

Five reasons why it pays to be active with UK infrastructure

In today's shifting infrastructure investment landscape, one clear message is emerging: active management in UK-listed infrastructure offers a distinct and measurable edge over passive strategies.

While index funds provide broad exposure and low costs, they can't capture the full value of infrastructure investments. Why? Because while equity trusts are included in their investment universe, specialist UK-listed infrastructure investment companies are currently excluded.

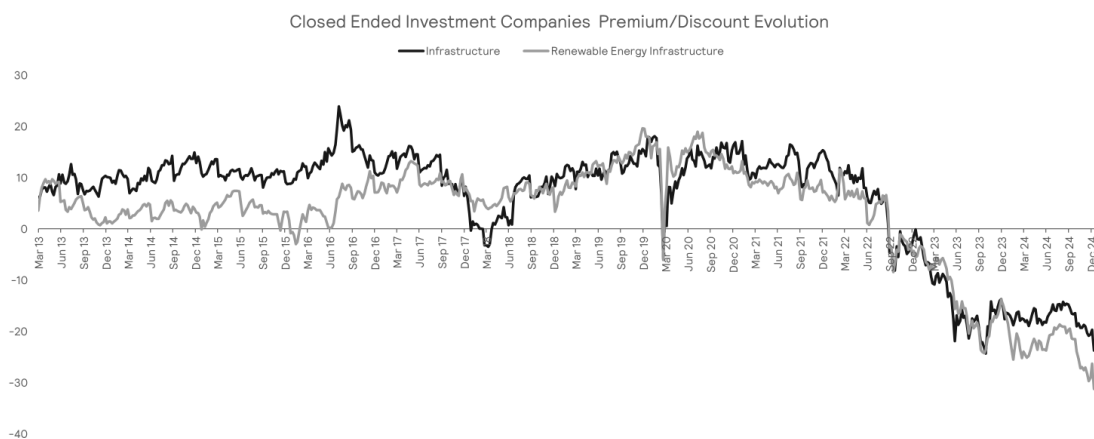
So what are passive infrastructure investors missing out on?

1. Unlocking value through discounts and premiums

While interest rates were high and rising, investor sentiment toward UK infrastructure trusts was negative. As a result, average discounts now sit at about 17%, while renewable energy infrastructure investment companies trade at 29% below their net asset value (NAV)*. This is all despite offering stable, inflation-linked cashflows.

DERATING OFFERS AN ATTRACTIVE ENTRY POINT TO THE CLOSED-ENDED SECTOR

De-rating visible across the listed infrastructure and renewables sector. Companies are trading at historically wide discounts to Net Asset Value.



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These persistent and deep discounts mean assets can currently be acquired cheaply, offering strong rerating potential, especially when sentiment improves, valuations normalise, or restructurings occur. Passive strategies cannot tilt toward these mispriced opportunities—they're mechanically bound to the index.



Active managers can focus on the trusts with the most compelling mispricing, while passive vehicles remain tied to index constituents and are forced to hold both the expensive and the impaired.

2. Managing sensitivity to interest rates and inflation

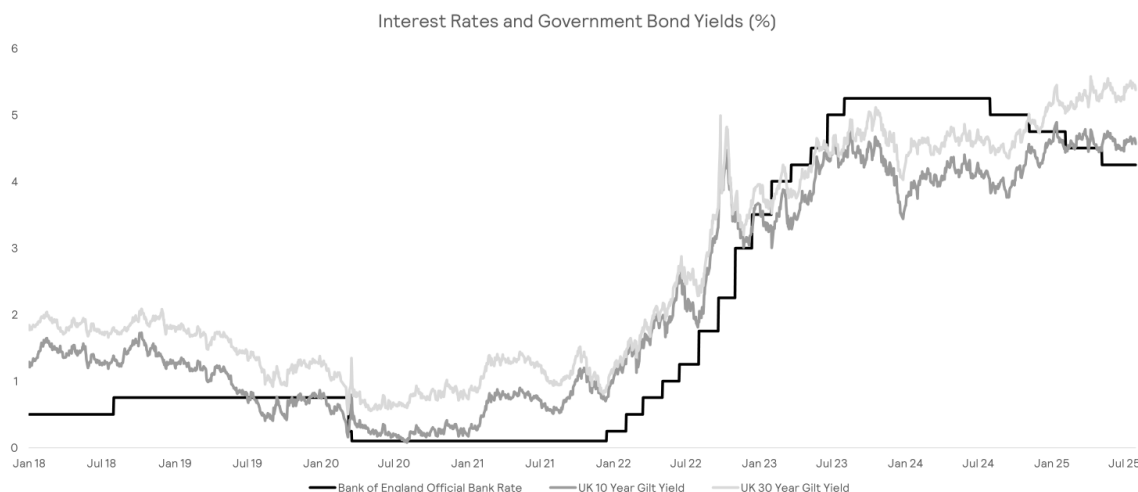
Some infrastructure assets respond directly to macroeconomic shifts, especially inflation and interest rate movements. But not all trusts are created equal:

- Some offer strong inflation linkage, via revenues tied to RPI or contracts.
- Others feature long-dated, fixed-rate financing, while a few have near-term refinancing, increasing risk.

