

ECOFIN WATER & POWER OPPORTUNITIES plc

30 November 2011

Company Objectives

The Company's investment objectives are to achieve a high, secure dividend yield and to realise long-term growth for the benefit of Shareholders, while taking care to preserve shareholders' capital. The Company's assets are primarily invested in the equity and equity-related securities of utility, utility-related and energy companies worldwide.

As at 30 November, 2011

Net Assets:	£410,367,988
of ZDP shares	£69,620,246
of Ordinary shares ¹	£340,747,742
Ordinary share price:	111.00p
Ordinary share NAV ² :	162.15p
Premium/(Discount):	(31.54%)
Dividend yield ³ :	5.9%

¹ First issued on 29 June, 2005 at 100p per share and an initial NAV per share of 104.91p

² Not fully diluted

³ The current annualised yield of 5.9% reflects quarterly dividend payments totalling 6.50p for calendar 2011.

Key Company Details & Fund Characteristics

Launch date:	28 February 2002
Dealing currency:	Sterling
Sector:	Global utilities and energy
Benchmark:	n/a
Traded:	London Stock Exchange
Financial year end:	31 March
Results announced:	November (half yearly), July (final)
AGM:	September
Ordinary share dividends:	paid May, August, November & February

Performance

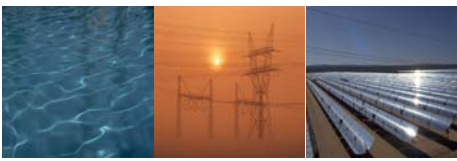
EW&PO ¹	1 Month %	3 Months %	1 Year %	3 Years %	5 Years %	Since Inception ² %
Net Assets	-0.8	0.3	0.6	3.4	-0.5	161.5
NAV per Ordinary Share	-1.0	0.0	-0.6	3.4	-1.1	n/a
Ordinary Share Price	-3.1	-5.1	-12.8	-16.7	-33.0	n/a
Markets (£)						
MSCI World	-0.3	1.2	-1.6	29.9	1.9	11.5
MSCI World Utility	1.0	2.1	-3.0	-6.8	-4.8	28.3
MSCI World Energy	2.1	5.7	7.7	25.7	26.4	87.1
WilderHill New Energy Global Innovation	-6.5	-17.3	-31.5	-18.8	-40.2	3.4

¹ Adjusted for a £50 million capital increase in June 2005, a £108.2 million capital increase in January 2007, tender offers in July 2007 and April 2009, and the launch of £60 million nominal value of Zero Dividend Preference shares (ZDP shares) in July 2009

² Company launched on 28 February, 2002. Ordinary shares first issued on 29 June, 2005

EW&PO Performance since Inception

	Return %	Annualised %
Net Assets	161.5	10.4
Net Assets including dividends	229.6	13.0
Net Assets including dividends reinvested	276.7	14.6



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Portfolio Distribution*

BY MARKET CAPITALISATION (% of Portfolio)

More than £10,000 million	32.7
£5,000 to £10,000 million	3.7
£1,000 to £5,000 million	21.4
£200 to £1,000 million	4.9
Less than £200 million	12.3
Unquoted	14.8
Bonds	10.2
	100.0

BY SECTOR / TYPE (% of Portfolio)

Non-regulated Utilities	21.9
Regulated Utilities	11.6
Energy	16.6
Bonds	10.2
Unquoted	14.8
Infrastructure	10.3
Alternative Energy	5.9
Ecofin Funds	7.6
Other	1.1
	100.0

BY GEOGRAPHY (% of Portfolio)

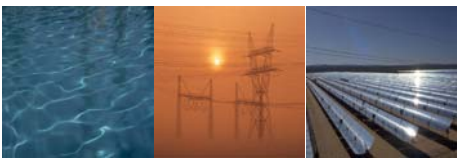
North America	48.1
United Kingdom	11.3
Continental Europe	22.6
Emerging Markets	14.5
Other Developed Markets	3.5
	100.0

10 LARGEST INVESTMENTS*

Company	Country	Activity	% of Portfolio
Texas International Energy Partners Inc**	US	Gas	8.7
Ecofin China Power & Infrastructure Fund	China	Infrastructure	5.1
Williams Companies	US	Gas	4.8
Exelon Corp	US	Power	2.3
FirstEnergy	US	Power	2.0
ITC Holdings Corp	US	Power	1.9
OGE Energy	US	Power	1.9
Fortum Oyj	Finland	Power	1.9
Water Property Investments**	US	Water	1.8
BG Group	UK	Gas	1.8
		Total	32.2

