GRAVIS UK INFRA

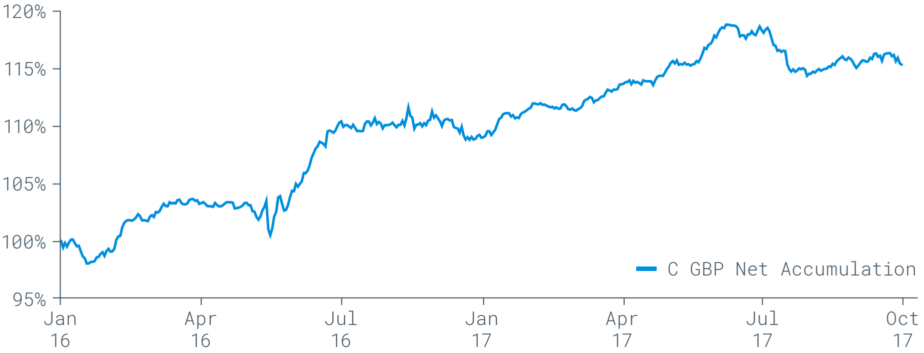
MONTHLY FACTSHEET 29 SEPTEMBER 2017

OVERVIEW

- Deliver a regular income expected to be 5%[1] per annum
- Preserve investors' capital throughout market cycles with the potential for capital growth and protection from inflation
- Invests in UK Listed Securities including Investment Companies, Equities, Bonds and REITs
- Offers exposure to a vital sector for the UK's economy which is increasingly becoming a key component of any well-balanced investment portfolio

PERFORMANCE CHART

Share Class C GBP Acc 25/1/16 – 29/9/17



RETURNS

	SEP 17	3 MONTHS	6 MONTHS	12 MONTHS	SINCE INCEPTION	VOLATILITY
VT Gravis UK Infrastructure Income Fund	-0.13%	-1.41%	1.23%	4.81%	15.35%	4.80%
MSCI UK	-0.77%	1.82%	2.65%	11.00%	34.73%	13.47%

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.

Company overview

Regulatory Status	FCA Authorised
Sector	IA Specialist
Launch date	25th January 2016
Fund Size	£231.23m
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
Net Yield[3] **as at 29 September 2017**	C: 5.10% I: 5.30%
Turnover to 29 September 2017	9.53%
Dividend ex dates	end of Dec, Mar, June, Sept
Dividend pay dates	end of Jan, Apr, July, Oct
Currencies	£, $, €
£ ISINs	C Acc: GB00BYVB3M28 C Inc: GB00BYVB3J98 I Acc: GB00BYVB3T96 I Inc: GB00BYVB3Q65

DIVIDENDS

Dividends paid net of charges. Based on £1,000 invested since inception to 29 September 2017.

DIVIDENDS	MAY 16	AUG 16	NOV 16	JAN 17	APR 17	JUL 17	OCT 17	TOTAL INCOME	TOTAL RETURN
UKIIF C GBP Income	£6.61	£10.99	£15.49	£12.85	£9.55	£17.35	£14.60	£87.44	£1,155.92
UKIIF I GBP Income	£8.03	£11.47	£16.00	£13.33	£10.05	£17.85	£15.10	£91.83	£1,157.55

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, one month 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.
3. Published dividends are net of charges which are taken from income.

FUND ADVISER'S REPORT

We anticipate further dividend growth from the Fund's underlying assets over the next 12 months and as such an investment at current prices can anticipate achieving a yield above the 5% target.

On 29th September the Fund announced its dividend distributions for the third quarter of 2017, payable in October. Holders of the I Class Income units will receive 1.5101p and holders of the C Class Income units will receive 1.4603p.

Based on the closing prices for 29th September, the trailing 12 month yield on the I Inc and C Inc units is 5.30% and 5.10%, respectively. We anticipate further dividend growth from the Fund's underlying assets over the next 12 months and as such an investment at current prices can anticipate achieving a yield above the 5% target.

From an operational perspective, the companies owned within the Fund are typically highly predictable. However, events in late September served as a reminder of how political risk can lead to sudden shifts in sentiment and unanticipated price movements. At Labour's annual conference, Shadow Chancellor John McDonnell declared that the Party would not sign any new PFI deals and would seek to bring existing PFI contracts "back in-house" should they be elected. Understandably, the statement resulted in some selling pressure within the sector and some of the Fund's investments declined in value.

While the potential threat cannot be disregarded, our initial reaction is that such a scenario is unlikely to occur – and certainly not in the short to medium term. Not only do we think it unlikely that the Conservatives would look to call a general election any time soon – particularly while Labour appear to have momentum – but we would also question Labour's ability to finance such an initiative. PFI projects are a contractual obligation and the compensation that would be payable on lost cash flows and interest payments has been estimated to be as much as £200bn. It is conceivable that many investors would be happy to receive full upfront compensation but anything less would amount to expropriation and that is a path we do not believe any UK government would be willing to take. Pension funds (including local authority schemes) and retail investors are significant stakeholders within the PFI sector and we would suggest that support for a "nationalisation" of PFI projects in a way that damages investors would dissipate rapidly once the reality of the economics and the true composition of underlying shareholders became apparent.

