VT UK Infrastructure Income Fund Conference Call Transcript (26th May 2016)

BM: Good morning everybody. This is the voice of Bill MacLeod. I have a company called Highland Capital. We have the distribution rights for the VT UK Infrastructure Fund, and today we're going to run through the fund and the reasons for launching, and what investors can expect from it.

I'm joined here today by Stephen Ellis, who's the senior partner of GCP, and in particular GCP Advisory, who are the advisers to the fund managing group Valu-Trac Investment Management Limited (Valu-Trac). I'll just pass the phone to Stephen to say a quick hello and then we'll crack on with an introduction. Thank you.

SE: Good morning all. Stephen Ellis. I'm the lead advisor to the VT UK Infrastructure Income Fund, ably assisted by my colleagues at Gravis Capital Partners.

BM: Excellent, thank you Stephen. So, turning to slide two, the backdrop for Infrastructure is, to put it simply, vast. Specifically I'd draw your attention to bullet two on this page, and this is a reference to George Osborne's National Infrastructure Plan 2015, in which he has identified a need for expenditure of £411 billion within the United Kingdom.

So that's the backdrop for the asset class. Specifically what we're trying to do with this fund is to access the asset class in a way that investors should be able to glean a very respectable return with very low volatility, and which will be a decent competitor for many of the other asset classes that we've used in years gone by.

Moving on quickly through the contents page, I'll just give you a quick overview of the fund, but before that I think Stephen would like to say a few words about the origins of the fund.

SE: Perhaps I should have started this on the actual cover slide of the entire deck. The VT UK Infrastructure Income Fund is about as descriptive a name as we were able to come up with. Certainly we didn't waste any time or money on brand consultants to come up with this one.

The UK is important because we don't like foreign exchange risk. As Bill indicated, there is more than enough investment opportunity now and going forward domestically within the UK. So everything that is invested in by the VT UK Infrastructure Income Fund will be listed on the London Stock Exchange, will be Sterling denominated, so it's very much a UK focus.

Infrastructure, we're going to talk at some length about what we define by the term infrastructure, but broadly the target investments are all [in] companies which have a focus on infrastructure as a broad asset class.

Finally, income; the absolute heart of the fund is deliberate distribution targeted at around 5% annually, paid quarterly, and that is very much at the core of the investment selection.

Just a couple of broad points before moving into the body of the presentation. Long term investment as a discipline, as viewed by GCP, essentially comes down to what we refer to as investing in what will always matter, and this is critical, because taking a long term approach to investment means that if one is simply looking at a choice between stocks, i.e. standard traditional stock picking methodologies, our view is that we can't confidently predict whether, for example, Amazon or eBay or indeed someone else entirely will win the battle of the e-retailers over the course of the next 10, 15 , 20 years.

What we do think we know, however, is that in 20 years' time the UK will still need hospitals, schools, water, energy distribution, hence our focus for the purposes of long term investment on those long term asset classes.

Secondly, as a very important point when looking at the long term investment horizon, we do think it's important that the adviser, GCP in this case, should tick a number of very important boxes. Certainly the start point is low fees. We'll talk about the fee structure, but we do very much see this fund as being offered with a capped fee and a fee at the very lowest end of the peer group.

Secondly we commit to not engaging in excessive dealing within the investment portfolio, so we anticipate a very limited turnover of investments, because clearly always paying the bid offer spread is a sure way to underperform.

And finally we think it's important that the adviser is very much committed to the fund, both in terms of the specific allocation of resources, but perhaps most importantly, actually being side by side with the rest of the shareholders, and certainly the seed capital is provided for this fund during the first week of its life by the partners of GCP, and the expectation and intent is that that money will remain there side by side with all other shareholders paying fees in the same way for very much the long term.

Okay, moving into the body of the presentation, slide five, what is infrastructure? Everyone's got their own specific definition, but broadly most would agree that infrastructure assets are the assets that essentially provide the services for a society or an economy to function successfully. So there is a list there of types of assets, ranging all the way from hospitals, schools etc, all the way through power generation and distribution, through to items such as GP surgeries, libraries and so forth.

Down the bottom there are a number of sample target securities that the fund has been and will be investing in, so names such as National Grid, HICL etc.

The common theme I would say across all of those target securities are that they are naturally productive of dependable, long term cash flows, and to a very substantial extent they produce inflation linkage.

Being more specific, turning to slide six and the following slides, GCP tends to divide infrastructure into the six sub-sectors, identified there on slide six, and each of these is more fully described on each of the following six slides.