* Excludes EIH Cyprus, a liquidating cash vehicle, which was 4.06% of the portfolio

** Unquoted



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Capital Structure

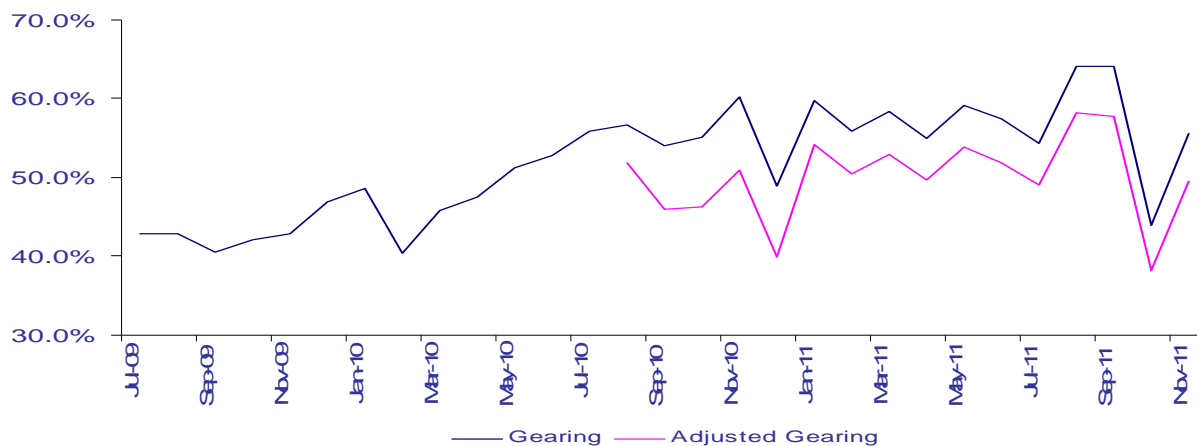
	As Reported (£)	As Adjusted (£)
Total Assets (less Cash at Bank)	530,273,000	509,641,000
Cash at Bank	2,541,000	23,174,000
Total Assets	532,814,000	532,814,000
Bank Debt	43,373,000	43,373,000
Convertible Unsecured Loan Stock	79,074,000	79,074,000
Zero Dividend Preference Shares	69,620,000	69,620,000
Net Assets attributable to Ordinary Shares	340,748,000	340,748,000
	£532,814,000	£532,814,000
Gearing (Net Debt / Ordinary Shareholders' Funds)	55.6%	49.6%
Gearing (Net Debt less Convertible Unsecured Loan Stock / Ordinary Shareholders' Funds plus Convertible Unsecured Loan Stock)	26.3%	21.4%

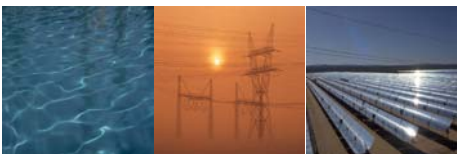
The Total Assets of the Company include an equity investment of £21.3 million in EIH Cyprus Group which is a joint venture between the Company and other funds managed by the Investment Manager, Ecofin Limited. 97.0% of the assets of EIH Cyprus are in cash which represents the proceeds of the sale of one of the Company's investments, Solel Solar Systems Limited. The figures in the 'As Adjusted' column of the table above have been adjusted to include this cash in the Cash at Bank figure.

Net Debt is Bank Debt, the Convertible Unsecured Loan Stock and the Zero Dividend Preference Shares, less Cash at Bank. The assets of the company include approximately £87.2m in bonds, and options representing approximately £1.4m on a delta adjusted basis. Adjusting the Total Assets less Cash at Bank ('As Adjusted') for these two components, the total equity exposure of the Company was 123.6% of Ordinary Shareholders' net assets.

Gearing

- The Company employs gearing to earn a high level of dividend income and to offer the Company's Ordinary Shareholders a geared return on their investment.
- The Directors believe that the use of gearing is justified given the nature of most of the companies in which the Company invests; that is, companies which provide essential services, operate in regulated markets, have relatively low levels of business risk and pay dividends.
- Gearing amplifies the performance of the Company's assets. As a consequence, the NAV of an Ordinary Share is more volatile than would be the case if the Company were not geared. The maximum level of gearing is set by the Board and its current policy is that gearing should not exceed 60% for any sustained period.





