



GCP Infrastructure Investments (GCP)

GCP offers a high yield backed by a diversified portfolio of UK economic and social infrastructure.

Overview

Update
27 November 2025

GCP Infrastructure Investments (GCP) occupies a distinctive niche among listed infrastructure trusts, focussing on debt instruments in UK social and economic infrastructure projects. Just over half of the portfolio is in senior debt, with the balance in subordinated debt and a very small number of equity positions. The portfolio splits into three broad sectors, with c. 57% in renewables projects, another quarter in PPP projects, and the balance in supported living.

GCP's mature and fully operational portfolio consists of 47 investments and, at a more granular level, is highly diversified across sub-sectors. Examples include projects in commercial and rooftop solar, biomass, onshore wind, anaerobic digestion, as well as supported living, healthcare, education, and waste disposal. All of these are backed by long-term, public-sector revenues. Half the portfolio has some form of inflation protection.

GCP returns come primarily through **Dividends**, and the current yield of c. 9.6% is both a function of the investment strategy and the current **Discount** to NAV, c. 29%. GCP's NAV total return over the last five years, 37%, is ahead of the Morningstar Infrastructure peer group's average of 26%, driven by its high yield and broadly stable NAV. Since IPO in 2010, GCP has returned more than the initial IPO price in dividends.

In response to the wide discount, GCP's board has implemented a capital allocation policy targeting the elimination of gearing and a share buyback programme, funded by disposals. Gearing is now almost repaid, clearing the way for an increase in the pace of share buybacks once further disposals are completed.

Analyst's View

Because GCP is a portfolio of debt instruments, a useful analogy to buying GCP's shares at a 29% discount is to imagine buying a bond with a par value of 100p at 71p (i.e. the same 29% discount). If, like a bond with a five-year maturity, GCP's share price pulled towards the NAV over the next five years, that would give investors today an IRR of 15%. Such a calculation should be taken as illustrative rather than a forecast, but can help convey what a '29% discount' really means on a portfolio of loans. The analogy breaks down when one considers that not all GCP's loans mature in the next five years, but the central point is that over time, GCP's portfolio is repaid at par. About £240m of GCP's loans mature in less than five years, compared to its market cap of just over £600m, and therefore enough capital will be freed up that a persistent 29% discount seems improbable over that period.

Further, as we see in the **Portfolio section**, lending rates during the formation period for much of GCP's current portfolio were much lower than today, so the manager has the choice in writing new loans to opt for either a higher lending rate or more senior, i.e. lower risk, debt at rates that support the current dividend policy. GCP is, of course, a portfolio of private, proprietary loans, and that will always require a premium yield from investors compared to rated corporate bonds, but taking all of the above into account, GCP's discount seems excessive.

Analysts:

Alan Ray

alan@keplerpartners.com



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BULL

A 9.6% yield from a diversified portfolio of infrastructure-related debt instruments

A very wide 29% discount to NAV

£240m of GCP's portfolio is due to be repaid at par in less than five years

BEAR

Dividends are covered by 'rolled-up' rather than received interest

Private debt does not have the same transparency as rated corporate bonds

Although balance sheet debt is low, many of GCP's projects are geared, which can amplify losses as well as gains



Portfolio

GCP Infrastructure Investments (GCP) invests primarily in debt secured against a range of social infrastructure projects in the UK, in the three broad categories of renewables, social housing, and traditional PPP infrastructure. GCP's initial proposition at IPO in 2010 was to focus on the underserved mezzanine, or subordinated, debt market for infrastructure, which at the time was a less competitive space than either senior debt or equity infrastructure projects. Over the subsequent 15 years, the market has evolved, and GCP's portfolio is now c. 54% senior debt, i.e. no prior-ranking debt, another 41% subordinated, i.e. loans with a prior-ranking charge, and a small remainder of equity stakes which sit behind all other charges. The average life of loans is c. 11 years, and over 70% of loans mature in the next ten years. All assets are operational, with no construction or development risk.

