VT RM Alternative Income (“RMAI”)

RM Funds

VT RM Alternative Income Presentation – Institutional Investors Only

H1 2022

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Agenda

Market Update

VT RM Alternative Income Fund

H1 2022 Update

- Macro Overview
- Dynamic Allocation
- Fund Outlook

VT RM Alternative Income Overview

The VT RM Alternative Income Fund (the “Fund”) launched in June 2018.

- **An actively managed global-developed fund**, with a strategy designed to deliver consistent income returns to investors.
- Aims to offer **protection against a rising interest rates** environment, **rising inflation** and with the potential **for capital growth over the medium term**.
- The Fund invests in a diversified portfolio of listed securities with **exposure to alternative income-producing assets**, such as Specialist Real Estate, Infrastructure and Secured Real Assets.
- The Fund offers investors **exposure to a variety of sectors** that have **defensive characteristics**, and historically displayed less volatility and correlation with the wider equity and fixed income markets.
- **Performance:**
  - **2021 Performance: Total Return (net): 14.04% / Volatility: 3.90 / Sharpe Ratio: 3.60**
  - **3 Year Performance: Total Return (net): 32.77%**

FUND LAUNCHED

11th June 2018

EXPERIENCED FUND MANAGERS

Pietro Nicholls,

- Lead Manager
- 15 years in fund management, investment banking and trading

James Robson, CIO,

- 21 years experience in trading & fund management,
- Former Head of European Corporate Credit Trading HSBC.

Target	Total return target	Target Vol	2021 Total Return Performance	Ethical, social and corporate governance criteria
5.00% p.a. dividend income, paid quarterly	**7-8% p.a.**	**<5.00 30Day**	**14.04%**	

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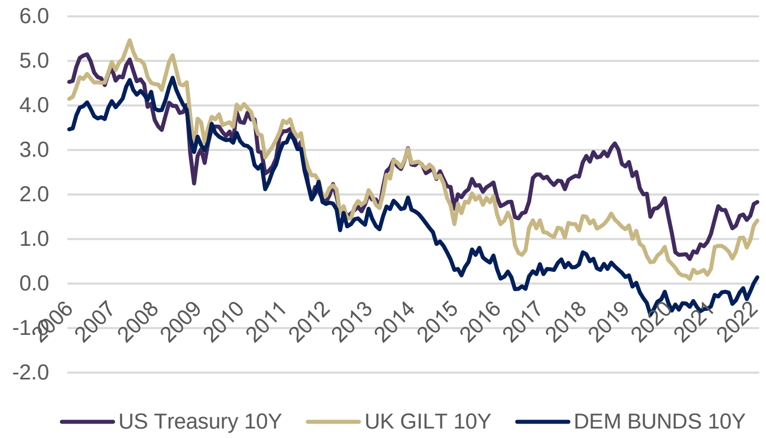
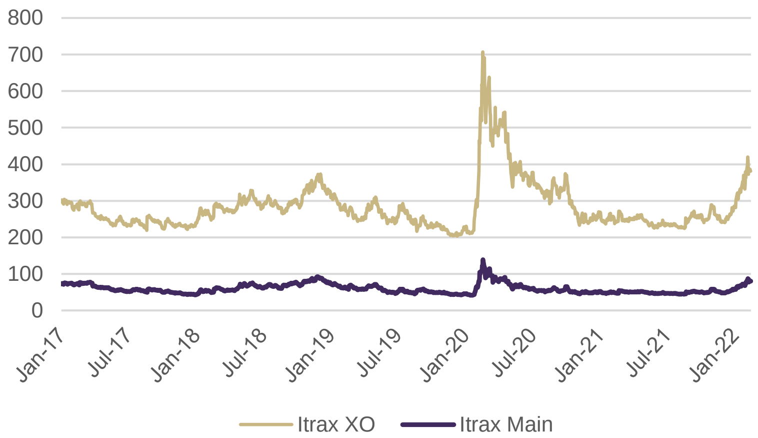
Macro Economic Conditions