ECOFIN WATER & POWER OPPORTUNITIES plc Investment Commentary

- The small percentage changes in market indices for November mask the sharp and prolonged weakness suffered for most of the month as Europe's sovereign debt crisis intensified, government borrowing rates rose to record levels in many countries and US bi-partisan negotiators failed to agree budget cuts. At the very end of the month, markets recovered sharply after the Federal Reserve and 5 other central banks made additional liquidity available to markets to ease bank funding strains and support economic growth. The Chinese authorities cut banks' reserve requirements for the first time since 2008, also in an effort to improve the credit environment.
- Although they tracked the direction in markets, utilities outperformed the broad averages in November, even in Continental Europe where political risk is a major issue. Continental European utility averages are nearly 22% lower calendar year-to-date compared with gains of 5.4% and 10.8% for UK and US utilities, respectively.
- In France, the Socialists secured the support of the Greens by undertaking to reduce France's dependence on nuclear energy for its electricity from 75% to 50% by 2025 should they win the May 2012 presidential elections, which would entail the closure of nearly half of France's nuclear fleet. The current government is pro-nuclear so the issue will remain in the headlines. In Belgium, the interim coalition government agreed to more than double the nuclear levy agreed only two years ago and refused lifetime extensions for two plants. By month end, however, the chief negotiator for the formation of a new government had resigned over the 2012 budget reduction efforts, highlighting how precarious the "deal" agreed on the €550m nuclear tax actually is.
- The North American equity portfolio contributed positively to overall returns again this month principally as a result of strong performance from our large position in Williams Companies, which was up 7.2% in anticipation of corporate restructuring. Early in December, Williams announced it would be spinning out its E&P subsidiary leaving as its core business a pre-eminent natural gas and NGL pipeline company. Generally, pipelines fared well in November and our positions in Transcanada, OGE Energy, AES and ITC Holdings, the pure play on US transmission development, were profitable.
- In China, the HSCEI Index fell 9.6% in November and the Ecofin China Power & Infrastructure Fund, the Company's second largest holding, declined 5%. The pattern of economic data released during the month confirms the view that China's biggest risk is weaker external demand rather than domestic issues. Korea's export figures, generally the leading indicator of Asian and global trade, grew 13.8% y-o-y in November, up from a revised 8% y-o-y in Oct, suggesting China's export growth should experience a slowdown but not a slump going forward.
- In the energy markets, oil prices have been relatively strong with Brent crossing the \$110/bbl level while WTI was trading above \$100/bbl by month end. Geopolitical developments continue to be the main drivers behind the price movements as inventory data has suggested an increase in crude and gasoline stocks. Natural gas prices and electricity demand, especially in Europe, have been relatively weak, reflecting the softer economic environment and fairly warm temperatures. The Company's energy holdings contributed positively to overall performance in November reflecting primarily continuing strength in NovaTek and Weir Group.
- Bond exposure within the portfolio remained more or less unchanged at 10%. The total return for the month was -1.4% versus -2.2% for the high yield market and calendar year-to-date the total return has been 8.7% versus 2.6% for the high yield market.



OUTLOOK

- For now, securities markets are highly correlated with each other and with the outlook for economic growth. Expectations are being cut with blame directed almost exclusively at the European sovereign debt crisis and its implications for regional and global economic activity. Trading volumes and confidence are low, and there is a lack of conviction amongst active investors.
- In the energy markets, fundamentals remain unchanged and we expect tightness in the light crude market and tensions in the Middle East, in Syria and more importantly Iran, to continue to provide support for prices. Any positive developments around the Euro zone debt crisis would also buoy prices.
- We believe we are seeing a change in emphasis in China's economic policy and maintaining growth is becoming the greater priority, rather than fighting inflation. While monetary measures are being, and may continue to be, employed in the short term, if the export situation worsens significantly in the months ahead, we expect fiscal measures to be implemented, such as support for key sectors including power, railways and water.
- We are optimistic about the outlook for our North American utility and power exposure. Our team recently attended the annual Edison Electric Institute financial conference with peers from the financial community and most of the publicly traded utilities in the US. The key take-away was that while the outlook for the economy remains fairly muted, the risk to authorized ROEs is low and there is potential for expansion of power margins as supply is rationalized.
- The Company's largest investment, the unquoted US shale gas and oil developer (Texas International Energy Partners Inc), has commenced drilling of new wells at its property in south Texas. At least three new wells are planned to supplement production from the three existing wells at the site, with funding provided by drawing on the new \$100 million borrowing facility. Nearby additional properties are in the late stages of being reviewed as potential bolt-on acquisitions, but nothing is expected to be completed before the end of 2011. At the Montana property, six wells have now been drilled into a shallow gas structure and they will be flow tested over the coming weeks.