



Key takeaways: TM Gravis UK Infrastructure Income Fund 10th anniversary webinar



To mark the 10th anniversary of the TM Gravis UK Infrastructure Income Fund, William Argent and Shayan Ratnasingam provide an update on the UK infrastructure sector, the market backdrop, fund performance over the past decade, and key changes to the portfolio.



Fund strategy and portfolio construction

The Fund provides income-focused exposure to the UK-listed infrastructure sector through a diversified mix of equities, bonds, REITs and closed-ended investment companies.

The portfolio has a bias towards operational assets, government-backed or regulated revenue frameworks, and limited exposure to demand-based or volume-driven cash flows.

Key structural themes represented in the portfolio include energy transition and security, digitalisation, demographic change (notably healthcare), and resource efficiency.

UK focus and infrastructure exposure

The strategy invests exclusively in UK-listed, sterling-denominated securities, but some underlying assets will be based in other countries.

While global infrastructure markets appear similar at a high level, the UK market is viewed as offering more direct exposure to asset-level infrastructure cash flows, with less equity beta than global infrastructure indices.

Current positioning and portfolio evolution

The portfolio currently holds 26 positions and maintains meaningful inflation linkage through explicitly indexed revenues and other inflation-sensitive cash flows.

Recent changes in the top holdings reflect relative performance, corporate activity and sector consolidation, including the merger of PHP and Assura.

Equity exposure has been actively managed, with profits taken where performance has been strong, in order to prevent equity risk dominating overall portfolio outcomes.

REIT exposure has reduced modestly due to M&A activity in the sector.

Performance and market environments

Since inception in January 2016, the Fund has navigated a range of market conditions, including political uncertainty, interest rate volatility, the pandemic and shifts in energy prices.

Over this period, the Fund has delivered positive performance in six out of ten calendar years.

Equity beta versus the MSCI UK Index has remained low, typically in the 0.3–0.4 range, consistent with the Fund's objective of limited equity sensitivity.

Over the last 12 months, the Fund delivered a 14.66% total return, with positive contributions from all security types.

Drivers of recent returns

Equities and REITs contributed most to returns on a per-unit-of-exposure basis, while closed-ended investment companies and bonds also contributed positively.



M&A activity in the sector, including take-private transactions, provided additional support to performance.

Renewable energy generators detracted modestly from returns, although income generation mitigated the impact on total returns.

Income characteristics

The Fund targets a 5% net yield, with fees taken from income.

As at the end of January, the Fund's trailing yield was 6.55%.

Distributions for full year 2025 increased by just under 5% year on year.

Income visibility remains supported by the contracted and regulated nature of underlying assets, with confidence expressed in near-term income delivery, although outcomes remain subject to dividend declarations.

Policy developments and regulatory environment

The UK government's 10-year Infrastructure Strategy sets out £725 billion of planned public infrastructure spending, covering both economic and social infrastructure.

The Strategy emphasises coordination across government, devolved authorities and the private sector, alongside planning reform, procurement initiatives and mechanisms to attract private capital.

Established funding frameworks, including the Regulated Asset Base (RAB), Contracts for Difference (CfD), Cap and Floor and PPP models, continue to provide revenue visibility.

Recent regulatory clarity in areas such as electricity market arrangements and renewable obligation indexation has reduced uncertainty, particularly for renewable energy assets.

Capital flows and valuation dynamics

Private infrastructure fundraising in 2025 reached historically high levels, with capital concentrated in renewable-related strategies.

Regulated assets such as power and transmission are more prevalent in listed markets, creating opportunities in public equities.

The scale of private capital raises may drive continued M&A activity, including take-private transactions and public market carve-outs.

Valuations across listed infrastructure remain attractive, with renewables and core infrastructure trading at elevated implied IRRs.

Interest rates and market outlook

The interest rate cutting cycle that began in 2024 has supported more recent capital performance in the sector.

Lower reference yields would further enhance the relative attractiveness of infrastructure income and could support asset valuations through reduced discount rates.

Yield spreads versus gilts and corporate bonds remain elevated, supporting the Fund's income proposition.

Sector positioning and selected themes

Regulated transmission and network assets remain attractive due to long-term capital programmes, five-year price control frameworks and inflation-linked revenues.

Electrification trends are expected to drive sustained growth in electricity demand, particularly from residential, industrial and transport sectors rather than data centres.

Infrastructure services companies with long-term framework agreements offer revenue visibility aligned with the Fund's preference for contracted cash flows, although these positions are sized conservatively given their asset-light nature.

You can watch the webinar replay on this link:

<https://www.graviscapital.com/webinars/tm-gravis-uk-infrastructure-income-fund-10-year-anniversary-webinar>



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