Up until Mr McDonnell's comments on 26th September the Fund had tracked steadily higher over the course of the month. However, the resultant selling pressure, which was not constrained to the PFI-linked vehicles alone but also spread to the broader infrastructure sector, eroded all prior gains and the Fund recorded a marginal decline of 0.13% for September (C Accumulation Class).

During September the Fund exited its remaining position in SQN Asset Finance. The company holds a non-performing loan on its books (7% of NAV) relating to a US manufacturer of solar modules that has struggled to compete with cheaper foreign imports. Currently under chapter 11 bankruptcy protection, the solar manufacturer has appealed to the White House to impose tariffs and this legal challenge has been funded by an additional extension of credit from SQN. Should the appeal prove successful, it could enable the business to return to a position from which it can service the debt owed to SQN. We are doubtful, however, that any remedies will be approved owing to the negative impact that higher prices would be likely to have on the broader US solar industry. Under such a scenario we do not envisage that the achievable recovery value for the highly specialised assets on which the loan is secured to be sufficient to facilitate full repayment. Although the outcome remains uncertain, we find ourselves questioning SQN's underwriting standards and management's apparent willingness to risk further shareholder funds on what we perceive, on balance, as being an unlikely rescue process.

The Fund added to its position in HICL, thereby increasing the portfolio's exposure to cash flows explicitly backed by the UK government. Investors have reacted cautiously to the company's recent acquisitions within regulated markets (such as Affinity Water) and we believe this provides an opportunity to increase our holding at attractive levels.

In previous commentary we have highlighted the Fund's relatively high sensitivity to UK power prices. We decided to dial down this exposure by exiting our holding of UK energy provider Centrica and by reducing the portfolio's target weighting in peer, SSE. We have concerns around the continued erosion of customer accounts across the "Big Six" energy providers as well as the potential impact of proposed caps on Standard Variable Tariffs in the UK. Some of the proceeds were used to establish a new position in telecoms network operator Vodafone - a company we feel offers a new element of diversification within the portfolio and a well-covered, attractive dividend.

We expect the Fund's trading activity in October to be focused around new issuance from GCP Asset Backed Income and Greencoat UK Wind. By participating in equity raises the Fund can acquire stock at below-market prices to the incremental benefit of unit holders.

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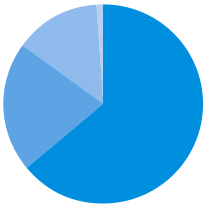
MONTHLY FACTSHEET 29 SEPTEMBER 2017

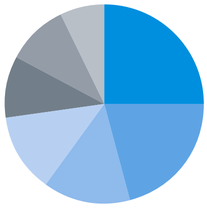
PORTFOLIO

Sectors



- Investment Companies **64%**
- REITs **21%**
- Equities **14%**
- Fixed Income **1%**

Underlying Project Exposure



- Solar **25%**
- Health **21%**
- Other **14%**
- Wind **13%**
- Electricity & Water **10%**
- PFI/PPP **10%**
- Transport **7%**

TOP 10 HOLDINGS ON 29 SEPTEMBER 2017

COMPANY	%
Bluefield Solar Income Fund Ltd	9.6
GCP Infrastructure Investments Ltd	9.0
MedicX Fund Ltd	8.8
Renewables Infrastructure Group Ltd	8.6
John Laing Environmental Assets Group Ltd	5.0
NextEnergy Solar Fund Ltd	4.9
Target Healthcare REIT Ltd	4.8
Sequoia Economic Infrastructure Income Fund Ltd	4.7
Foresight Solar Fund Ltd	4.7
Greencoat UK Wind PLC	4.3

DRAWDOWNS

	DRAWDOWN	START	END	FUND DURING DRAWDOWN
Fund	-3.76%	25 May 17	24 Jul 17	–
MSCI UK	-8.81%	29 Jan 16	11 Feb 16	-1.84%
MSCI World	-7.54%	29 Jan 16	11 Feb 16	-1.84%
MSCI Global Infrastructure	-8.66%	17 Oct 16	14 Nov 16	-1.14%

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INFRA

MONTHLY FACTSHEET
29 SEPTEMBER 2017

CORRELATION, PERFORMANCE AND VOLATILITY COMPARISON

25 January 2016 – 29 September 2017

	CORRELATION	RETURN	VOLATILITY	YIELD
VT Gravis UK Infrastructure Income Fund (C GBP Acc)	—	15.4%	4.8%	4.9%
MSCI UK	0.40	34.7%	13.5%	3.9%
MSCI World	0.02	44.9%	12.1%	2.4%
MSCI Global Infrastructure	-0.01	28.9%	12.4%	3.9%
UK 10 Yr Gilts	-0.17	3.5%	6.8%	1.4%
MSCI World vs MSCI Global Infrastructure	0.82			

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