2Q 2024 COMMENTARY

CROMWELL FORESIGHT GLOBAL SUSTAINABLE INFRASTRUCTURE FUND

The following commentary covers the Portfolio Managers' view of global interest rates and how management teams have adapted to the rate environment, how government policies support infrastructure assets, and current valuations of infrastructure assets.

What is your view of global interest rates given the importance of investor sentiment around real assets?

As we enter the third quarter of 2024, multiple interest rate cuts became more likely. In June, the European Central Bank cut its key interest rate, and the Bank of Canada lowered its key interest rate twice in June and July. The narrative around rate hikes seems to have dissipated, although we believe central banks will take their time to reduce rates. The economic data does not seem to warrant drastic moves from the central banks.

While we acknowledge that the interest rate environment is important to investor sentiment toward infrastructure assets, many infrastructure companies do not need ultra-low interest rates to successfully operate.

How have management teams adapted to the current rate environment?

Management teams have been focused on creating value for shareholders in this uncertain rate environment. We have seen some companies making new investments in high conviction markets which meet their required return. Other actions include selling infrastructure assets to achieve higher valuations seen in private markets. In addition, large infrastructure and private equity firms have been willing buyers of high-quality assets.

Finally, many companies have bought back shares, particularly when prices have fallen. Specifically, over one-third of the portfolio has purchased shares over the past year, with one company, Sequoia Economic Infrastructure, reducing its outstanding shares by nearly 10%.

Would you please describe how the current policy environment is supportive of infrastructure assets?

We believe current government policy is creating an attractive environment for real asset investors. The following examples illustrate the motivation of countries to reduce emissions, supporting infrastructure assets:

1. The **United Kingdom** is targeting to fully decarbonize power generation by 2035. Plans are to generate 50 gigawatt (GW) of offshore wind by 2030 and 70 GW of solar capacity by 2035. With a legally binding target of achieving net-zero emissions by 2050, the U.K. is motivated to reduce emissions 78% by 2035.

CROMWELL FUNDS

CLASS	INCEPTION	TICKER
Institutional	1/31/23	CFGIX

Fund Facts

Specialty: **Global Sustainable Infrastructure**

Benchmark: **S&P Global Infrastructure Index**

Net Assets: **$44.8 million**

Holdings: **26**

Sub-Advisor

Foresight
FOR A SMARTER FUTURE

Founded in 1984, Foresight Group is a leading listed infrastructure and private equity manager investing in innovation that drives progress. Foresight has a long-established focus on ESG and sustainability-led strategies, managing over 400 infrastructure assets across eight countries. Headquartered in London and listed on the London Stock Exchange, Foresight Group manages $17 billion in assets under management.

PORTFOLIO MANAGERS

Nick Scullion
Partner, Lead Portfolio Manager

Eric Bright, CFA
Director, Co-Portfolio Manager

2. The **United States** Inflation Reduction Act earmarks $260 billion for the energy transition providing strong tailwinds for electric vehicles (EVs), renewables, natural gas, hydrogen and nuclear. The bipartisan Infrastructure Law designates an additional $80 billion for the energy transition. The U.S. aims to reduce carbon emissions by 40% by 2030 while committing to net-zero emissions by 2050.

3. In the **European Union,** the Net Zero Industry Act earmarks a minimum of over $400 billion in grants and loans by 2030. An aid-matching provision allows EU member states to match any subsidies offered by a third country, in theory amounting to uncapped amount of state aid for net-zero technologies. The Climate Target Plan targets a 55% reduction in greenhouse gas emissions by 2030 and net-zero emissions by 2050.

Would you please comment on infrastructure valuations?

We believe the market dislocation has provided a value opportunity across structurally growing real asset sectors. As shown in the table below, the current valuations among all areas of infrastructure are below their 3-year averages as of the end of the second quarter of 2024.

Low Valuations Offer Attractive Buying Opportunity[1]

	Current EV/EBITDA	3-Year Average EV/EBITDA
Digital Infrastructure	16.7x	18.7x
Diversified Infrastructure	19.4x	20.1x
Renewables	14.4x	17.0x
Healthcare	14.8x	18.2x

Source: Bloomberg as of 6/30/24. 1 Data excludes U.K.-listed companies where data is not available.

About Cromwell Funds

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Cromwell Funds' Sub-Advisors:

- Aristotle Pacific Capital
- CenterSquare Investment Management
- Corbyn Investment Management
- Foresight Group
- Mutual of America Capital Management
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Investors should carefully consider the Fund's investment objectives, risks, charges and expenses before investing. For this and other information, please call 855.625.7333 or visit thecromwellfunds.com for a prospectus. Read it carefully before investing or sending money.

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Enterprise value (EV) is used to determine the value of a company. Enterprise value divided by earnings before interest, taxes, depreciation, and amortization (EBITDA) is a valuation multiple used to determine the fair market value of a company.

Holdings can be found here. Fund holdings are subject to change and should not be considered recommendations to buy or sell any security. Current and future holdings are subject to risk.

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