



VT RM Alternative Income Fund

Monthly Factsheet – 31st May 2020

Company Overview

Fund Name:	VT RM Alternative Income Fund	
Launch Date:	11 th June 2018	
Regulatory Status:	FCA Authorised	
Fund Size:	£87.27m	
Classification:	Non-Complex	
Sector:	IA Specialist	
Share Classes:	Income & Accumulation	
Currencies:	GBP, EUR, USD	
Share Class	ISIN	NAV
GBP Accumulation (I)	GB00BD6SVV68	106.21
GBP Accumulation (R)	GB00BYVZQ252	106.04
GBP Income (I)	GB00BD6SVR23	96.96
GBP Income (R)	GB00BYVZPZ16	95.92
Next Dividend Ex Date:	31/07/2020	
Dividend Pay Dates:	March, June, September, December.	
Annual Management Charges¹:	Institutional (I): 0.70% Retail (R): 0.80%	
Target Fund Objectives²:	Capital preservation 5.00% Net Dividend on issue price 7-8% Total Return on issue price over medium term	
Dealing Frequency:	Daily Liquidity	
Valuation Frequency:	Daily	

¹The OCF (Ongoing Charges Figure) for all share classes is capped at 0.85%

²The 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.

³ Fund data is based upon the VT RM Alternative Income Fund Institutional GBP accumulation class.

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, including bonds, 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.

Portfolio Activity

The Fund’s total return for the month of May was 3.84%. The long-only fund produced a positive return during the month. Since the Fund’s inception on the 11th June 2018, the net asset valuation per share of the VT RM Alternative Income Fund (the “Fund” or “RMAI”) has changed from £1.00 to £1.06 net of fees³. The portfolio has investments across developed markets, primarily in the UK, but also including modest holdings in the US, Canada, Australasia and Europe. Currency exposures are largely hedged back into GBP. The Investment Team had numerous conference calls with management teams to discuss business and asset performance within the context of the global health pandemic.

Portfolio Positioning

The focus for the investment team remains on assets/holdings which demonstrate leading corporate governance, a high degree of cash flow visibility and a healthy balance sheet. Our near-term views are that availability and volume (renewables) based infrastructure have performed well due to the embedded contracts (principally energy subsidies and Power Purchase Agreements “PPAs”); however companies such as Foresight Solar and Next Energy Solar still offer value given the quality of the earnings and the attractive dividend yield, with the only material recurring detractor being the NAV movements derived from spot power price swings. On balance we expect such assets will continue to command a value premium. Demand based assets (Ports and associated services such as MIC: US, SYD: AU, HTHROW, MAGAIR) will continue to lag due to the restrictions in-place on an international level.

Our credit holdings are now recovering fast as prices have rebounded sharply through May. We were generally disappointed with credit performance during the sell-off, as our asset selection / holdings and their defensive qualities were overshadowed by passive ETF unwinding in the corporate bond market, which rippled through the asset class causing undue volatility when the fundamentals were, for the most part, insulated from the COVID-19 headwinds.

Opportunities

Looking toward H2 2020, we expect to see the greatest value opportunities in our real estate allocations - the focus will be on investments backed by supportive socio-demographic trends (e.g. health and social care) and/or benefitting from structural tailwinds (for example technological and digital ‘disruption’). Certain companies such as Empiric Student Property (ESP: LN) are trading on a significant discount to Net Asset Value; as we move forwards and see the resumption of normal activities we will likely see considerable upside.

