

Four reasons to increase your allocation to infrastructure and real estate

As markets adjust to a new environment, investors are being encouraged to look beyond stocks and bonds for their portfolios.

In this article, we explore four compelling reasons to consider increasing your allocation to infrastructure and property: from improved diversification and resilience to trade policy, to attractive valuations and income potential.

Key take-outs:

- Traditional 60/40 model could be replaced by 50/30/20
- No/Low impact from trade tariffs
- Attractive entry point with wide discounts to NAV
- High and growing yields with potential tailwind of falling interest rates

1. Diversification

After years of predictable monetary policy and rock-bottom interest rates, markets have changed rapidly. Today, they are characterised by persistent volatility, inflationary pressures, and global uncertainty, and what once worked well for investors is now being called into question.

In his latest [annual letter](#), Larry Fink, CEO of BlackRock, declared that the traditional 60/40 model “may no longer fully represent true diversification.” Instead, he advocates for a new 50/30/20 framework, which allocates 20% of a portfolio to alternatives—including

infrastructure and real estate. This shift isn’t simply a passing suggestion; it reflects growing consensus across the industry that conventional portfolios are no longer sufficient to weather today’s market realities.

Diversification now requires more than just equities and bonds, and real assets such as infrastructure and property, are becoming more attractive to investors seeking a more balanced portfolio.

Real assets offer a number of advantages including; a steady income thanks to contractual, index-linked cash flows; lower volatility and low correlation to other asset classes.

Amid recent market turbulence, when global indexes have plummeted, alternative investment companies and funds investing in real assets have provided some protection.

The team at [Trustnet](#) recently rebalanced a traditional 60/40 portfolio of equities and bonds, adding 10% of different alternatives to see what the outcome would have been over 1, 3, 5 and 10 years.





They found that over the past 12 months, adding almost every alternative asset class would have benefited investors, except oil, which would have lowered returns. The analysis also showed that all the asset classes would have reduced the maximum drawdown and lowered the overall volatility of a portfolio, as the table below shows.

Matthew Norris, Director of Real Estate Securities pointed out, “There’s an old saying, ‘*in uncertain times, buy land, gold, and ammo.*’ Well, March and the start of April have delivered a modern twist on that survivalist mantra.

“Gold has done what it always does in turmoil — quietly outperformed as investors have sought safety.

But the other standout? UK Property. Specifically, next-generation real estate, reminding us of its diversification benefits.”

It’s not just the markets that are changing, regulation is evolving too. In the UK, the introduction of Consumer Duty rules means financial advisers must now prove that their investment strategies are suitable, deliver value, and are tailored to individual client needs.

This shift makes it harder to justify using cookie-cutter 60/40 portfolios that ignore real-world challenges like inflation or client income goals. Real assets offer a more customised, resilient solution. Instead, forward-thinking firms are reconfiguring their propositions to incorporate a wider range of asset classes that better reflect the realities clients face.

Name	Maximum			Maximum			Maximum			Maximum		
	Total return over 1yr	Volatility over 1yr	drawdown over 1yr	Total return over 3yrs	Volatility over 3yrs	drawdown over 3yrs	Total return over 5yrs	Volatility over 5yrs	drawdown over 5yrs	Total return over 10yrs	Volatility over 10yrs	drawdown over 10yrs
60/40	3.3%	7.9%	-5.6%	13.3%	7.9%	-5.6%	44.2%	7.9%	-8.2%	101.0%	8.3%	-9.1%
60/40 plus gold	6.4%	6.9%	-4.3%	17.5%	7.1%	-4.8%	47.8%	7.2%	-6.4%	109.4%	7.9%	-7.8%
60/40 plus hedge funds	3.6%	7.4%	-5.2%	14.1%	7.2%	-5.2%	45.6%	7.4%	-7.0%	100.6%	8.0%	-9.2%
60/40 plus infrastructure	4.3%	7.7%	-5.0%	13.0%	7.9%	-5.0%	45.3%	8.0%	-6.8%	104.4%	8.5%	-9.5%
60/40 plus oil	2.8%	7.5%	-5.3%	14.4%	7.3%	-5.3%	64.1%	8.0%	-5.3%	115.1%	8.7%	-13.8%
60/40 plus private equity	3.5%	7.3%	-5.3%	13.3%	7.6%	-5.3%	50.3%	7.8%	-8.2%	104.8%	8.2%	-10.9%
60/40 plus property	4.2%	6.8%	-4.7%	10.2%	7.7%	-5.6%	42.9%	7.7%	-7.7%	93.0%	7.8%	-9.8%

Source: FE Analytics

2. No/Low impact from trade tariffs

At the time of writing, President Trump has paused most of his new tariffs for 90 days. No one knows what the final outcome will be, but should they be reinstated, the potential impact of on the infrastructure and renewable energy sector and Gravis’s funds should be limited.