So slide seven, public social infrastructure, by this we mean hospitals, schools and so forth, and typically we'd be looking to access those areas by investment in names such as HICL Infrastructure, John Laing Infrastructure and that covers broadly public sector backed facilities where the facilities are taken by the public sector for lengthy concession periods, typically 30 years.

Slide eight is private social infrastructure. These are typically healthcare and education assets, but with the differentiator from public social infrastructure, but the cash flows are generated from within the private sector, so things like GP surgeries and student accommodation would fall into that basket.

Slide nine, private economic infrastructure. By and large this means regulated utilities, so fairly classic core economic infrastructure with names like Scottish and Southern, Centrica and so forth.

Slide 10 is renewable energy infrastructure. These are generally attractive to use because they typically are generative of long term cash flows arising from RPI linked government subsidies lasting typically between 15 and 25 years.

Slide 11 looks at the infrastructure contractor subset. These are broadly contractors with long pipelines of delivery contracts, so again names like Carillion, Balfour Beatty and so forth.

And finally infrastructure debt on slide 12. Infrastructure debt is a very substantial asset class in its own right, and typically we're targeting medium term debt offerings provided by infrastructure companies that we put in there as a small, typically in the region of 10%, 12%, but no more than 15% of the overall portfolio, broadly injected as a dampener to any volatility that might arise across the fund.

Slide 13; the diagram sets out the typical cash flow arising from an infrastructure project. It's important to make the point that the majority of the investments made by the fund ultimately arise from specific projects. So, HICL, for example, has got an investment in something approaching 200 individual, separate infrastructure assets. GCP Infrastructure is exposed to about 140.

So the point really I'm making there is that the portfolio is diversified not just by individual issuer name is much such, but much further diversified when you look actually through the issuers of these securities to be invested in either fund, down to the underlying projects which ultimately produce the cash flows themselves, the service to funds, the quarterly distributions.

So the diagram there on slide 13 paints the picture of cash flow arising from any individual project. In all circumstances where you do have effectively project financing investment of this nature, each project is throwing off a specified cash flow which is allocated according to the waterfall set out there. So, firstly cash flow rising is distributed to the operations and maintenance provider, then to the senior lender, the subordinated debt provider and ultimately to the equity.

An understanding of the risks that are likely to arise that may cause any potential interruption to the cash flow expected to be received by any of the people identified on the right-hand side of the page there, i.e. the Operations and Maintenance provider, the senior lender, the equity provider and an understanding of the risk that may come through from any individual project to interrupt those cash flows is essential in terms of establishing the risks and the required rewards to be generated from any individual investment.

The point here really is that this is a relatively specialist area, and hence the importance of GCP's long experience right across the infrastructure sector, from healthcare, education, through renewables to power generation and distribution.

Slide 14 sets out the key attractions of infrastructure as an investment destination. Essentially and at its very heart is a dependable source of income in the long term.

Secondly, non-correlated returns; I think when Bill goes on to talk about the performance, the lack of direct correlation with the wider equity markets will be very apparent.

Next, inflation linkage; again, going back to my commentary earlier, in long term investment, one of the key risks is the risk arising from any spikes in inflation. They don't seem to be anticipated by the market at this point, but again, long term investment has to look at potential risks in the very long haul.

Long-dated returns, again infrastructure assets, they are big, they're typically very expensive to put in place. They have to have a long life in order to justify investment in them in the first place, so long-dated returns matches what we would consider to be the core investor type in this fund, which is the long term investor.

BM: Great, thanks Stephen. This is Bill speaking again. If I may, I'm just going to back up a few slides. Having heard about the asset class from Stephen, now I'll just talk quickly about the fund that was built in order to capture these returns and deliver them in a way that certainly was unique at launch. We feel it probably is still to this day.

Valu-Trac launched the fund, called the VT UK Infrastructure Income Fund at the end of January this year. It's currently just shy of £27 million in size. It is the only fund to invest exclusively in the UK's infrastructure sector, which we felt was important. As Stephen mentioned a short time ago, we didn't want to have any currency risk. There's a feeling that our own government are particularly trustworthy and if that's the source of the majority of the cash flow, or many of the assets in which this fund is invested are regulated by the UK's government, then that gives us a feeling of security.

So, to recap, the fund is only investing in UK listed Sterling denominated funds, equities and bonds. Its intention is to deliver a targeted income expected to be around 5% per annum, and running our forecast numbers, we think we may potentially be slightly in excess of that, but that's obviously dependent upon the performance of the holdings within the portfolio. This is of course not guaranteed.