Finally, we trimmed our position in Civitas Social Housing (CSH: LN) as the valuation has recovered towards the Net Asset Value. The investment case for the company remains strong, but we originally entered into the position as a deep value trade pre-crisis, when the shares at times were trading on a 30% discount to NAV. Our investment thesis at the time was that the market was overestimating the counterparty risks the company faced with its social housing provider tenants. Given the current global health crisis, quasi-government backed entities, a pro-active regulator and supportive regime, this is an ideal place for

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Platforms

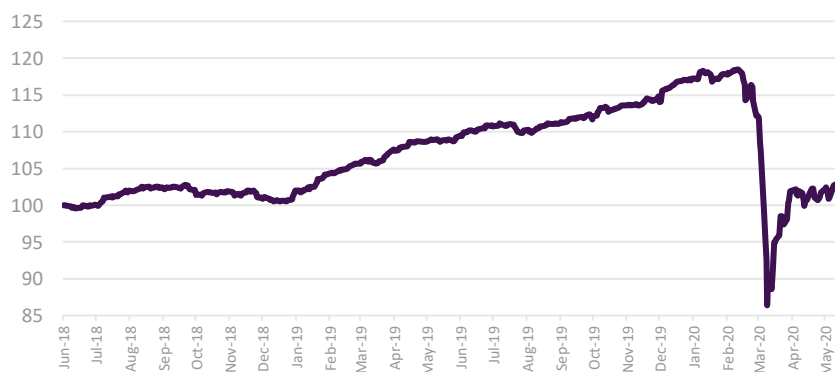
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investor capital, and with a run-rate covered dividend yield of 5.00% it's likely the name will move to a premium to NAV.

The Renewable Infrastructure Group (TRIG: LN) 3.59%: Announced a £100m tap issue to the company's ordinary equity at 120p – we participated in this placing, as it represented a source of alpha for the fund. We have been a holder of the stock since the fund's launch in 2018, and continue to support the company, its management team and the assets.

VT RM Alternative Income - Institutional - Accumulation Units
Unit Price



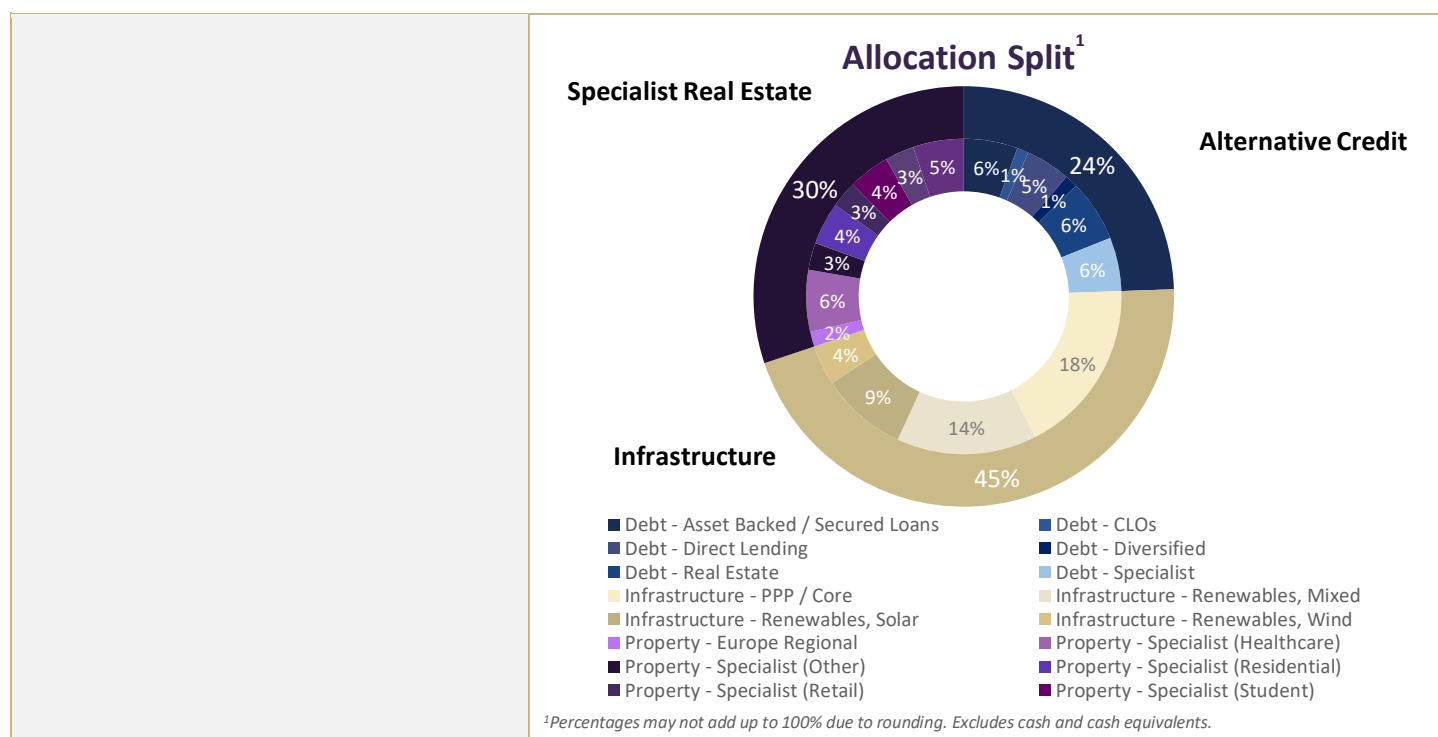
Period shown from 11th June 2018 to 29th May 2020. Capital is at risk; returns are not guaranteed and past performance is no guarantee of future performance.