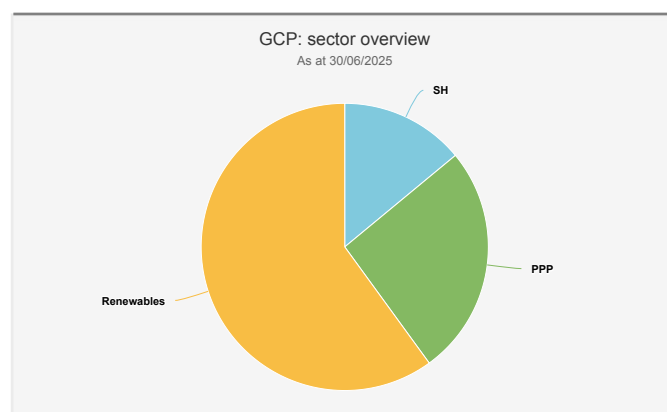
In the near term, about £245m of principal receipts are expected to be repaid in the next four years, which, in the context of GCP's market cap, just over £600m, is a significant amount when one weighs up the capital allocation policy detailed in the **Discount section**. This can be briefly summarised as a programme aimed to address the very wide discount, c. 29%, by reducing balance sheet debt and buying shares back, funded by selective asset disposals. From a portfolio perspective, the main implication is that GCP's programme of new investments has slowed while it seeks to achieve the main goals of the capital allocation programme. Further out, though, the opportunity for new investments at either higher rates or at lower risk for the same rate is significant, and further below in this section, we track the main benchmark for lending rates in the UK to illustrate this.

In keeping with the public-sector-backed nature of the portfolio, GCP has a strong track record in terms of its loss ratio at less than 0.5%, which, lead investment adviser Philip Kent contrasts to a more general loss ratio of c. 2.5% for private debt investors. Almost half the portfolio has some form of inflation protection, meaning that contracted revenues can be raised to partially account for inflation over the life of the project and/or there is a principal indexation mechanism in place.

GCP's portfolio is diversified across 47 investments. Many of these consist of several similar underlying assets. The chart below shows GCP's high-level sector allocation. PPP, about 28% of the portfolio, is a traditional form of infrastructure financing that was suspended by the UK government in 2018, and so we can expect no new investments in this area. GCP's social housing exposure, c. 15% is targeted for reduction as part of the capital allocation policy. Philip notes that the landscape for this sector has changed significantly since investments were made, and it has become a much less attractive area to

make new investments. This leads to the question, what areas could GCP find new investments in? Philip identifies several constructive themes in the UK that could result in new opportunities in time. First, the current trajectory for renewables in the UK implies about £40bn of investment every year until 2030, supported by a further need for a total of £60bn of investment in the electricity grid. Further, the water industry is being reformed, and there is already over £100bn of investment approved by the regulator up to 2030. Other areas that will require large amounts of private capital include data centres, social infrastructure, and transport infrastructure. Funding models for these will vary, but overall, it is evident that various UK government objectives cannot be achieved without significant private capital.

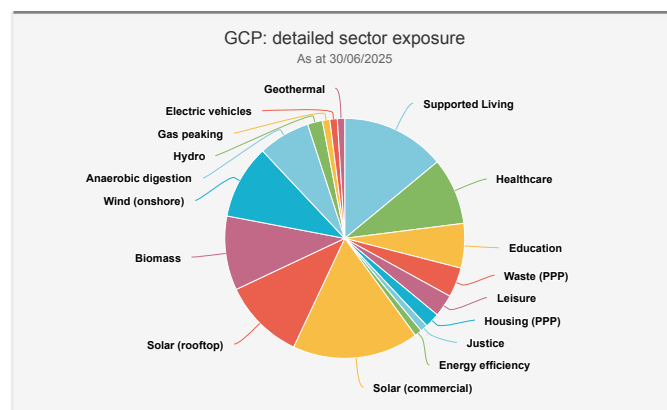
Fig.1: Sector Overview



Source: Gravis Capital Management

The more detailed breakdown below gives a clearer picture of the breadth of GCP's diversification, notably with many different sub-sectors of the renewables space. One of the consequences of this is that GCP has some sensitivity to UK power prices, and one of the objectives of the capital allocation policy is to reduce this as part of the disposal programme.