The fund also offers investors the opportunity to access this asset class through SIPPs, ISAs and offshore bonds. It's the only UK infrastructure fund through which that can be achieved, and we felt that was particularly important. If 5% is the target figure for an offshore bond holding, then we felt that that may prove particularly attractive. It's UK regulated under UCITS V.

And now critically I'd like to just quickly talk about Gravis Capital Partners or GCP as they're referred to. Obviously difficult for Stephen to blow his own trumpet, so if I may, I'll do that quickly for him.

GCP has three listed funds. They have a fund called Project Finance Investments, they have a fund called GCP Student Living, and a fund called GCP Infrastructure Investments Limited.

PROJ as it's known, the first one I mentioned, has just closed the fund raise and now has a market cap of £150 odd million. The student accommodation fund closed last week, a further fund raise is now a market cap of about £260 million, and the flagship fund, if you like, GCP Infrastructure Investments, which currently has a market cap of £720 million, and that delivers a very large yield.

In the course of Stephen's presentation you may have seen reference to GCP, and I can confirm that this fund, the VT UK Infrastructure Income Fund does have holdings in all three of those, and our view is, well why not? These are the funds that GCP knows best and they're very yieldy, and that is the point; that is the aim of this fund, is to deliver a very satisfactory yield so that those people who are seeking a decent return over approximately 5% may be well rewarded.

And finally Stephen mentioned the fact that we elected to cap the charges, so the ongoing charges figure for each share class will be capped at the annual management charge. What that really means is that, very generously, GCP has elected to pick up the difference between the two costs, to ensure that the first investor is charged precisely the same as the last investor, whenever that may be.

So, having covered that, I'll now scroll forward and just talk a little bit about the fund performance if I may. We're on slide 17 for those who've got their own paper copy. We're pretty pleased. This is not a fund that we think is going to make anybody terribly rich, but it is going to keep them very stable and secure, and what we've tracked on this slide is the performance of the fund in dark blue, versus the MSCI UK, which is the largest 100 companies, and this is a total return chart.

I think there are a couple of points I'd like to highlight here, particularly round about late January when the wider market experienced a period of interesting volatility. 24th February and 18th March are also dates that I think are quite interesting.

18th March, just been and gone, where the wider market had two days, one down 1.6 and the following day up 1.7, fairly exciting for those people who were perhaps buying a FTSE 100 ETF for example, and experienced a bit of volatility in their portfolio.

And if I may, could I ask you just to look at the volatility box at the bottom of this page, and you'll see that this fund has been pootling along, delivering 4.1% since inception against the wider market of 18.7, and those are numbers that broadly we've been able to maintain since the fund launch, and you can see that just by looking at the chart above.

- Just skipping on, this is an examination of the portfolio, so what we've done is to x-ray what's in the portfolio, so our top 10 holdings on the top left of the screen, I mentioned that we had holdings in GCP Infrastructure Investments, and then there'll be a number of names with which you may be familiar, and one or two with which you may not, but the point of each one of these is that they're very low volatility and very high yield on a relative basis, and they're all invested in the UK.

There may be some overseas exposure, but the listing of each of these companies is on the London Stock Exchange.

Then to the right we've examined the sources of income that we're deriving to generate the dividend that we distribute to shareholders.

Down at the bottom an exposure of the types of holdings that we have within the portfolio, and then the recap of the performance of the fund in the bottom right of this page.

So, moving on, the key terms of the fund, you can see the size. As I say, we're encroaching on £27 million since launch. We're projecting a dividend of 5% per annum.

Now, just to examine that in a little bit more detail for those people who are looking for a respectable income, it will be paying quarterly. The first distribution will be paid next week, 31st May, and quarterly thereafter. The XD date is two months prior to the distribution date, so just thinking forwards, the next XD date will be at the end of June for delivery in August, and following that, September for November, and the end of December for February, and so on throughout the year.

And as mentioned, we've done a quick recap of our expectation; currently yield on the portfolio looks like it should be somewhere in the region of around about five plus, 5.28 is the number that I'm looking at, but obviously that's a forecast, and it's an expectation rather than an absolute given.

Charges on the fund are 0.75 for the clean share class and 0.65 for the institutional share class, which requires a minimum investment of £5 million. The fund sits in the Investment Association Specialist Sector, and as previously mentioned, it's only buying UK listed stocks.