Market Commentary

There was no shortage of drama in the markets during the month, as pessimism, gave way to caution and then to optimism! The US Administration reengaged the trade war with China, Brexit negotiations were back on the agenda and the Chinese government proposed and approved a new security bill reigniting tensions with HK pro-democracy campaigners.

In Europe the major news was the announcement of a Franco-Germany recovery fund (€500bn) designed to support Eurozone members. The French and Germans are finally trying to do what the Eurozone has needed for the last two decades, fiscal and monetary union. Whilst the COVID fund isn't a magic bullet it certainly sets a direction towards such an end point. The long-term implications of greater eurozone unity could be transformational at a time when the world's reserve currency is increasingly becoming politicised. The euro might finally become a contender to the USD \$.

On the domestic front, we noted that the Gilt curve turned negative out to six years, with the DMO selling gilts with a negative yield for the first time - this (immediately) reopened the negative interest rate policy debate and whether adopting NIRP can achieve price stability and support credit / spending expansion. The formal adoption of such a policy would provide further support to alternative real assets.



NAV & Dividend History – 2020													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Dividends p ⁽¹⁾	1.2500	-	-	1.3842	-	-	-	-	-	-	-	-	2.63p
NAV ⁽²⁾	117.22	114.31	98.52	102.28	106.21	-	-	-	-	-	-	-	-
NAV monthly return ⁽²⁾	0.30%	(2.48%)	(13.82%)	3.82%	3.84%	-	-	-	-	-	-	-	(9.13%)

NAV & Dividend History – 2019													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Dividends p ⁽¹⁾	1.2472	-	-	1.2218	-	-	1.2500	-	-	1.2500	-	-	4.97p
NAV ⁽²⁾	103.54	105.14	106.03	108.51	108.98	110.33	110.65	111.16	111.99	113.14	114.50	116.88	-
NAV monthly return ⁽²⁾	2.93%	1.55%	0.84%	2.34%	0.44%	1.24%	0.29%	0.46%	0.74%	1.03%	1.20%	2.07%	16.20%

NAV & Dividend History – 2018													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Dividends p ⁽¹⁾	-	-	-	-	-	-	0.2977	-	-	1.4591	-	-	1.76p
NAV ⁽²⁾	-	-	-	-	-	100.02	101.23	102.35	102.51	101.62	101.80	100.59	-
NAV monthly return ⁽²⁾	-	-	-	-	-	0.02%	1.22%	1.10%	0.16%	(0.87%)	0.18%	(1.19%)	0.59%

⁽¹⁾ Institutional GBP Income Class ⁽²⁾ Institutional GBP Accumulation
 Capital is at risk; returns are not guaranteed and past performance is no guarantee of future performance.