What's more, UK listed Infrastructure companies own critical, defensive assets that generate predictable and reliable cash flows, no matter what the prevailing economic climate may be.

MONETARY POLICY AND GOVERNMENT BOND YIELDS

Interest rates have peaked in the UK, rates cutting ahead of expectations at the start of the year



Source: Bloomberg L.P., Data 01 January 2018 – 31 July 2025.

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Active managers can assess these nuances, favouring trusts with robust inflation linkage and prudent debt profiles, while avoiding vulnerable names.

3. Leveraging record-high income potential

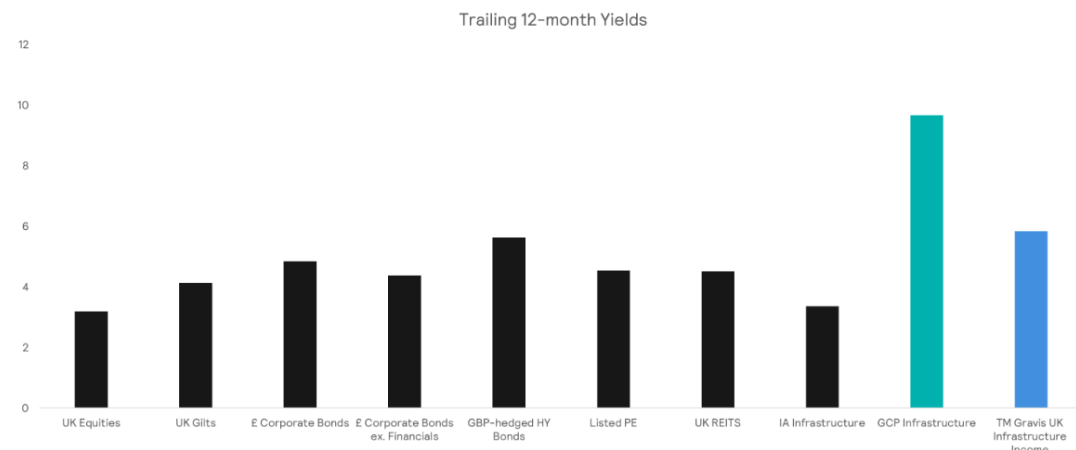
Infrastructure-focused investment trusts are yielding at historically elevated rates. The average yield is approximately 6%, with peaks of 6.8% seen in April 2025*; renewable energy infrastructure sector yields have soared to more than 10% and GCP Infrastructure Investments Limited, the diversified infrastructure debt investment company advised by Gravis, currently has a yield in excess of 9%*.

These yields are particularly attractive compared to the prevailing 10-year UK gilt yield of around 4.7% and the UK base rate of 4%, offering income that is both higher and often inflation-linked**.

Active managers can select for resilient cashflows, higher dividend cover, and visible growth pipelines, avoiding names with uncovered payouts or shrinking distributions.



ATTRACTIVE YIELDS ON OFFER



Source: Gravis Advisory Ltd Research, Bloomberg LP, Investment Association, AIC. Benchmarks used: UK Equities (Shares Core FTSE 100 UCITS ETF), UK Gilts (Shares Core UK Gilts UCITS ETF), E Corporate Bonds (Shares Core E Corp Bond UCITS ETF), E Corporate Bonds ex. Financials (Market Beta Global Developed Markets Liquid High Yield Capped Index (GBP Hedged)), Listed PE represented the average yield from a peer group of: 3i Ord, Apax Global Alpha Ord, CT Private Equity Trust Ord, EPE Special Opportunities Ord, HarbourVest Global Priv Equity Ord, Hycapital Trust Ord, ICG Enterprise Trust Ord, JPEL Private Equity Ord, LMS Capital Ord, NB Private Equity Partners Ord, Oakley Capital Investments Ord, Partheon International Ord PLC, Partners Group Private Equity Ord, Patris Private Equity Trust (formerly APEO), Symphony International Holding Ord, Liberty Capital. Data as at 12.09.25



4. Diversification across growth themes

The UK infrastructure sector spans highly varied areas including renewables, digital infrastructure, social assets (e.g., PFI), transport, and utilities. Each subsector reacts differently to regulation, policy, and structural trends.