Listed infrastructure companies have overarching exposure to contracted cash flows derived from operational infrastructure projects. These are not companies trading goods with the US or across borders generally.

UK Infrastructure Income and UK Listed Property (PAIF) Funds, by definition, are UK-centric and their underlying holdings should be largely unaffected. All our funds are defensive in nature and cash flows tend to benefit from elements of inflationary protection.

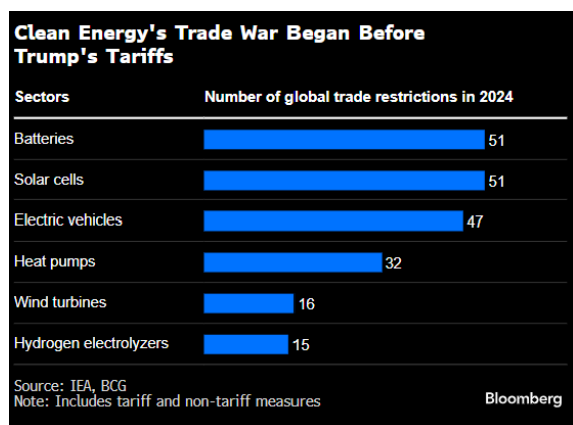
With respect to the Clean Energy Income Fund, US companies would be impacted by higher import costs of course (they do need components), but when we look at the US renewables sector, for example, the Inflation Reduction Act has driven significant manufacturing capacity investment and areas like the onshore wind sector supply chain are well supported domestically.



In solar, there are ~50GW of solar modules sitting in US warehouses that will see the sector through near years.

In contrast, the Batteries Storage sector, which has seen strong growth in the US, is likely to take a hit given ~85% of materials are imported.

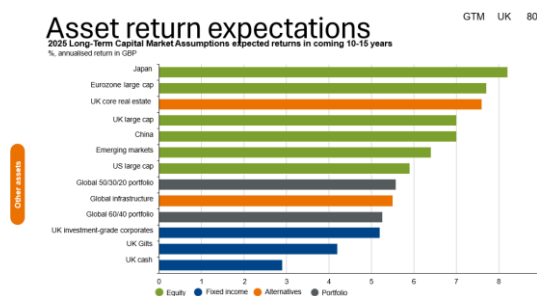
However, Gravis is focused on operational asset owners – not development or supply chain. It may also be worth noting that the US Clean energy sector is well-accustomed to operating under a slate of trade barriers, so the net change owing to Trump's actions would likely more significant for other sectors/industries.



3. Attractive entry point – wide discounts

UK REITs and listed infrastructure securities are both trading at large discounts to NAV and the value on offer has not gone unnoticed by private equity, which has made a number of bids of late. With the Bank of England now cutting rates, many of these companies are poised for significant gains, which is why strategic and financial buyers are moving now. They are seizing portfolios that are out of favour in the public markets.

In the most recent JPM Guide to Markets UK Core Real Estate is predicted to generate circa 7.5% AGR over next 10 to 15 years which places the asset class in 3rd position for all asset classes. Global Infrastructure is predicted to produce 5%+ AGR over the same period.



Source : JP Morgan Asset Management

4. High and growing yields

UK REITs are yielding 5.5% and, if you focus on sectors with high rental growth and avoid retail real estate, they have the benefit of delivering growth income, not fixed income.

Meanwhile, infrastructure investment companies are yielding an average of 7.8%, according to Deutsche Numis. Both asset classes are yielding significantly more than many traditional income assets.

According to [David Stevenson](#), a financial journalist and commentator for several leading publications, we could see a rally in alternative and real assets if we see interest rate cuts of just half a percentage point.

Because if the five-year swap rate and UK two-year gilt yields fall below 3.5%, as some analysts expect, the yield spread could widen significantly—making them even more compelling for income-seeking investors.



How Gravis can help

Gravis is an expert in infrastructure and real estate. We have a number of solutions that would work well in a wider investment portfolio:

VT Gravis UK Infrastructure Income

Invests in the UK listed infrastructure sector. Designed to give regular income, preserve capital and protect against inflation.

VT Gravis Clean Energy Income

Invests in a portfolio of securities listed in developed markets, involved in the operation, funding, construction, generation and supply of clean energy.

GCP Infrastructure Investments

A FTSE 250, closed-ended investment company listed on the Main Market of the LSE,

investing in UK infrastructure projects with long-term, public sector backed revenues.

VT Gravis UK Listed Property (PAIF)

Invests primarily in UK Real Estate Investment Trusts, which are aligned to benefit from four socio-economic mega trends: ageing population, digitalisation, generation rent, and urbanisation. The fund avoids exposure to retail.

VT Gravis Digital Infrastructure Income

Invests in a diversified portfolio of securities listed in developed markets, which own the physical infrastructure assets that are vital to the digital economy. This includes data centres, telecom towers, fibre optic cable companies, logistics warehouses and the digitalisation of transportation.

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