<i>Position</i>	<i>Sector Classification</i>	<i>% of the Portfolio</i>
John Laing Environmental Assets Group	Infrastructure - Renewables, Mixed	7.25%
Tritax Big Box REIT PLC	Property - UK Long Leases	4.67%
HICL Infrastructure Company	Infrastructure - PPP / Core	4.10%
Civitas Social Housing	Property - Specialist (Residential)	3.91%
Empiric Student Property	Property - Specialist (Student)	3.80%
Impact Healthcare Reit	Property - Specialist (Healthcare)	3.66%
International Public Partnerships	Infrastructure - PPP / Core	3.66%
Renewables Infrastructure Group	Infrastructure - Renewables, Mixed	3.59%
3i Infrastructure	Infrastructure - PPP / Core	3.17%
NewDay 7.375% 2024	Debt - Specialist	3.16%
NextEnergy Solar	Infrastructure - Renewables, Solar	3.02%
Foresight Solar Fund	Infrastructure - Renewables, Solar	2.94%
EGBLFN 6 1 4 10/30/25	Debt - Real Estate	2.58%
NB Global Floating Rate Income	Debt - Asset Backed / Secured Loans	2.51%
Supermarket Income Reit PLC	Property - Specialist (Retail)	2.46%
Greencoat Renewables Plc	Infrastructure - Renewables, Wind	2.08%
BBGI SICAV	Infrastructure - PPP / Core	2.03%
AMIGO LOANS 7 % 01/15/24	Debt - Direct Lending	2.00%
SDCL Energy Efficiency Income Trust plc	Infrastructure - PPP / Core	1.93%
LXI REIT Plc	Property - Specialist (Other)	1.84%
Voyage Care 5.875 23	Debt - Specialist	1.62%
Greencoat UK Wind Plc	Infrastructure - Renewables, Wind	1.62%
Real Estate Credit Investments	Debt - Real Estate	1.59%
Target Healthcare REIT	Property - Specialist (Healthcare)	1.57%
Urban Logistics REIT	Property - UK Commercial	1.42%
Schroder European REIT	Property - Europe Regional	1.38%
Alcentra European Floating Rate	Debt - Asset Backed / Secured Loans	1.34%
Aquila European Renewables Income Fund PLC	Infrastructure - Renewables, Mixed	1.32%
AEW UK REIT	Property - UK Commercial	1.27%
GCP Infrastructure Investments	Infrastructure - PPP / Core	1.25%
Bluefield Solar Income	Infrastructure - Renewables, Solar	1.22%
TwentyFour Select Monthly Income	Debt - Diversified	1.17%
GCP Asset Backed Income	Debt - Asset Backed / Secured Loans	1.11%
Starwood European Real Estate Finance	Debt - Real Estate	0.90%
International Personal Finance 5.75% 2021	Debt - Direct Lending	0.86%
US Solar Fund	Infrastructure - Renewables, Solar	0.78%
International Personal Finance 7.25%	Debt - Direct Lending	0.71%
Blackstone/GSO Loan Financing	Debt - CLOs	0.67%
BRUNTWOOD BOND 2 PLC	Debt - Real Estate	0.64%
Octopus Renewables Infrastructure Trust Plc	Infrastructure - Renewables, Mixed	0.59%
RM Secured Direct Lending	Debt - Direct Lending	0.57%
Assura Plc	Property - Specialist (Healthcare)	0.45%
Convenience Retail REIT	Property - Specialist (Other)	0.41%
Fair Oaks Income	Debt - CLOs	0.40%
Charter Hall Education trust	Property – Specialist (Other)	0.25%
NewDay Floating 2023	Debt - Specialist	0.17%
Infratil	Infrastructure - PPP / Core	0.10%
Atlantica Yield	Infrastructure - Renewables, Mixed	0.10%
TransAlta Renewables	Infrastructure - Renewables, Mixed	0.06%
<i>Restricted Cash</i>		<i>1.19%</i>
<i>Unrestricted Cash</i>		<i>8.94%</i>

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