Why infrastructure investment makes sense right now

In an environment marked by economic uncertainty, sticky inflation, and market volatility, infrastructure investments have reemerged as a compelling option for investors.

UK infrastructure is at a critical juncture and requires unprecedented levels of investment to replace ageing buildings in healthcare and education provision, to modernise energy transmission and distribution networks, advance digital services, and meet decarbonisation goals.

The government is supportive of private investment in such projects and that should provide opportunities for companies and projects operating in the sector. What's more, 17 pension providers have signed the new Mansion House Accord, with the aim of allocating a total of 10% in private assets via DC pension funds by 2030. 5% of these investments will be in UK assets, which would more than double the current average allocation while giving the economy a £50bn cash injection.

Gravis has two options in this space: GCP Infrastructure Investments Ltd and the VT Gravis UK Infrastructure Income Fund. Both aim to deliver reliable and predictable income and returns from real, tangible assets that people use every day, no matter what the economic environment looks like.

GCP Infrastructure Investments Ltd

Let's start with GCP Infrastructure Investments Ltd. It's a FTSE 250-listed, closed-ended investment company, and its focus is simple but powerful: lend money to UK infrastructure projects that have reliable, long-term revenue streams, often backed by public sector contracts. It invests in real assets such as schools, hospitals, and renewable energy projects. These are all critical infrastructure that keep functioning regardless of how the economy is performing.

Here's why it's worth a closer look:

Predictable income: GCP Infrastructure Investments' loans are typically secured against contracted cash flows backed by the UK public sector. Many of the loans are also structured to benefit from partial inflation protection, providing a hedge against rising prices. The Company has paid a dividend for 15 consecutive years*.

Resilience in economic downturns: Because many of its projects are availability-based (in other words, they get paid as long as the service is available), they're less exposed to demand fluctuations and economic cycles. The share price is down a modest 4% in the last year, and the Company is trading at a high 30% discount to the net asset value (NAV)**, suggesting it is undervalued.

Attractive yield: The portfolio currently has a yield of 9.86%, which is well above the UK base rate of 4.25%**. Because the loans are typically government-backed, dividend payments are relatively safe.

VT Gravis UK Infrastructure Income Fund

The VT Gravis UK Infrastructure Income Fund is an open-ended investment company that invests in the UK-listed infrastructure sector across sectors like energy, transport, digital infrastructure, and utilities. It aims to provide regular income, preserve capital, and protect against inflation.

Here's why it's worth a closer look:

Diversification: The Fund spreads its investments across a range of companies and infrastructure types, so it's not overly reliant on any one sector or theme. Because infrastructure companies typically provide essential services, they may be considered defensive in nature and less sensitive to cyclical economic trends.

These characteristics would likely prove attractive to investors looking for regular income and portfolio diversification benefits.

Inflation-linked income: A significant portion of the Fund's income is derived from assets with cash flows linked to inflation, enhancing its appeal in periods of rising prices.

Income focus: The Fund provides relatively high levels of income for investors, underpinned by the contracted nature of the cash flows generated by underlying portfolio companies. It pays income quarterly and is currently yielding around 6.5%***. Because at least 80% of the portfolio is invested in operational assets, that income has a stable foundation.

So, which route to take? It really comes down to what your clients are looking for. Here's a quick comparison:

	GCP Infrastructure Investments Ltd	VT Gravis UK Infrastructure Income Fund
Investment Structure	Closed-ended investment company that owns	Open-ended investment company
Income Source	Availability-based revenues/ Interest from project loans	Dividends from listed infrastructure companies
Inflation protection	Partial inflation-linked cash flows	Inflation-linked income from underlying assets
Economic resilience	High (essential services)	Moderate to High (operational assets)
Underlying holdings	~50 assets	29 holdings with 2,500+ underlying projects
Yield (current)	9.75%	6.5%
Liquidity	Traded on the stock market (secondary market)	Daily priced, liquid

The opportunity today

Many companies that form part of the UK listed infrastructure sector presently trade on sizeable discounts to their net asset values. A re-rating of these companies such that share prices are more closely aligned with net asset values would drive attractive returns for investors. In the interim, the sector is highly income generative and distributes high levels of income, so investors are paid well to wait for capital upside.

Infrastructure may not always make for exciting headlines, but that's exactly why it's so appealing, especially in tough markets. Both GCP Infrastructure Investments Ltd and VT Gravis UK Infrastructure Income Fund, can play a key role in building more resilient, income-focused portfolios.

**As at 31 March 2025*

***As at 13 May 2025*

****As at 30 April 2025*

Important information

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Any decision to invest in a Fund must be based solely on the information contained in the Prospectus, the latest Key Investor Information Document and the latest annual or interim report and financial statements.

Past performance is no guarantee of future performance.

Your capital is at risk and you may not get back the full amount invested. Prospective investors should consider the risks connected to an investment in a Fund or Company, which include (but are not limited to) counterparty risk, inflation and interest rate risk and volatility. Please see the Risk Factors section in the Prospectus for further information.

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