Fig.2: Detailed Sector Exposure

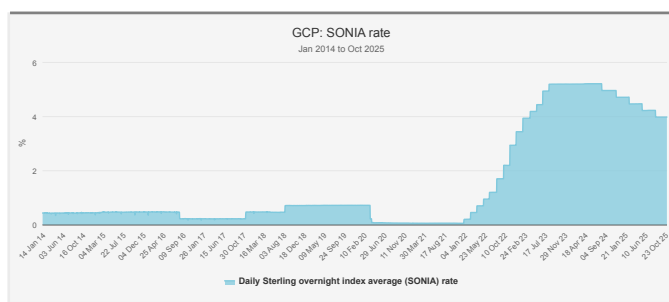


Source: Gravis Capital Management



As we discuss above, there are several areas of UK social infrastructure that GCP could target in future. In our view, one other way to think about the big picture opportunity for GCP's future investments is to relate the portfolio maturity, above, to the chart below. SONIA, the sterling overnight index average rate, has, since 2014, been the benchmark rate against which lending in the UK has been set. Corporate lending is normally done at a spread over SONIA (indeed, GCP's own revolving credit facility is benchmarked against SONIA), and as we can see in the chart below, for much of the time that GCP's current portfolio was being created, the SONIA rate was significantly lower than it is today. Assuming that SONIA remains at current levels, then as GCP's portfolio resets then the investment adviser can consider either writing new loans at higher rates than the loans rolling off, and therefore potentially increase dividend cover, or write lower risk loans at a rate that supports the current dividend.

Fig.3: Sonia Rate



Source: Bank of England

Overall, GCP has a diversified portfolio of loans with varying maturities. £245m of principal receipts are expected to be received in the next four years as part of the scheduled loan amortisation. While the capital allocation policy effectively takes precedent while the discount persists at very wide levels, balance sheet debt has now almost entirely been cleared, meaning the next phase shifts to share buybacks, effectively an investment in the existing portfolio. But given the evolving need for private investment in public infrastructure and the attractive lending rates prevailing, GCP has a significant opportunity to reshape its portfolio over the next few years.

Gearing

GCP currently has minimal balance sheet gearing of c. £8m, on a net debt basis, compared to net assets of £849m, i.e. about 1%. One of the goals of the capital allocation policy was to eliminate GCP's revolving credit facility, which at the time of the policy's implementation was £104m drawn. Technically, GCP has maximum allowable gearing at a fund level of 20% of NAV, but given the current policy, it seems unlikely this will be used in the foreseeable future.

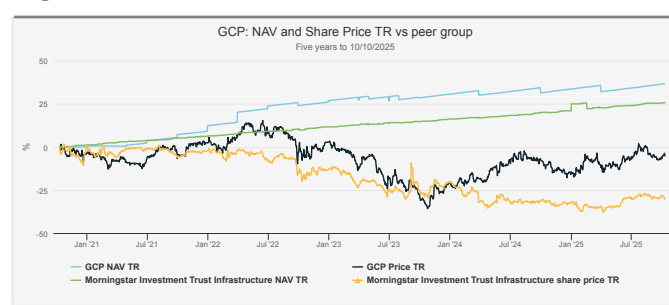
One reason for repaying the RCF is that this is, in a higher interest rate environment, a relatively expensive source of funding, with a floating interest rate of SONIA plus 2%. At the time of writing, SONIA is c. 4%, thus the cost of the remaining drawn debt will be c. 6%.

While GCP's balance debt is almost eliminated, infrastructure projects are held within specific corporate structures, and some of those are geared. Structuring projects in this way is ubiquitous in infrastructure investing, and GCP's peer group all use a similar approach. Debt is usually structured to amortise over the life of the project, as opposed to a single repayment, and has no recourse to any other of GCP's assets. The current portfolio is split 43% subordinated (or mezzanine) debt, 4% equity, and 53% senior debt, and we can assume that the senior debt has no prior-ranking debt, and the balance of the portfolio does, although levels will vary project to project.

Performance

Over the last five years, GCP's NAV and share price total returns are 37% and -4% respectively, compared to the Morningstar Infrastructure peer group's equivalent figures of 26% and -30%. 'Total return' is, of course, an industry standard measure of performance that compares apples with apples, but its limitations are particularly felt when assessing trusts where most of the returns come from income, where it is quite likely that many investors are not re-investing dividends (re-investment being assumed in the total return calculation). Another way to look at GCP's performance is to say that since IPO in July 2010, it has paid 112.75p of dividends, i.e. the initial subscription of 100p has been repaid, and the NAV, subject to some fluctuations over the years, is just above its starting point. One of the phrases used in the world of low-risk cash and bond funds is 'breaking the buck', denoting that investors in such instruments are very averse to seeing their capital value fall below the initial price (i.e. a dollar, or 'buck'). GCP hasn't broken the buck in 15 years and has a current dividend yield of 9.6%.

