



Company Overview

Fund Name:	VT RM Alternative Income Fund	
Launch Date:	11 th June 2018	
Regulatory Status:	FCA Authorised	
Classification:	Non-Complex	
Sector:	IA Specialist	
Share Classes:	Income & Accumulation Institutional & Retail	
Currencies:	GBP, EUR, USD	
Share Class	ISIN	NAV
GBP Accumulation (I)	GB00BD6SVV68	100.07
GBP Accumulation (R)	GB00BYVZQ252	100.06
GBP Income (I)	GB00BD6SVR23	100.07
GBP Income (R)	GB00BYVZPZ16	100.00
EURO Accumulation (I)	GB00BD6SVW75	100.00
EURO Accumulation (R)	GB00BYVZQ369	100.00
EURO Income (I)	GB00BD6SVS30	100.00
EURO Income (R)	GB00BYVZQ039	100.00
USD Accumulation (I)	GB00BD6SVX82	100.00
USD Accumulation (R)	GB00BD6SVQ16	100.00
USD Income (I)	GB00BD6SVT47	100.00
USD Income (R)	GB00BYVZQ146	100.00
Next Dividend Ex Date:	31/07/2018	
Dividend Pay Dates:	Mar, Jun, Sep, Dec	
Charges:	Institutional (I): 0.75% Retail (R): 0.85% ¹	
Target Fund Objectives²:	Capital preservation 5.00% Net Dividend on issue price 7-8% Total Return on issue price	
Dealing Frequency:	Daily Liquidity	
Valuation Frequency:	Daily	
¹ The OCF (Ongoing Charges Figure) for all share classes is capped at the AMC (Annual Management Charge) and direct costs in excess of the OCF/AMC will be paid by the Investment Adviser.		
² The figures are targets only and there is no guarantee they will be achieved. Per annum by reference to launch price of £1.00 per unit, payable quarterly, one month in arrears		

Overview

VT RM Alternative Income Fund (the “Fund” or “RMAI”) seeks to provide income whilst preserving capital over the medium to long-term. The Fund seeks to meet its objectives by investing in listed equities and other transferable securities (including REITs and Investment Trusts) whose primary activity or exposure is within the alternative income sectors - areas such as alternative lending (asset lending, direct lending, platform lending), Infrastructure and specialist real estate. In addition to investing in equities the fund may also invest in other transferable securities, bonds, collective investment schemes, money market instruments or cash. The Fund will have a preference for investments denominated in sterling, with issuers which have activities and assets within the U.K., Europe, USA, Singapore or another OECD Country.

Market Commentary

Over the last month market volatility has picked-up markedly, with investor sentiment becoming more bearish. This was reflected both in equity markets moving sideways, corporate bonds spreads moving wider and a number of HY bond issues and leverage loans either pulled, repriced (wider) and or additional investor protections included as the impact of the US/China trade wars started to take its toll on the markets. Domestically the Brexit shenanigans continue to rattle the markets, with no near-term end in sight asset volatility is likely to remain.

Portfolio Activity

During the period the team made 29 Investments into names identified within the simulated model portfolio. As discussed within the fund marketing documents these are spread across alternative credit, specialist real estate and infrastructure, with the top 10 holdings accounting for 38.05% of Fund’s assets. Alternative credit investments accounted for c.30.42%, Infrastructure investments accounted for 30.62% and specialist real estate accounting for the remaining 38.95% of the Fund’s assets. Looking forward as the Fund’s AUM increases RM anticipate making additional investments across the alternative income universe.

The Fund invested in one placing (Foresight Solar Fund) generating a saving (vs purchasing shares in the open market) of c. 1.5p per FSFL share.

There were no divestments during the period.

Fund Performance 2018 – Institutional GBP Accumulation Class – 10th July 2018

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Dividends p	-	-	-	-	-	-	-	-	-	-	-	-	-
NAV	-	-	-	-	-	100.07	-	-	-	-	-	-	-

Outlined below are our thoughts on a handful of investments made to date.

Empiric Student Accommodation (“ESP”)

Is a UK centric owner of student accommodation, with assets spread across the UK. As of the 31st December 2017 ESP owned 94 assets, with 9,158 beds, of these 85 assets were revenue generating with an average occupancy rate of 92%. We view ESP as a turn-around investment with the potential for significant upside. Prior to our purchase, ESP was trading at a circa 15% discount to its NAV, driven in part by operational management issues and a bloated cost base – we view these issues as temporary and we are supportive of ESP’s operational strategy. Since our investment, ESP has announced it is on-track to deliver on its operational improvements strategy, with lettings for the 2018/19 intake on track for full-occupancy.

Renewables - John Laing Environmental Assets (“JLEN”), Foresight Solar Fund (“FSFL”), NextEnergy Solar Fund (“NESF”), The Renewables Infrastructure Group (“TRIG”)

The current economic environment is supportive of renewables. We view renewables as having limited political risk, (when compared with UK availability-based infrastructure assets). Our Investments within the renewables sector represent c.12.94% of the Fund’s assets, which is split across a range of investments and technologies including (but not limited to) solar PV, Wind and anaerobic digestion – we believe over the short-term solar PV will outperform Wind and AD. This quarter and the next will be of importance for those investments with a weighting towards Solar PV, as c.65-70% of annual revenues are typically generated over this period. Merchant power prices (which represent on-average 50% of the income mix) have remained favourable and are approximately £7GBP/MWh higher than the same period last year, furthermore the inflation adjustment (for the subsidy element of the income mix) which is set in December of each year (and applied in April the following year) and references the UK Retail Price Index was 4.10% which should help improve returns. Our key concerns around renewables are resource production, O&M strategy, and the quantum / type of core leverage.