At that point I'm then going to pause and if I may, what I'd like to do is go to speaker phone. I've been specifically asked not to do this, but Stephen and I are just going to run through one or two of the questions which were posed in advance of this call, and one or two have actually come in whilst we've been on the phone. So if you'll bear with me, I'll pop us onto speaker and then I will pose the questions and Stephen will respond.

The first question that we were sent was if interest rates or inflation were to rise, what impact would that have on the fund?

SE: The expectation is that the vast majority of the fund is substantially inflation linked, for instance all renewables subsidies arising from UK government are specifically linked to the retail prices index. So there is a very substantial direct reaction to spikes in inflation arising from that.

Elsewhere amongst the utilities there is a regulatory linkage where return of the capital imposed by OFGEM and agreed with the utilities sector again has a linkage typically to RPI, occasionally to CPI.

So by and large interest rate, and indeed inflation rises should be relatively neutral to the fund. Again, this is one of the substantial benefits of viewing infrastructure as a key investment destination for long term investment purposes.

BM: Second question that was posed in advance and the questions are flying in thick and fast in the chat box, but the second question and I can't think what prompted the questioner to ask this, but could you describe the level of political risk that the fund is exposed to?

SE: Well yes. Political risk is, as far as we're concerned, substantially mitigated by the fact that this is very much a UK investor targeted fund, and we're asking those UK investors to take a view on broadly the UK, so political risk is going to be absolutely present, regardless, for all those target investors.

I think, just drilling into it a little bit, if you are querying to what extent there is an exposure to an amendment to the subsidy regime related to renewables, for example, or a hard capping of the charges to be levied by utilities and so forth, yes these are political risks, they do exist, and clearly we are at an unusual place politically with a fairly significant gap opening up between the anticipated policies of the two major parties.

But, by and large, it is what it is. I think really all we can look at is the extremely long track record of the UK public sector as a credit, which has not experienced or imposed a credit default for over 400 years. The UK as an investment destination is widely regarded as absolutely top tier, and we think that our credit history is going to be a pretty good indicator of the stability of the regime in relation to caps charges to utilities and in relation to the ongoing willingness of the government to continue with the various subsidy regimes, the ongoing meeting of obligations to pay under PFI contracts and so forth.

I think more than anything else, because why wouldn't they? The UK government is in a significant fiscal deficit position. Any faffing around with existing contracts is likely to make it very difficult for the UK government to service that fiscal deficit position looking forward well into the future.

BM: Now incoming question whilst you've been on the call is; could you describe the liquidity of the fund? And I think what we might do is just back up a couple of slides. It was a slide that we didn't linger over, number 16 or page 16 for those who have got a printed copy.

And Stephen, would you mind going through the portfolio construction, and specifically what we're talking about here, I think it would be terribly easy to have built a portfolio based upon the biggest yielders for the sake of delivering a decent income. However, it's quite a bit more technical than that and on a daily basis we have a report which examines the liquidity of the underlying holdings, and that's one of the criteria on which the portfolio was built, but perhaps Stephen you could just elaborate on that, looking at that diagram in particular.

SE: Yes that's quite a useful slide, slide 16. It does set out the parameters that we apply when we look at individual security selection.

As an income fund, the yield is clearly very important, but we're not just looking at yield. We're looking at sustainability of that yield, so projections forward, likely risks to [diligent] maintenance or growth, is at least as important as the headline yields at any given point in time.

Beyond that we're clearly looking to deliver a significant return with relatively low volatility, so again we're looking at the volatility that arises in relation to each of the stocks.

Inflation hedging characteristics we talked about as an important component of any long term portfolio selection, and finally coming onto the point of liquidity, all of these stocks are London listed. This is important. The liquidity arises from the London listing and the tradability of the stocks we buy into. So, certainly there would be very limited appetite for positions of any size in stocks that do not give the promise of being able to move at least significant amounts of stocks on any given day.

BM: There's possibly a part two to the question about liquidity, which is an administrative one. Forgive me; I should have covered it earlier. This fund is available for investment on a daily basis. It's a daily dealing OEIC and I hope between those two answers, we've covered everything.

I would just make a quick observation about the relationship this fund has with the market if you like. I think in a rare move was the election to appoint a broker, and the broker that was chosen was Stifel Nicolaus, who are an American owned brokerage.

