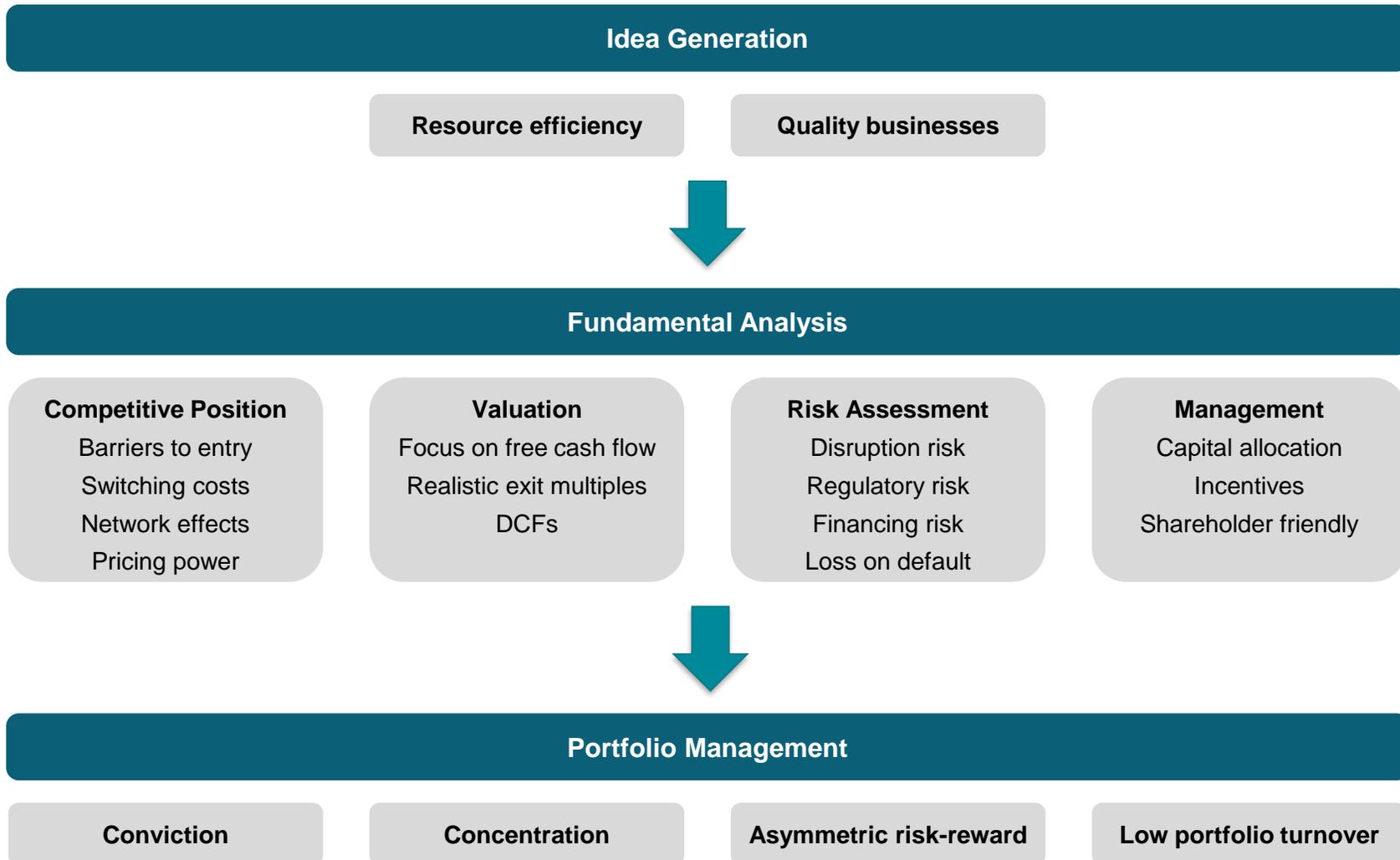
## **Quality**

- Cash flows which are predictable, resilient and sustainable over the long term
- Competitive moats underpinned by genuine barriers to entry

## **Value**

- Reasonable valuations considering the quality of the business & its prospects
- Asymmetric risk-reward pay-offs

Bottom-up approach provides conviction for a concentrated portfolio focused on our best ideas