It also has a low correlation to global equities, adding to diversification in a wider investment portfolio and lower volatility:

Name	Bank of England Base Rate	MSCI UK	MSCI World
MSCI World Infra	0.26	0.64	0.55
IT Infra	0.27	0.47	0.23
IT Renewable Energy Infra	0.02	0.29	0.09
TM Gravis UK Infrastructure Income Fund	0.18	0.47	0.23
GCP Infrastructure Investments Limited	0.18	0.49	0.25

Source: FE Analytics. Correlation data over last 3 years.. Data as at 31 August 2025, UKIIF C Acc

Active managers have the agility to shift capital toward growth areas—like digital or energy transition—while avoiding mature or structurally challenged subsectors. An index approach cannot differentiate — it remains static, even when parts of the sector face structural headwinds.





5. Specialist expertise and corporate activity

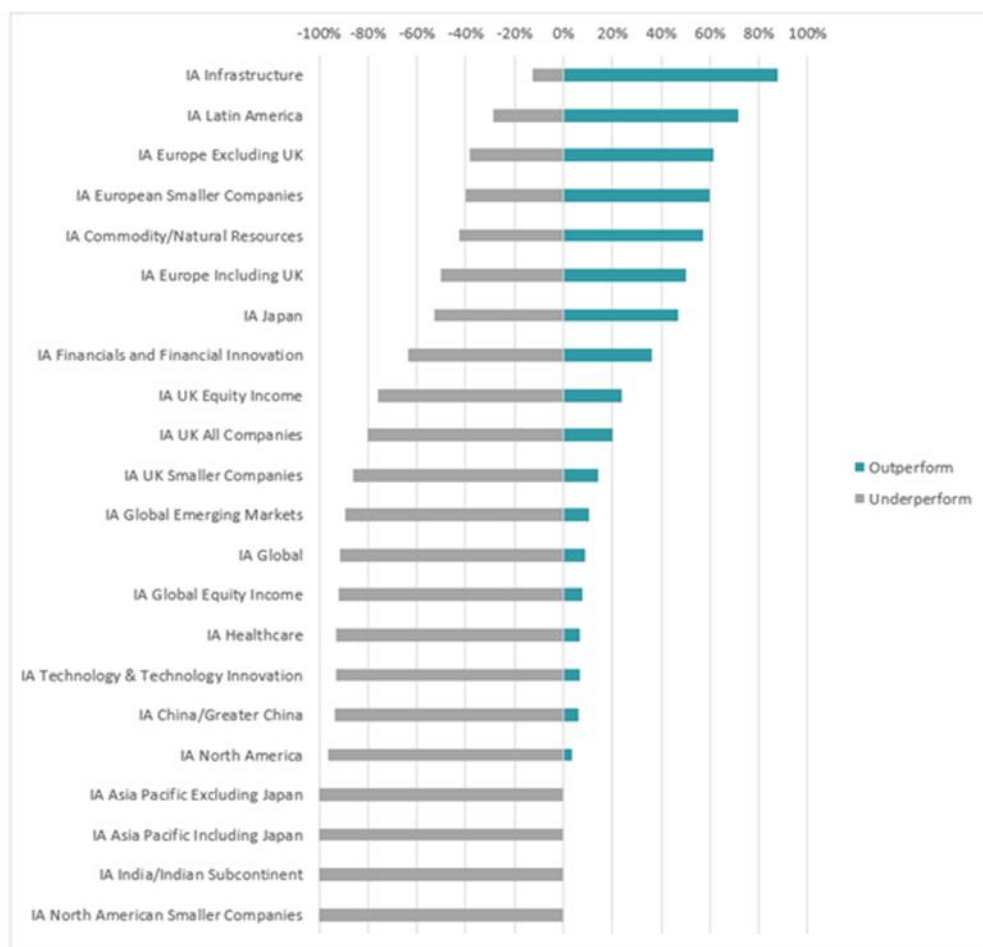
Infrastructure is complex, requiring deep sector knowledge to navigate regulatory frameworks, engineering risks, and financing structures. NAVs are complex, risks are asset-specific, and the opportunity set includes corporate actions (e.g., M&A, buybacks, restructurings).

Active managers with specialist expertise can identify best-in-class trusts, avoid overstretched names, and position for corporate activity. Recent years have seen a rise in M&A and privatisations, as global infrastructure investors snap up undervalued UK assets. Passive exposure misses these nuances, and the potential upside they create. What's more, as infrastructure investment trusts are not included in their universe, they miss out on portfolios managed by specialists themselves.

Active management isn't just better – like infrastructure it's essential

Trustnet recently analysed the percentage of active funds in each IA equity sector that beat the most common benchmark. Infrastructure funds topped the table.

Active manager outperformance vs the benchmark YTD



Source: FinXL, Data as of 12 August. Data in local currency terms.

As the sector stands at a potential turning point, with stabilising interest rates, rising energy transition investment, and persistent discounts, investors have a rare opportunity to harness this upside with expert guidance and intentional positioning.





**Source: The AIC, 15 September 2025*

***As at 12 September 2025*

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