They bought a company called Oriel Securities in London, and the reason for particularly wanting to work with Stifel is that they are probably the most advanced in the infrastructure sector. They were responsible for bringing HICL to market. They're brokers to GCP and a number of renewable funds, and the feeling was that on the basis of best execution, actually being able to execute full stop is absolutely key, and by using the broker who's probably got the greatest oversight and probably the best analyst in the sector, the fund would have access to its requirements as the fund grows.

Always up for review, but for the time being they've done an absolutely first class job.

So, to move onto the next question and it's a key question, I think it'll probably be on everyone's mind, bearing in mind the closed ended holdings within the portfolio is the premium across the sector. A couple of people have actually asked this question, so if I may I'll ask Stephen just to examine the whole lot and hopefully that will cover the couple of questions that have come in on this particular theme.

SE: It is the question that we are often faced with. As manager of the GCP infrastructure fund, of course we're proud of the fact that GCP trades on a premium of around 13% of its stated net asset value.

So what is the sense in buying stocks at a premium of their stated net asset value? This is a common thing right across the infrastructure sector. HICL, for example, trades at around 16% or 17% premium of its stated net asset value.

I think the primary reason for this is that the market broadly is a better judge of value than the board or the investment manager in relation to the statements they make quarterly or semi-annually as to what the net asset value is.

It is a very different matter, if you're looking at a long only equity fund, the NAV is the value. It takes the aggregate of the market set price for each [investment] holding. Infrastructure assets, however, tend to be very illiquid, so the manager makes a best guess or the board makes a best guess, or in GCP's case the external valuation agent makes a best guess as to an appropriate value for each underlying investment.

But if you think about where each of those parties is coming from, the valuation agent, his PI cover is on the line, he's always going to be conservative. The board, similarly, the investment manager typically also will take a steady as she goes conservative approach to the valuation of the investments they are managing.

So essentially what I'm saying is we believe, by and large, the infrastructure funds, standing at the premium that they tend to, are each of them, including GCP, significantly undervaluing their investment holdings.

I think an entirely objective justification for that comment arises from the fact that, to my knowledge, wherever an infrastructure fund has been noted as having disposed of an investment asset, those assets have been disposed of at a substantial premium, not only to the NAV, but also to the implied valuation set by the share price, i.e. to a considerable degree I would consider [the] infrastructure funds, standing at large premiums though they do, are somewhat undervalued, even at their currently obtaining share price, let alone in relation to their NAV.

BM: There may be some follow-up questions, so we'll keep this line open if anybody wants to quiz further on that, but if I may I'll just move on and respond to another question that came in regarding the shareholder base of the fund at the moment, and specifically the proportion of institutional shareholders to retail.

And actually I think we're quite surprised. The wealth manager shareholder base is about two thirds of the current shareholder register of the OEIC as it stands today, and I think that's probably a reflection of the fact that the fund is on a fairly substantial list of platforms and, as I'm sure you appreciate, there's some hard negotiating that goes on. People get fairly hot under the collar and then we reach an agreement and the fund is accessible.

So the fund is already on the vast majority of the platforms across the market. In fact I think we have a slide, which I'll just flick through, to illustrate this point. So that is where we sit at the moment, which I hope is of value to those who are on the call.

Now I'm just waiting to see if there's any follow-up question on print. There is a tax based question which I'm afraid I'll have to deal with offline. I need to have a conversation with the ACD and I'll come back to you, but thank you very much for the question.

Now somebody has asked why now? which I think is probably a really good question, and I think really to embellish what was probably being sought there is why this fund has been launched now? Why not, let's say, a couple of years ago, and I think there's a follow-up to that which is how big do you anticipate the fund could be? So perhaps we could address both of those in one go Stephen.

SE: Well in terms of why now, we've had this area under review for the potential launch of the UK Infrastructure Income Fund for some considerable time. It is however the case that the infrastructure sector, specifically the listed infrastructure sector has only relatively recently generated the sort of breadth of investment opportunities, and the depth of liquidity that would allow a launch of a fund of this nature that does provide daily dealings.

And we are required to, under regulatory rules, invest an absolute minimum of 16 separate securities. The fund as it stands is currently invested in 22 separate securities at this point out of a universe of about 40, i.e. we are now in a position which we would not have been in two or three years ago, to pick and choose our target assets.

So I think that it is very much a launch that is of its time. Clearly infrastructure has been an investment destination for some decades, and looking back, as far as the UK is concerned, to the mid-1990s with the assertion of PFI programme under the Major government that was initially funded primarily by big pension funds, Ontario Teachers, AMP and so forth active in this space.

HICL was the first listed vehicle to address the sector in 2006, and since then you've had the launch of a further five listed infrastructure funds, and then renewable energy and other funds.