	Key Characteristics	Weighting*	Target Return*
Public Equities	<ul style="list-style-type: none"> <li>Competitive position underpinned by barriers to entry &amp; industry structure</li> <li>Predictable financial performance</li> <li>Reasonable valuation</li> </ul>	~68%	~10%
Private Investment	<ul style="list-style-type: none"> <li>Assets backed by highly predictable cash flows (i.e. infrastructure or similar)</li> <li>Led by a best-in-class lead investor</li> <li>Advantaged terms/fees</li> </ul>	~30%	10-15%
Cash & Other	<ul style="list-style-type: none"> <li>Liquidity</li> <li>Forward currency contracts to manage currency exposures</li> </ul>	~2%	
<b>Total</b>			<b>~8% (net)</b>

*Note: Portfolio target weightings and target returns may differ from actual weightings and results*

# Top 10 Holdings

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Holding	NAV %
 <b>Alphabet</b>	27%
 Microsoft	12%
 X-ELI+	9%*
 <b>CP</b>	9%
 SAFRAN	7%
 <b>CN</b>	6%
 <b>VINCI</b>	6%
 <b>amazon</b>	5%
 <b>John laing</b> making infrastructure happen	4%*
 <b>Ocean Wilsons</b> Holdings Limited	3%
<b>Total</b>	<b>89%</b>

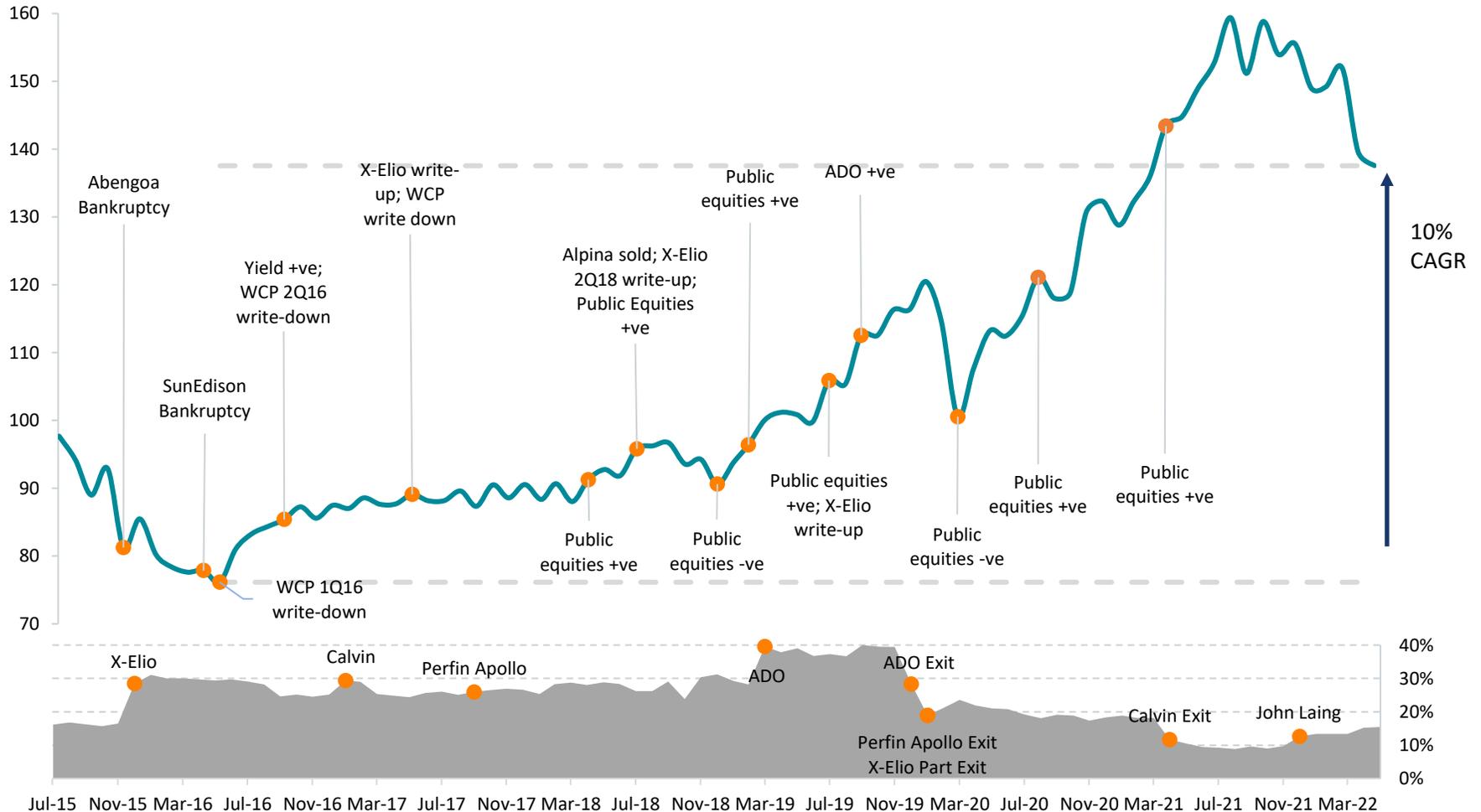
Note: Portfolio as of 31<sup>st</sup> May 2022; \* Private Investments