Our exposure to FSFL was gained through the recently announced placing at 107p per share, a “saving” on the day of 1.5p per FSFL share. A good result and a testament to our market access and capabilities.

Alcentra European Floating Rate Income Fund (“AEFS”)

In the alternative credit space, we favour investments which have limited exposure to duration/interest rate risk and offer both diversity and a degree of granularity. The majority of the assets within AEFS are senior secured leverage loans, with limitations on ranking and security, obligor, sector and geography. The majority of AEFS 138 investments are denominated in euros or sterling and spread across multiple developed geographies and industries. We view this investment as a straight income play with the potential for some very modest capital appreciation over the medium-term. Market sentiment has started to shift in favour of the investors, and this is already feeding through into wider credit spreads, and improved investor protections.

Residential Secure Income PLC (“RESI”)

During the period we invested in RESI a specialist residential social housing REIT, with a (broad) mandate to invest in shared ownership, functional housing (supported living, sheltered accommodation etc), affordable, intermediate and market rental housing. Our understanding of the REIT’s portfolio mix, positions RESI’s risk profile approximately half-way between SOHO and PRS REIT therefore once assets are bedded down (and reported valuations revisited) and dividends produced we should hopefully see the stock trade in-line with its peers. To date the stock has been languishing behind its peers since launch in part reflecting the Investment Managers speed of deployment of the IPO proceeds - The manager has now invested the majority of RESI’s capital in income-producing assets. This stock is one of our thematic investments driven by social-demographic drivers and a chronic shortage of suitable housing, it is predominately an income-play but we expect a modest degree of NAV growth through asset revaluations of non-market rental properties and indexation on certain counterparty contracts.

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ACD

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Platforms

AJ Bell
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Ascentric
Fusion
Hargreaves Lansdown
Novia
Pershing
Raymond James
Transact

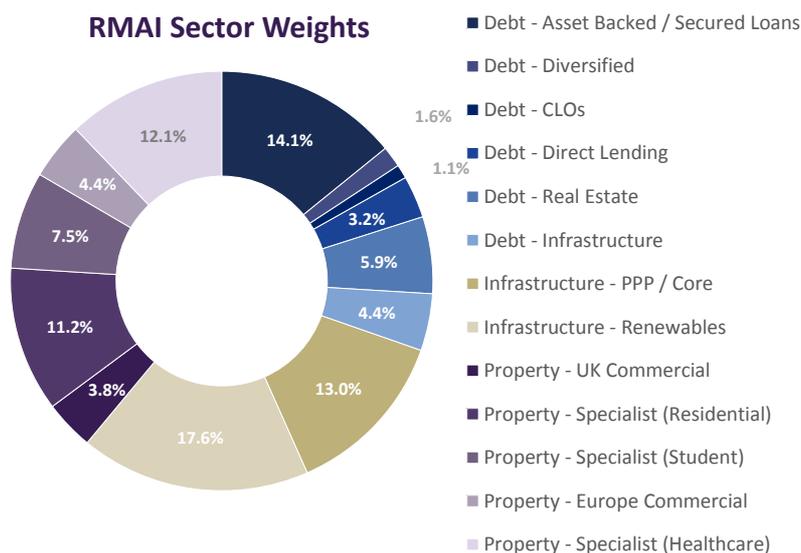
If your platform is not listed, please contact our distribution team or Valu-Trac directly.

Current Portfolio Investments^{1,2}

Position	Sub-Sector Classification	% of the Portfolio
PRSR	Property - Specialist (Residential)	4.04%
JLEN	Infrastructure - Renewables	3.98%
GABI	Debt - Asset Backed / Secured Loans	3.98%
TRIG	Infrastructure - Renewables	3.73%
DIGS	Property - Specialist (Student)	3.69%
MXF	Property - Specialist (Healthcare)	3.66%
3IN	Infrastructure - PPP / Core	3.27%
AEFS	Debt - Asset Backed / Secured Loans	3.24%
EBOX	Property - Europe Commercial	3.26%
GCP	Debt - Infrastructure	3.24%
NBLS	Debt - Asset Backed / Secured Loans	3.17%
LBOW	Debt - Real Estate	3.17%
RESI	Property - Specialist (Residential)	3.11%
NESF	Infrastructure - Renewables	3.06%
THRL	Property - Specialist (Healthcare)	2.88%
WHR	Property - UK Commercial	2.81%
IHR	Property - Specialist (Healthcare)	2.41%
FSFL	Infrastructure - Renewables	2.17%
ESP	Property - Specialist (Student)	1.83%
RMDL	Debt - Direct Lending	1.80%
INPP	Infrastructure - PPP / Core	1.69%
HICL	Infrastructure - PPP / Core	1.69%
JLIF	Infrastructure - PPP / Core	1.66%
BBGI	Infrastructure - PPP / Core	1.22%
RECI	Debt - Real Estate	1.20%
SMIF	Debt - Diversified	1.20%
SOHO	Property - Specialist (Residential)	1.07%
FAIR	Debt - CLOs	0.78%
FCIF	Debt - Direct Lending	0.59%
Cash	-	26.42%

¹Includes cash, ²As at 10th July 2018

RMAI Sector Weights



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