Fig.4: Five-Year Performance



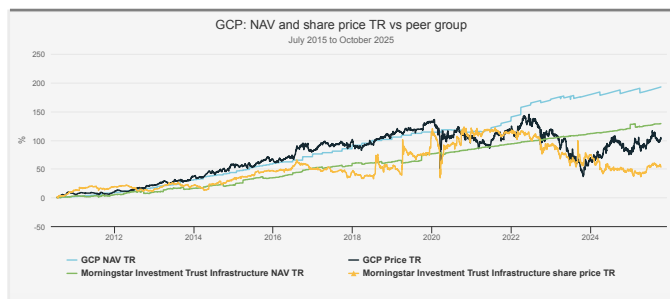
Source: Morningstar

Past performance is not a reliable indicator of future results.



The next chart shows GCP's performance since its IPO in July 2010. The annualised NAV total return is 7.3% compared to the peer group's 5.6%.

Fig.5: Performance Since IPO

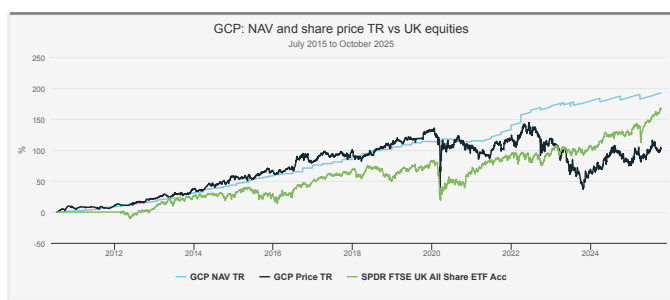


Source: Morningstar

Past performance is not a reliable indicator of future results.

GCP's objective isn't tied to beating the UK equity market, but it's nevertheless interesting to compare the two since GCP's IPO. Again, keep in mind that in the real world, an investor in UK equities would have a much higher capital value today than they would for GCP, assuming that they spent the dividends. But in the 'apples with apples' total return analysis, GCP has delivered a similar annualised total return, 7.3%, as the UK market's 8.0% over its life and as the chart shows, GCP's total return is surprisingly close to UK equities for most of that 15-year period. Clearly, though the share price has not performed so well, we look at that in more detail in the [Discount section](#).

Fig.6: Performance Vs UK Equities



Source: Morningstar

Past performance is not a reliable indicator of future results.

Dividend

GCP currently yields 9.6% and pays dividends quarterly, usually in March, June, September, and December. The dividend of seven pence per share has been maintained since 2021. GCP's yield is higher than the 6% average for the Morningstar Infrastructure peer group, in part due to GCP's inherent nature as a high-income strategy and in part due to the discount, c. 29%.

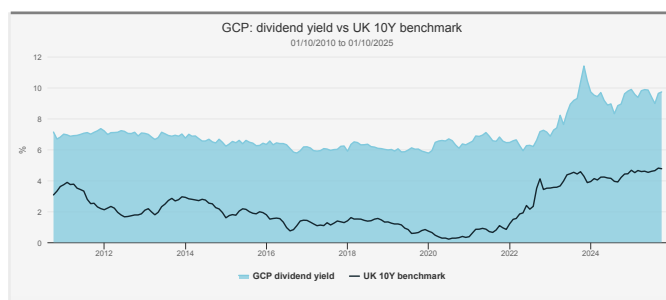
To understand how dividend cover works, it's helpful to know that a significant proportion of interest payments are 'rolled up', i.e. they are accounted for but not paid and added to the balance outstanding. This rolled-up income can be divided into three categories:

- a planned roll-up of interest that is budgeted for;
- an interest payment was delayed due to the administrative process of processing payments through complex cash flow waterfalls. Delays are often quite short, but even if a payment is made a day later than scheduled, it is treated for accounting purposes as rolled up;
- an issue at a project level which restricts cash distributions.

GCP's dividends are covered, taking into account rolled-up interest payments. For the last full financial year to 30/09/2024, cover was 1.01x adjusting for rolled-up interest, and 0.94x on a cash earnings basis. While rolling up interest is a very common practice in private debt, investors should be aware that one of the risks of paying dividends against accrued interest is that, should a loan with accrued interest attached fail, then part of GCP's dividend will have, in effect, been paid from capital. In reality, this is relatively rare as GCP has a very low loss ratio.