# The 6 'R's of Resource Efficiency

In order to assess resource efficiency, we evaluate all of our investments against our 6 'R's matrix:

<b>Redesign</b>	Do the company's products or services involve the smart re-design of any old inefficient processes or product/service?
<b>Reduce</b>	Will investing in this company lead to a reduction in the consumption of scarce resources or lower emissions compared to rival products?
<b>Re-use</b>	During the production of this company's products does it involve the use of any secondary, or recycled, materials?
<b>Recycle</b>	At the end of life of this company's products can any or some of its components be recycled and re-used in any other product?
<b>Re-purpose</b>	At the end of their life can any of this company's products be repurposed into any other secondary product?
<b>Reporting</b>	Does this company monitor and report on its environmental performance?

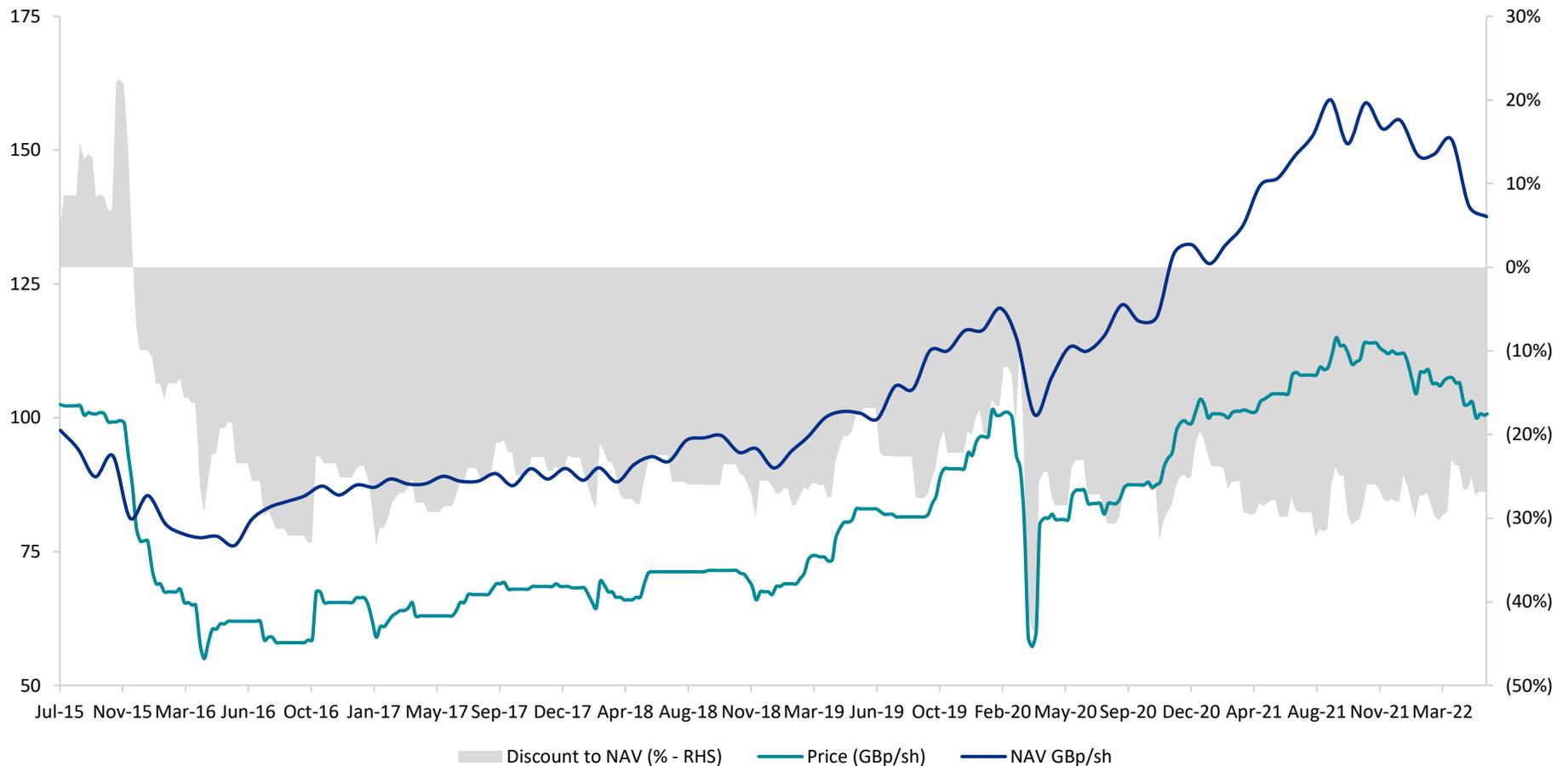
Menhaden RE NAV (GBP/share) & Private Investments (NAV % - RHS) until 31<sup>st</sup> May 2022