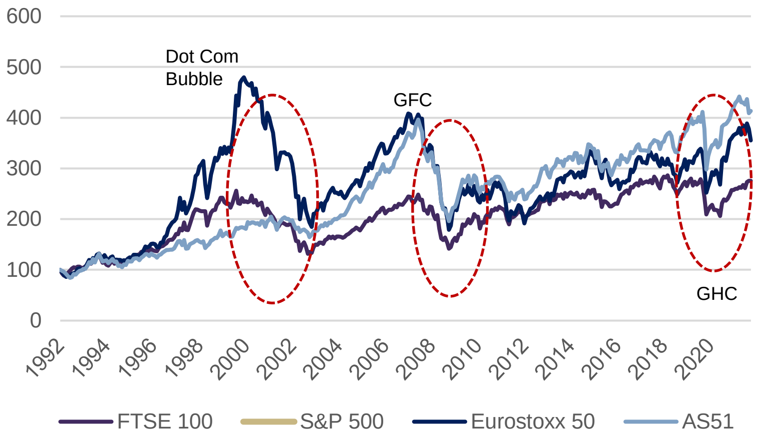
Government Bond Yields (%)



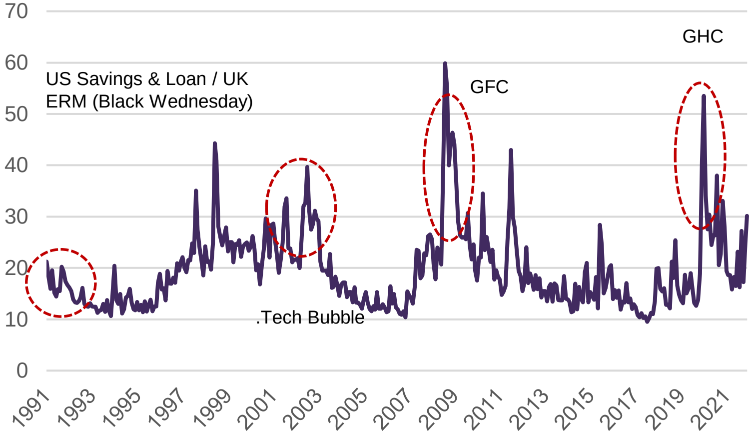
Credit Spread Indices (bps)



Major Share Indices (rebased)



VIX



Where Next for Macro?

- **Geo-political events clouding outlook** (safety trades vs higher yields)
- New era of anti-globalisation and protectionism
- **Covid** shifting to endemic stage, becoming a **tertiary consideration**
- **Inflation reaching multi-decade highs, Central Banks have a need to act**

What is Priced In?

- Ukraine war escalation?
- Rate hikes in the US (7), UK (6) and ECB (4-5)
- **Global Equity markets broadly in correction territory, further reprice possible**
- New trade / sanction war?

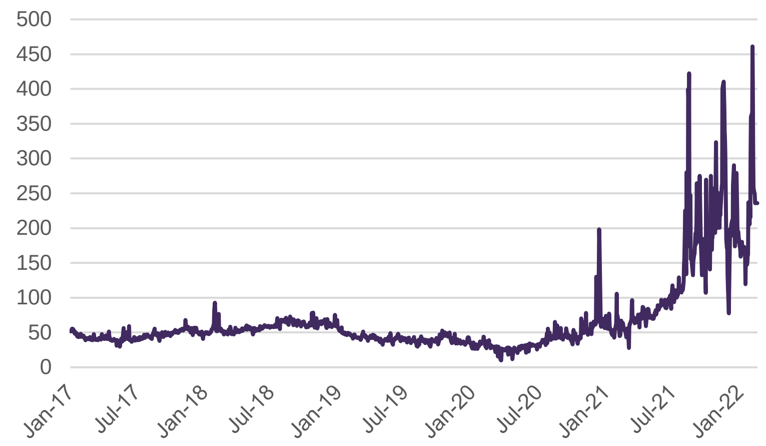
Credit Vulnerable

- **QE shifting to QT, European credit more exposed to central bank policy**
- Bear flattener trades, **increasing all-in cost of capital for corporate issuers**
- Re-emergence of the zombie companies, as fiscal support schemes have ended