So I think the timing of it is driven really by the relative maturity of the sector as it's now been pretty fully established.

In terms of potential size of the fund, I think I did dwell somewhat in terms of the building blocks of the portfolio; it does have, as one of its key focuses, the [underlying] liquidity of each of the individual securities that it invests in. I've been looking closely at those and most of these funds are still growing, so there is the promise of further liquidity in each of those underlying stocks as we move forward.

I think that the fund is unlikely to be much impacted by liquidity constraints until it hits a number somewhere in the region of a third or a half a billion. So there is significant room for growth on the upside.

BM: And just to add to that, I think when I was making reference to the fund raising for Project Finance Investments and GCP Student Living, actually there's a lot of congestion in the market at the moment. The feeling is that this is pre-Brexit fundraising by many of the closed ended renewable funds and infrastructure funds, and a huge amount is being sought by these funds from the market, and I can't put a figure on the total target that's being sought, but it's a very substantial sum.

To illustrate, 3I Infrastructure Fund is currently seeking about £350 million. Target Healthcare raised £84 million I think the other day, and so on, and this is specifically in the sector in which this fund sits, and what that suggests is that as the market caps of the underlying holdings increase, it delivers greater levels of liquidity for this fund, and as a consequence I think, without wishing to nail ourselves to mast in terms of size, the expectation is that we have the potential to grow the fund probably in line with the increase in size of the underlying holdings.

A question has just arrived which asks; do we expect the allocation of infrastructure subsectors to change significantly over time, and are they limited by class and specific to direct shareholdings in utilities contractors, and do you have a maximum allocation?

That's a very interesting question. I think probably the first answer we ought to give to that is that we don't expect this fund to trade at all, only where it's necessary to do so, and we made a minor adjustment to the portfolio about a month ago, and specifically what was happening there was, even though I was highlighting the very low level of volatility, and you can see on the chart that I've got on the screen at the moment, in the top left of the screen, the top right number, 4.37 is admirably low I think.

What we identified was that the direct equity holdings in the portfolio were contributing way too much to that figure of 4.37. There are one or two holdings which are direct equities which, at the beginning of the year when the portfolio went live and the fund was offered to investors, they looked particularly attractive, we've made a very healthy return from them, and then late in April there was an adjustment to the portfolio which is the first material change to the portfolio since launch. So we had about two or three months of no change to the portfolio.

And it's our expectation that that will continue into the future. There's no reason to be trading this portfolio if the investment case of the underlying holdings remains intact. It comes at a cost to the dividends, and it's the fund's stated aim is to deliver an income, then the less trading, the better.

And so when reducing those equities, marginally increasing the weighting to some of the bonds in the portfolio, of which there are currently three, and also increased the weighting to a couple of the infrastructure funds, which were experiencing a period of lower premium relative to where they had been.

So I hope that to a large degree addresses that question. We're not going to put ourselves into a position where we have a stated amount per sector or per type of listing, purely because there may be opportunities that we'd like to take, but they've got to be sustainable. They can't be just a trading opportunity. It must be longer lasting than that. So I hope that addresses that question.

I think we're probably just about there in terms of the questions that have come in to us. Sorry, I'm just having one, considering the inflated values of bonds and bond proxies, what's your view on the valuation of securities in the portfolio?

I mean to a large degree, maybe we've covered that with the premium across the infrastructure sector but on the bonds?

SE: I think we've broadly covered that, but I would make the point that we broadly share that view; bonds are expensive historically and by any sort of rational expectation of risk against the returns.

They are useful, as I pointed out during the course of the presentation, as a dampener to overall volatility, so we still like them, but we like them a bit, by which I mean a little bit less than 10% of the overall portfolio allocation is to direct fixed income instruments at this particular point.

BM: Good. I think if everyone's happy, we're finished at this end. What I might just do is scroll on to the end of this presentation. It's available on GCP's website, which is gcpuk.com, and you'll find details of all of those funds there, but on the top right of the screen, reference to this; this presentation is available for you to download, and on the pages I'm displaying at the moment is information about Valu-Trac, who are both the ACD and the investment manager.

GCP is, as aforementioned, the investment adviser, and at the bottom a very pretty picture of a bull, and the distribution specialists, Robin Shepherd up in the north, Ollie Matthews in the south and Emma who supports our efforts.

So I think with that we'll close. Thank you very much indeed for dialling in. Everyone's going anyway. Thank you. Goodbye.

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