# Share Price Discount to NAV

Menhaden

Menhaden RE Share Price, NAV (GBP/sh) & Discount to NAV (%) until 31<sup>st</sup> May 2022



## **Performance**

- Remain focused on delivering investment performance & organically compounding NAV

## **Discount**

- Good performance should help to narrow the share price discount to NAV over time, but we continue to assess all options available to us

## **Raise new capital**

- Look to issue new shares in order to increase the investment trust's size and market liquidity

Remaining focused on delivering steady returns with below market volatility

## Environmental Impact

- Menhaden attempts to quantify the positive impacts of its portfolio companies on the environment

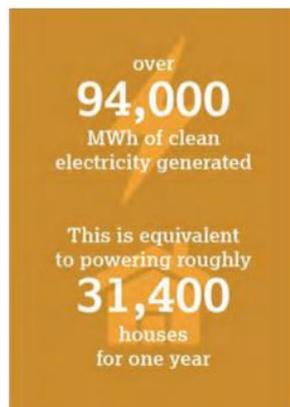
## Financial Year 2021

- In 2021 the group's share of portfolio companies helped generate ~94,000 MWh of clean electricity and saved >58,000 tonnes of GHGs

## United Nations Sustainable Development Goals

- Menhaden also measures itself against the UN Sustainable Development Goals (SDGs)

### Portfolio companies' environmental impact in 2021



### Menhaden's UN SDG Impacts



**Portfolio**

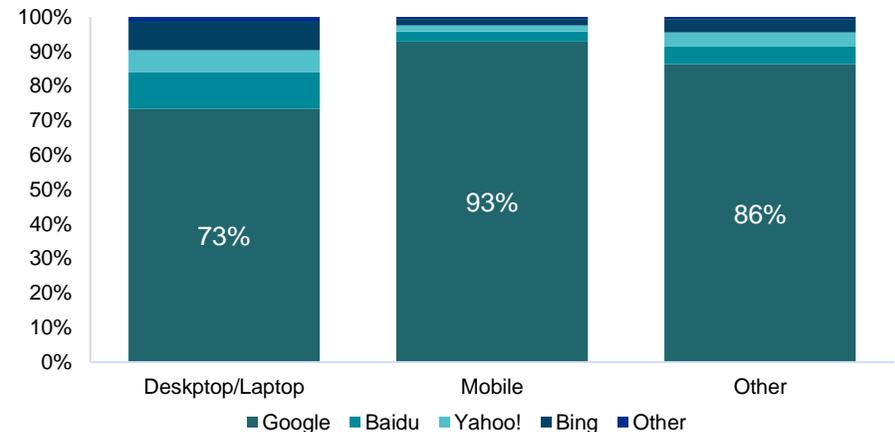
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## Theme: Resource & Energy Efficiency

