VT UK Infrastructure Income Fund

Monthly factsheet
June 2016

Overview

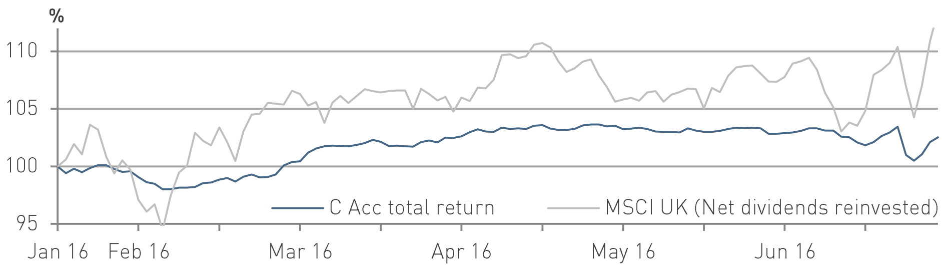
To deliver a regular income expected to be 5% per annum[1]

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 chart Share class: C GBP Acc [25/1/16 – 30/6/16]



Returns

	June16	3 Months	Since Inception	Volatility
VT UK Infrastructure Income Fund	-0.78%	0.27%	2.52%	5.9%
MSCI UK	4.97%	6.73%	13.43%	20.6%

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

Top 10 holdings as at 30th June 2016

GCP Infrastructure Investments Ltd	7.9%
Renewables Infrastructure Group Ltd	7.7%
Greencoat UK Wind PLC	7.5%
John Laing Infrastructure Fund Ltd	6.3%
Bluefield Solar Income Fund Ltd	5.4%
MedicX Fund Ltd	4.2%
HICL Infrastructure Company Ltd	4.2%
Target Healthcare REIT Ltd	4.1%
SSE PLC	4.0%
Foresight Solar Fund Ltd	4.0%

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 funds, Equities and Bonds and is advised by GCP Advisory Limited.

Regulatory Status	FCA Authorised
Sector	IA Specialist
Fund Size	£32.655m
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 Aug 16	C Inc – 1.0992p I Inc – 1.1469p
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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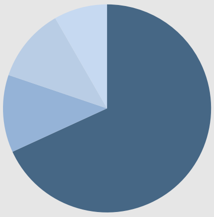
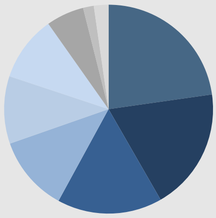
Allocations



Sources of Income



Available on the following platforms

AJ Bell
Allfunds
Alliance Trust
Ascentric
Aviva
Axa Elevate
Cofunds
FNZ
FundsNetwork
Hargreaves Lansdown
James Hay
Novia
Nucleus
Old Mutual (Skandia)
OM Wealth
Stocktrade
Transact
True Potential

Fund Adviser's Report

At each Quarter End we shall look to take a step back from shorter term trends and returns, and will address the broader macro themes driving income investing. The quarter was one of the most extraordinary in terms of events that even those of us who were trading and investing when Mrs Thatcher won a second election propelled by the "Falklands factor" have seen.

We are pleased to report that notwithstanding the momentous events and the concomitant gyrations in most asset classes, the Fund (C Accumulation Class) ended the Quarter up 0.27%.We mentioned above that most asset classes gyrated – but global government Bonds did not; rather they continued their relentless rally with 10 year gilt yields reaching 0.85% at the month end.

Three themes are uppermost in our minds as we invest the Fund presently, and those are: (a) low interest rates; (b) liquidity; and (c) the changed UK balanced budget target. The policy maker reaction to Brexit has been: (i) for Central Banks globally to pump in liquidity – with market participants pushing expectations of official rate rises many years into the future, with even the Fed almost certain to hold rates in 2016 and only possibly raise in 2017; and (ii) in the case of the UK, for the Conservative administration (albeit via its disparate parts) to make it clear that the target of balancing the budget will be pushed out from 2020 to many years beyond.

We recall a time when the wisdom was that Equity and Bond prices moved in different directions – not so in 2016's liquidity driven environment; a combination of "where else do we put the inflows?" and "window dressing" for the quarter end as Equity market participants rushed to increase allocations as the market rallied (so as not to be under allocated and underperforming their benchmark) drove Equity indices strongly upwards alongside Bond prices in a way that few would have foreseen post the British referendum result.

We see these developments as highly supportive of our strategy and of infrastructure investing broadly. Firstly, the loosening of UK fiscal policy referred to above will strongly support Public Sector spending which will assume far greater importance in the economy for the foreseeable future. With inward investment, corporate investment and consumer spending all likely to fall to some degree, it will fall to the government to take up the slack in the economy by spending on infrastructure projects; we consider this was highly likely before the vote and now to be a clear certainty.

Secondly, alternatives for Income investors continue to rally as noted above, with yields on Bonds and Equities falling; we see little prospect of that trend reversing, given global Central Bank interest rate policies and QE programmes. These persistent factors will, we believe, continue strongly to support infrastructure investing given its combination of a higher yield than Equities or investment grade Bonds and its implicit low volatility – cash flows based on water, gas and electricity flows and on schools and hospitals, being the disaggregated flows which underlie the Fund, continue to arise with metronomic predictability.

Stephen West, Fund Adviser, GCP Advisory Ltd

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