Given its primary focus on income, GCP's dividend yield, and by extension its share price, has a strong long-term correlation with UK gilt yields and the chart below plots this against the UK's ten-year benchmark gilt yield. A similar correlation will be true for the SONIA chart we show in the [Portfolio section](#).

Fig.7: Dividend Yield Vs Ten-Year UK Benchmark



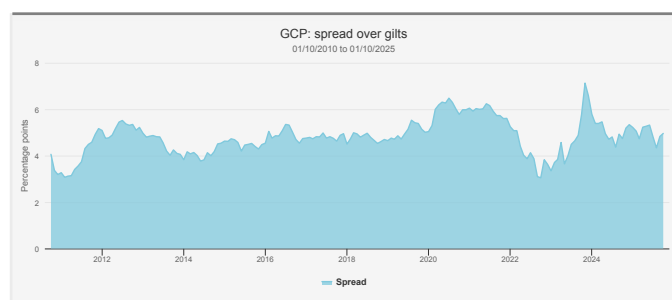
Source: Morningstar

The next chart cuts the same data in a different way, showing the percentage point spread of GCP's dividend yield over the benchmark. This chart should be read alongside GCP's [Discount](#) chart, as one of the main explanations for GCP's wide discount is the higher interest rates and bond yields that have persisted since 2022. In the [Portfolio section](#), we look at the extent to which GCP's loans mature over the next few years, freeing up capital in the first instance to support the capital allocation policy,



but also to write new loans at higher prevailing interest rates.

Fig.8: Spread Over Ten-Year UK Benchmark



Source: Morningstar

Past performance is not a reliable indicator of future results.

Management

GCP's investment adviser is Gravis Capital Management (Gravis). Founded in 2008, Gravis manages and advises assets of over £2bn, and specialises in long-term infrastructure assets such as hospitals, schools, student accommodation, energy generation, and UK social and economic infrastructure. These are generally underpinned by the obligations of UK central and local government, and by long-term, predictable contracted income.

Gravis is the investment adviser to one other listed fund, GCP Asset Backed Income Fund (GABI), and the investment manager of a number of open-ended funds in the infrastructure and real estate sectors. Gravis is majority owned by ORIX Group, a Japanese financial group, which is diversified around the world in leasing, financing, private equity investment, asset management, renewable energy investment, and operations.

Philip Kent is CEO of Gravis and acts as lead investment adviser to both GCP and GABI. Philip joined Gravis in 2015 from Foresight Group, where he was responsible for investments in the waste and renewable sectors, including large waste wood combustion projects and a pipeline of anaerobic digestion projects across the UK. Philip has been involved in the energy sector for over 15 years, working initially as a consultant within PA Consulting's energy practice, focussing on energy markets and energy asset valuations. In 2008, he moved to Gazprom Marketing and Trading, working in risk management across a number of commodities before moving into the clean energy team.

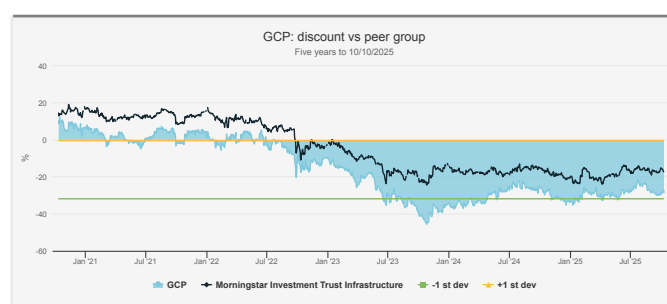
Philip is supported by Robyn MacHugh, an associate director at Gravis, who works on both GCP Infra and GABI. Before joining Gravis, Robyn spent 2 and a half years working for EY in the Transaction Modelling team within Transaction Advisory Services. She was predominantly

involved in financial modelling for both buy-side and sell-side deals, as well as operational model builds and financial model audits across a variety of sectors.