- Alphabet is the holding company which owns Google and a variety of other business interests
- Company is one of the largest corporate buyers of renewable power worldwide and now aims to run only on carbon-free energy by 2030
- Secular growth in search queries continues and Google retains a dominant position, with opportunities to improve monetisation of user data and interactions across Google properties including YouTube
- Significant potential to deliver margin expansion as investments in YouTube, Hardware, Cloud & Other Bets roll off
- Expect the management team to continue to sharpen the group's capital allocation for the benefit of shareholders



Market share in Search (%)



## Theme: Resource & Energy Efficiency

- Amazon has effectively become an essential utility, which consumers and businesses are increasingly dependent on
- Recent studies outlined how ecommerce generates 40-65% fewer emissions compared to physical retail and AWS's data centre infrastructure was 3.6x more energy efficient than the median in the United States. Amazon will only use renewable energy by 2030 and then operate on a net zero carbon basis by 2040
- Set to continue benefiting from the secular themes of Cloud & Ecommerce
- AWS cloud computing business remains at an early stage and benefits from expanding competitive advantages based on economies of scale and customer switching costs
- Combination of AWS growth, improving profitability in the retail business, falling capital intensity should underpin significant growth in free cash flow generation going forwards



## Theme: Resource & Energy Efficiency

- Microsoft is a leading technology company primarily focused on providing a range of productivity software solutions and cloud services
- Company's Azure Cloud services are up to 93% more energy efficient than traditional, onsite enterprise datacentres
- Set to benefit from secular growth of technology expenditure which is projected to double as a percentage of GDP over the next decade
- Remains the indispensable technology partner of choice for enterprise customers (>345m Office 365/Teams users), with its core products possessing a combination of strong network effects and substantial switching costs
- Core earnings drivers, Office 365 and Azure Cloud, should underpin double digit revenue growth and margin expansion for multiple years



## Theme: Sustainable Transport

- Canadian National & Canadian Pacific provide freight transport services across North America via their wholly owned rail networks
- Rail is the most environmentally friendly way to move freight over land, >4x more fuel efficient than trucks on a ton per gallon basis
- Economies of scale provide rail operators with a significant cost advantage versus trucking on longer haul routes
- Prohibitive start-up costs and building regulations ensuring that no one is building railroads today
- Set to be long term beneficiaries of incremental volume growth, robust pricing and ongoing productivity improvements



## Theme: Sustainable Transport

- Ocean Wilson is a holding company which owns Brazilian port operator, Wilson Sons. Group operates container terminals in Rio Grande and Salvador
- Shipping also offers the lowest quantity of CO2 emissions on a per unit basis. Sea freight emits between 10-40 grams of CO2 per metric ton of freight per km of transportation, which is ~2x less than even rail freight
- Growth of international trade should help Brazilian container port volumes grow significantly faster than GDP (>1.5x) over the long term
- Container ports are critical pieces of transport infrastructure which face little competition due to underdeveloped road and rail infrastructure in Brazil
- Ocean Wilson also possesses a conservatively managed investment portfolio which provides a significant margin of safety



## Theme: Sustainable Transport

- Safran is a tier 1 aerospace supplier with leading franchises in aircraft engines, brakes and nacelles
- Leading the industry's drive towards net zero carbon air travel by 2050
- Global air travel will continue to grow over the long term, with only 1 in 5 people having ever been on a plane
- Company is the dominant engine manufacturer for narrow body commercial aircraft, with its position underpinned by very long product life cycles (~30 years), significant switching costs and regulatory barriers
- Installed base of CFM56 & LEAP engines (>30k) should generate steadily growing, high margin aftermarket sales for many years, once air travel recovers



## Theme: Resource & Energy Efficiency

- ASML, Lam Research & KLA all provide specialised tools which are used in different stages of the semiconductor manufacturing process
- Surging demand for computational power means the industry must continue to significantly improve chip's energy usage, with Koomey's Law outlining how energy efficiency of chips doubles every 1.6 years
- Long term beneficiaries from the secular growth for semiconductors, which is underpinned by several mega trends including AI, 5G & IoT
- Each of these suppliers has come to effectively dominate its respective niche in the manufacturing process and is tightly integrated with its customers' operations
- Combination of industry growth and share gains by these companies, with operating leverage and share buybacks should underpin robust growth on an earnings per share basis



