



# RM Funds

*The art of investment*

## Batten down the hatches

**JAMES ROBSON**  
RM Funds



“Being prorogued” sounds more like the after effect of catching something from a street vendor on holiday than actually happening to the UK Parliament. To me it shows that no matter how well informed we are, the unexpected can happen. Harold Wilson famously said a week is a long time in politics; how true, however a week can be an age in the markets. Given this, and the fact that there are four autumnal and winter months ahead of us before year end, how do we position our funds at RM Funds in this environment?

As we move into what promises to be an exciting and volatile final few months of the year, the investment team at RM Funds believe strategies targeting reduced volatility and capital protection, coupled with income, should be focus products for investors. The VT RM Alternative Income fund has the stated target of generating a 5% income distribution with a volatility of less than 5%.

The key is in the name: Alternative Income – by positioning the fund within this area, we are focusing on investments which are not directly correlated to traditional equity and fixed income markets. These alternatives are investments in companies owning real assets, with a focus on largely non-cyclical sectors. This means asset valuations and earnings are relatively stable regardless of what happens on October 31st or thereafter. This does not mean our funds are immune to the wider market gyrations; however, the objective of the fund is to have volatility below 5%,

which has been achieved since launch in June 2018 despite a broad market sell off in Q4 2018.

The portfolio is well-diversified with three specific and defensive themes or pillars that our investment team focus on:

- Infrastructure – investments in debt and listed equity of entities owning infrastructure assets
- Specialist real estate – investments in debt and REITS offering tangible asset backing and visible income, with a focus on health care, supported living & distribution centres
- Alternative Credit – investments in debt and listed equities of companies involved in non-bank lending.

The three focus areas offer different characteristics to the portfolio – at a high level, infrastructure offers inflation-linked payments through many of the payment mechanisms of the underlying assets, the real estate component offers capital growth over time, coupled with some inflation uplifts through rental payment mechanisms, and the credit bucket offers a granular portfolio of secured loans and thus a defined and stable return.

We actively monitor underlying liquidity within the fund as there is daily dealing and liquidity for investors – the eligible universe of opportunities is large – and with currently 49 investments within the portfolio, the fund is well placed to return capital to investors if they wish for their capital back – or grow, should investors wish to increase their investment.

Our outlook is global; an addition to the portfolio last month was a new investment in Charter Hall Education Trust – this company owns circa 450 childcare centres in Australia with a market value of approximately AUD\$1.1bn. Charter Hall have recently

widened their investment mandate to incorporate other social infrastructure assets, such as the recent purchase of the Brisbane bus terminal in June. They value their freehold properties with long leases at a 6% yield which is attractive in this low yield environment.

In reality, the October 31st date is just one of many risks we see in the near to medium term; a policy misstep in the US/China trade war, stagnating European growth and inverted yield curves are some of the other risks that are accumulating. This is why we propose investors favour the alternative strategies managed by RM Funds targeting steady returns with preservation of capital.

James Robson is CIO at RM Funds. He is the co-manager for RM Secured Direct Lending & VT RM Alternative Income.

### Tracking down the best investment opportunities

*RM Funds: Artists in protecting capital and generating income*



Capital at risk. Past performance is not a guide to future returns.

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