Discount

GCP's current discount, c. 29%, compares to its five-year average of 16% and one-year average of 29%. The Morningstar Infrastructure peer group currently trades at an average 17% discount, with the five- and one-year averages 5% and 19%. As the first chart shows, GCP's discount trend has followed a familiar pattern for the peer group, with interest rate rises beginning in 2022 being the catalyst for the premium rating to turn to a discount. As a broad generalisation, we can say that GCP's wider-than-average discount is a function of its greater fixed interest characteristics when compared to the peer group, making for a more straightforward relationship with interest rates. Therefore, one can see why the initial phase of higher rates led to a wider discount for GCP, but as time passes and GCP's loans continue to perform, investors should consider the 'pull to par' factor, whereby the same loans are gradually repaid at par (i.e. NAV). This is analogous to buying a bond with a par value of 100p at 71p (equivalent to GCP's 29% discount) and holding it to maturity, although clearly GCP is a portfolio of different loans with different maturities and, of course, may choose to make new investments rather than itself repaying par to shareholders. Nevertheless, this analogy may be helpful in assessing the discount.

Fig.9: Discount



Source: Morningstar

At the end of 2023, and in response to the wide discount, GCP's board adopted a capital allocation policy, setting out the following objectives:

- to realise c. 15% or £150m of the portfolio;
- to rebalance the portfolio to reduce exposure to electricity power prices, a source of volatility, and to reduce equity risk, currently c. 5%, and to exit the supported living sector;
- eliminate gearing by the end of calendar year 2024;
- return £50m to shareholders by the end of calendar year 2024;



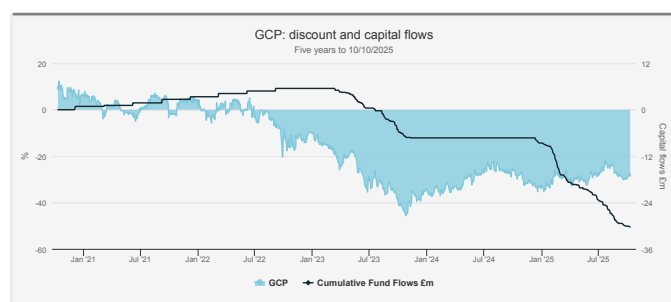
Progress towards these objectives is summarised thus:

- £80m of the target, £150m of disposals completed, on average at or slightly above NAV;
- £18.3m of the target £50m of share buybacks, and at the time of writing, a further £0.7m;
- £20m of the £104m RCF remains drawn, with a net debt position of c. £8m;
- In the **Portfolio section** we show the current sector exposure, with social housing (supported living) at c. 15%.

While a little behind the initial schedule, £80m of disposals at NAV provides strong evidence that the portfolio valuation is robust. Valuations for unlisted assets across the investment trust sector have been a question in investors' minds in recent years, and GCP and others' disposal programmes are providing a mounting body of evidence that valuations are reasonable. GCP has now almost completely eliminated its short-term debt, and so it is reasonable to expect further disposals to be more focussed on share buybacks while the discount remains wide.

The next chart plots GCP's discount against the cumulative total of capital flows in and out of the trust, with an ascending black line indicating shares being issued and vice versa for share buybacks. While the correlation between share buybacks and discounts is rarely perfect, this chart helps to visualise what, if any, impact buybacks may have on the discount. With the discount briefly exceeding 40% in late 2023, coinciding with the initial announcement of the capital allocation policy, we can see a clear trend of discount narrowing against the steady stream of share buybacks.

Fig.10: Discount And Capital Flows



Source: Morningstar

Charges

GCP's most recent ongoing charges figure (OCF) is 1.12%, compared to an average for the AIC Infrastructure peer group of 1.28%. The management fee is 0.9% of net assets less cash. The investment adviser is also entitled to an arrangement fee of up to 1% of the initial cost of each

asset acquired, although, where possible, this is charged to borrowers rather than the trust. We note that charges impact the NAV and are not directly deducted from the share price.

ESG

GCP only invests in UK assets that have public-sector-derived revenues and predominantly invests in debt instruments. From inception, the team have targeted investments that also have a core social or environmental purpose, although this is not a requirement under GCP's mandate. This may help protect investments and ensure longevity, but it clearly also aligns with those investors who seek to align their portfolio with ESG objectives.

The trust does not specifically conform to either Article 8 or 9 of SFDR but does take an integrated approach to ESG in the investment process, and at the most recent interim report, to 31/03/2025, reported the following key ESG metrics:

- 59% of the portfolio contributes to the UK's green economy;
- 41% of the portfolio benefits end users in society;
- GCP's board has 50% gender and ethnic diversity.



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