## Theme: Resource & Energy Efficiency

- Vinci is one of the largest infrastructure and construction companies in the world, with a strong track record of building and operating infrastructure assets
- Management team is currently transforming the business, with the aim of achieving a 40% reduction in carbon emissions by 2030. Rated A- by CDP for last 3 years
- Company possesses long duration infrastructure concession assets (~27 years) and benefits from attractive regulatory frameworks
- Contracting business is highly complementary with low capital requirements and its success has historically helped the group win new operating concessions
- Recent acquisition of ACS Industrial Services strengthens the company's global position in renewable energy and transmission asset developments



## Theme: Waste & Water

- Waste Management provides waste management environmental solutions across the value chain throughout North America
- Effective handling and recycling of waste remains critical to improving the efficient use of resources worldwide
- Largest operator (~20% market share) providing an essential service in a mature, but growing, industry where localised economies of scale are a critical driver of profitability
- Ownership of >200 landfill sites provides company with control of what is effectively a scarce asset due to regulation
- Expected to continue to benefit from incremental volumes, pricing and ongoing productivity improvements, whilst returning cash to shareholders



## Theme: Resource & Energy Efficiency

- Fund's primary activity is providing finance for a limited number of new high quality, real estate projects
- New developments possess leading energy efficiency credentials
- Outstanding risk-reward with multiple layers of downside protection:
  - 1) Senior debt
  - 2) LTVs <65% based on conservative NAVs
  - 3) Third party guarantees provided as extra collateral
- Original commitment made in March 2018
- Expected IRR 9-11%



## Theme: Resource & Energy Efficiency

- John Laing is an originator, developer and owner of core mid-market infrastructure assets primarily across Europe, North America and Australia
- Committed to the Net Zero transition and aiming to complete this for direct operations ahead of 2050. Environmental impacts are mitigated on an asset-by-asset basis
- Operating assets typically provide an essential service in their locality and operate under long term concessions (20-30 years), providing predictable cash flows which are then reinvested in new greenfield projects
- Original investment made in Dec 2021
- Expected IRR 7-9%



## Theme: Clean Energy Generation

- X-Elio is a global owner, operator and developer of solar PV plants
- Company is directly contributing to the energy transition through its development and operation of greenfield solar farms
- New developments are underpinned by contracted offtake agreements with a fixed price, whilst geographies are carefully selected based on their regulatory framework and the associated country risk
- Commercial approach has enabled the group to achieve outsized returns on capital by selling new developments upon start up
- Original investment made in Dec 2015
- Partial realisation from the sale of a stake in the business to Brookfield Renewable Partners in Dec 2019, which generated an IRR of ~14% (gross)



# Private Realisations

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## Theme: Resource & Energy Efficiency

- Unique transaction involving a portfolio of residential apartments in Berlin, which was led by Apollo
- Strong relationship between increasing energy efficiency (by upgrading building stock) and growing real estate value (via higher rents)
- Purchase price represented a >30% discount to replacement cost of the underlying assets
- Original investment made in March 2019
- Following a takeover offer from ADLER Real Estate, which completed in December 2019, we exited with a gain of ~23% in less than one year



## Theme: Resource & Energy Efficiency

- Calvin is one of the largest independent electricity meter providers in the UK
- Smart meter adoption remains an important part of modernising the country's electrical infrastructure and will help drive significant energy efficiency improvements, as it transitions to a lower carbon economy
- The company procures, funds, owns and manages energy meters. Each installed energy meter in its portfolio generates a fixed, recurring revenue stream over 10-15 years
- Original investment made in Jan 2017
- Company completed an IPO in Feb 2020
- Finalisation of a Blackrock-led takeover in May 2021 delivered in a return on investment of ~1.7x over four years, equivalent to a net IRR of 15%



## Theme: Clean Energy Generation

- Perfin Apollo 12 oversaw the development of three greenfield electricity transmission line projects in Brazil
- Building out this transmission infrastructure is critical for Brazil to harness the electricity generated by its growing renewable power asset base
- Federal regulatory framework provided inflation adjusted revenues for ~30 years based on wholly on asset availability (i.e. no volume risk)
- Original investment made in Jan 2017
- Completed an IPO in January 2020 in which we decided to sell our shares to generate a ~4x return on our initial sterling invested capital ~2.5 years



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9<sup>th</sup> June 2022

**Contact Details:**

Ben Goldsmith  
Ben.goldsmith@menhaden.com

Menhaden Capital Management LLP  
Heathman's House  
19 Heathman's Road  
London SW6 4TJ