VT UK Infrastructure Income Fund

Monthly factsheet

January 2017

Overview

To deliver a regular income expected to be 5%[1] per annum

To preserve investors' capital throughout market cycles with the potential for capital growth and protection from inflation

To provide investors with exposure to the UK listed infrastructure sector

To offer investors exposure to a sector that is a vital part of the UK economy and is increasingly becoming a key component in any well-balanced investment portfolio

Performance: Share Class C GBP Acc [25/1/16 – 31/1/17]

Returns

	Jan 17	3 Months	6 Months	12 Months	Since Inception	Volatility
VT UK Infrastructure Income Fund	-0.08%	0.75%	2.95%	11.59%	11.43%	5.47%
MSCI UK	-0.52%	2.70%	7.18%	21.41%	25.80%	15.78%

Past performance is not necessarily a guide to future performance
Fund launched on 25 January 2016.
Fund performance is illustrated by the C GBP Net Accumulation share class.

Top 10 holdings on 31st January 2017

Bluefield Solar Income Fund Ltd	8.9%
GCP Infrastructure Investments Ltd	8.8%
Renewables Infrastructure Group Ltd	7.9%
SSE PLC	6.4%
Greencoat UK Wind PLC	5.5%
SQN Asset Finance Income Fund Ltd	5.0%
NextEnergy Solar Fund Limited	4.8%
Foresight Solar Fund Limited	4.8%
Target Healthcare REIT Limited	4.7%
Medicx Fund Ltd	4.6%

The VT UK Infrastructure Income Fund (the "Fund"), the first UK focused open ended infrastructure fund, launched in January 2016. It invests in UK listed Investment Companies, Equities and Bonds and is advised by GCP Advisory Limited.

Regulatory Status	FCA Authorised
Sector	IA Specialist
Fund Size	£124.65m
Share classes	Income & Accumulation Clean & Institutional
Charges[2]	C – 0.75% pa I – 0.65% pa
Min. investment	C – £1,000 I – £5,000,000
Dividends Paid	C: 4.5940p I: 4.8822p
Yield based on launch price of £1 *Launch date 25/1/16	**C: 4.5940%*** **I: 4.8822%****
Currencies	£, $, €
£ ISINs	C Acc: GB00BYVB3M28 C Inc: GB00BYVB3J98 I Acc: GB00BYVB3T96 I Inc: GB00BYVB3Q65

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1 – This is an unofficial target and there is no guarantee it will be achieved. Per annum by reference to launch price of £1.00 per unit, payable quarterly, two months in arrears

2 – The OCF (Ongoing Charges Figure) for all share classes will be capped at the AMC (Annual Management Charge) above until 31/12/18 and any costs in excess of the OCF/AMC will be paid by the Investment Adviser.

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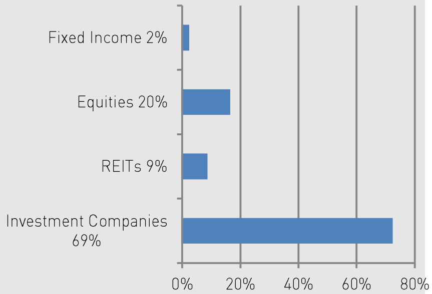
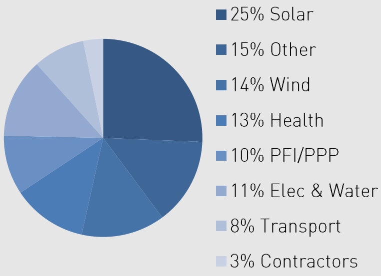
Sectors



Sources of Income



Available on the following platforms

7IM	James Hay
Aegon	Novia
AJ Bell	Nucleus
Allfunds	Old Mutual (Skandia)
Alliance Trust	OM Wealth
Ascentric	Pershing
Aviva	Raymond James
Axa Elevate	SEI
Cofunds	Standard Life
FNZ	Stocktrade
Hargreaves Lansdown	Transact
Interactive Investor	True Potential
James Brearley	

Fund Adviser's Report

With asset markets registering modest falls (MSCI UK down 0.52%) after an exuberant end to 2016, the VTUKIIF exhibited a very quiet performance this month with subdued daily moves; the fund finished January slightly lower at down 0.08%.

In January, our focus as always remained on protecting capital and on generating a reliable income – we target 5% net of all fees for buyers at current levels - with upside linkage to inflation; regular readers of this note will know that we do not value changing our investment policy or our strategy and we do not much interest ourselves in the many distractions which political events in recent months have been providing.

Whilst discrete periods and fund size (AUM) are not much in our thoughts as day to day we research and monitor investments and carefully manage the deployment of inflows, we will mention that the fund passed its one year anniversary during the month and assets under management grew to £124.65m. We recognise that the AUM is almost absolutely irrelevant to the individual investor (she or he will rightly only care that we have the minimum AUM to support properly our research and execution functions) it is clear that as an aggregator having scale allows the fund to deliver enhanced returns. We have excellent access to management of many of the enterprises we allocate to and to their advisers when they seek new capital (both secondary and IPO) and we also receive very thorough information for our analysis (which we of course supplement from entirely independent sources).

Macro subjects only interest us as managers of the VTUKIIF when they have an implication for our returns and in that regard it is timely to mention inflation. It is clear that there has been a pick up globally, as even in Europe there has been an appearance of inflation, notwithstanding stubborn unemployment levels, low productivity, challenging demographics, persistent non-performing loans (which hobble core bank capital and thus lending capacity), and deep seated structural issues connected with the Euro. It seems that most of this inflation in the system is non-core, driven by energy prices rising off a low level and by food prices responding to this as a second order derivative and also to globally poor growing conditions in recent months. All that said, whilst we are doubtful that there will be any meaningful pick up in UK core inflation over the medium term (with imported inflation and energy price increases always tending to work through the time series over 12 to 15 months) we note that the Fund is well positioned to benefit from increases in UK CPI and RPI as many of our cash flow inputs derived from the projects underlying our security picks have upward only inflation mechanisms embedded. Inflation is clearly, for our portfolio, most welcome news.

Whilst preserving capital, as mentioned, we work constantly to generate 5% income net of fees for investors buying the fund at the current price. In order to achieve this:

(a) We constantly research new securities, and have some outstanding candidates to add this quarter;

(b) We work diligently on execution, particularly by buying our names when they issue shares – in 2016 we calculate that we saved 56.9 bps (of fund performance) by buying securities in this way compared to buying them on a secondary basis before the issue announcement; and

(c) Most importantly, we constantly monitor our existing portfolio and whilst maintaining very low turnover (1.09% in 2016 – churn being an enemy of performance) we are never complacent and we continually refine weightings of our holdings in response to our work, as the prospects for one improves relative to its peers.

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