



Building the future: inside the VT Gravis UK Infrastructure Income Fund

In this short Q&A, William Argent and Shayan Ratnasingam offer timely insights into the performance and positioning of the VT Gravis UK Infrastructure Income Fund, which has delivered a return of over 10% year to date*.

The Fund is designed to offer broad exposure to UK-listed infrastructure with a yield-focused strategy, targeting solid, consistent, and growing income. It favours operational assets, backed by government or regulated cash flows, over development-stage projects or demand-sensitive revenues.

How has the portfolio changed in recent months?

There has been a fair amount of rotation in the top 10 of late, driven by relative performance in different subsectors within the portfolio. HICL Infrastructure Company Ltd is now the largest position after a strong run. Primary Healthcare Properties, National Grid and INPP have also moved up, while Greencoat UK Wind and the Renewables Infrastructure Group Ltd have slipped slightly down the pecking order.

In terms of sectors, Power and Utilities continue to feature very heavily in the portfolio. This sector includes renewable energy generation, water, waste management and transmission. Exposure to digital infrastructure and communications has grown over time and has now become a far more meaningful component in the portfolio. Healthcare exposure has grown on relative share price strength because of M&A interest in the sector.

What about the wider sector?

After two years of de-rating following interest rate and reference yield rises, infrastructure valuations may be bottoming. Interest rate expectations have reset and although expectations for the number of cuts may have been too high in 2024 and ultimately led to the market being disappointed, we think recent economic and softening labour data paves the way for further cuts in 2025.

M&A activity is also accelerating – we've had BBGI Global Infrastructure being acquired by British Columbia Investment Management Corporation (BCI), and Care REIT by a US peer Care Trust REIT, just to name a couple. This M&A activity is very positive for our companies' share prices. We've said for some time that if public markets don't rate these companies appropriately, then someone else will step in, and that's exactly what has happened. We're active investors and have been working hard to encourage boards and companies to get the best price that reflects the true value of these high-quality platforms.

Are there any tailwinds for the sector?

We're entering a once-in-a-generation capital investment cycle. In the past year, policy clarity has arrived across clean energy, water, and health:

- **The Clean Power 2030 Action Plan** aims to move to clean energy system by 2030, with an estimated annual investment of £40+ billion.
- This was supported by research from NESO, the **National Electric System Operator**, which highlighted the need to build twice as much transmission infrastructure in the next five years as has been built in the last decade.
- The **water sector** is to receive £104bn in capex over the next five years – an amount four times larger than the previous five-year regulatory period.
- The government are considering new **PPP** (Public Private Partnership) **schemes**. This





includes OFWAT considering the model to unlock a further £50bn of water projects.

- **A conclusion of the Review of the Electricity Market Arrangement (REMA)** could overhaul energy pricing, moving from national to zonal arrangements and unlocking investment.
- The **NHS 10-year plan** is also on the horizon, presenting opportunities in primary care and hospitals.

How has the Fund performed year to date?

In what has been a period of global market uncertainty and volatility, the Fund has performed relatively well this year, benefiting from a rotation into more defensive sectors and increased M&A in the listed infrastructure sector. We still see valuations offering a lot of scope for upside and believe the sector deserves a re-rating.

Coming back to the Fund being an income-focused strategy, income generation hasn't skipped a beat, and it has continued to provide a very attractive and stable yield. The first quarter income distribution on the C Inc share class has risen 6% YoY, and the Fund has a 6.4% trailing yield as of May.

The Fund's low correlation with broader equity markets – and even global infrastructure – makes it a useful diversifier. It's well-positioned for a recessionary environment, as the companies and underlying assets within the portfolio provide critically important services and projects, for both UK society and the economy.

We like to invest in companies with long dated, recurring, predictable and inflation-linked cash flows. Whether these are availability-based, contracted or regulated, our holdings are investing in physical infrastructure with revenue contracts that are underpinned by blue chip customers and, in some cases, with captive customers.

Debt levels remain manageable. Many holdings use project-level finance structures that are fixed and amortised over the life of the contract of an asset or project. Some companies are actively de-gearing.

The Fund also offers exposure to a number of mega trends such as energy security, the energy transition, digitalisation, demographic shifts, the circular economy, and resource efficiency.

What are your thoughts on share buybacks?

We've seen any number of companies implement share buybacks and this has been ongoing for the past couple of years in some cases. From our perspective,

we don't like buybacks when they are used as a liquidity facility, but we do like them as a capital allocation decision. Because if you can buy your own shares back at an implied return that is in excess of what you could potentially deploy that capital at into new projects, that makes sense.

Are you seeing any signs of pension funds starting to invest in your area?

We had the Mansion House accord last month and it will be interesting to see how that plays out in the coming months. More broadly we have seen evidence of our companies entering strategic partnerships with pension schemes highlighting the institutional demand for contracted inflation linked hard assets, and recognising the quality of the management teams we invest in.

Bluefield Solar Income Fund has entered a joint venture with GLIL** which invests on behalf of Local Government Pension Scheme funds and pools, with committed capital at £4.1 billion, as at 31 December 2024. Assura also has a joint venture with Universities Superannuation Scheme Limited (USS)*** which has £77.9bn assets under management as of 31 March 2024. So, I think there's interest in the sector and it's encouraging to see pension schemes are looking for specialists within those key infrastructure sectors, and they're looking in our listed peer group.

**Source: FE Analytics, total returns in sterling, as at 25 June 2025*

***GLIL invests on behalf of Local Government Pension Scheme funds and pools including Local Pensions Partnership Investments, Greater Manchester Pension Fund, Merseyside Pension Fund, and West Yorkshire Pension Fund, as well as Nest.*

****Universities Superannuation Scheme was established in 1974, we're the largest private pension scheme in the country in terms of assets under management, and the principal pension scheme for universities and Higher Education institutions in the UK.*



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