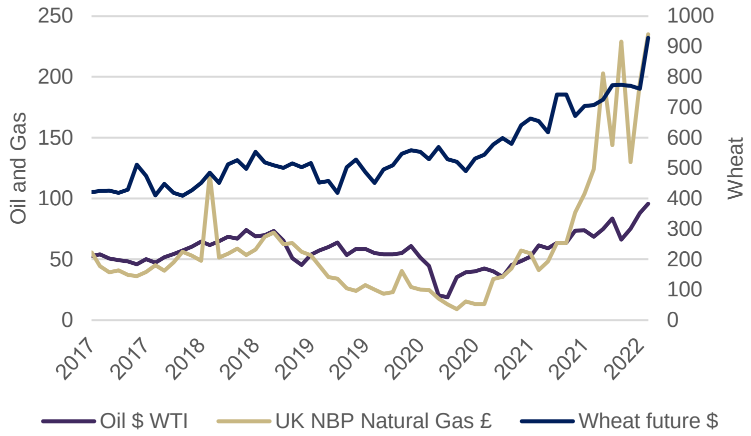
Source:
Bloomberg, 14th March 2022

The Era of Stuff

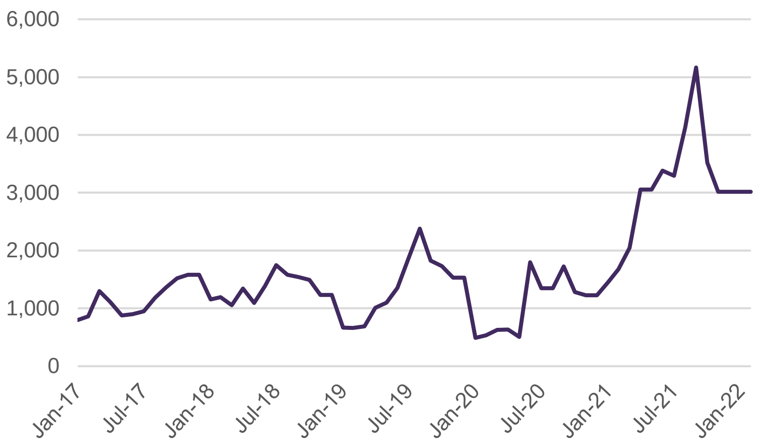
APX UK Power £/MWh



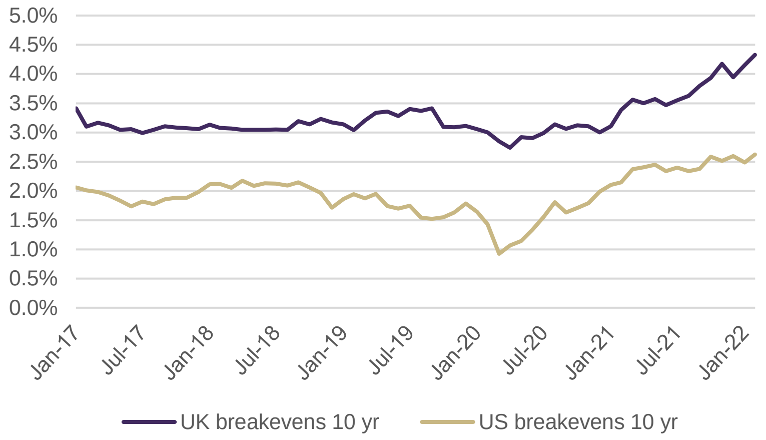
Commodities



Dry Bulk (Shipping) $



Government Bond Breakeven Rates



Cost-Push Inflation

- **China** remains **focused on a zero-covid policy - continues to impact shipping rates and supply chains**
- **Ukraine war** created **commodity price shock** initially across oil, gas and agriculture products
- **Power price volatility will feed through across sub-components of inflation, not just energy costs**

Market Rally & Rout

- **Significant pockets of value within listed real assets**, including segments of infrastructure and real estate
- **Geography important consideration** in addressing and diversifying away from the geo-political risk
- **Stagflation risk increasing**, **recessionary factors not present yet**
- **Inflationary environment can materially benefit real asset cash flows**
- Listed **Real Assets offer superior income generation to bonds**, with **measurably lower volatility profiles than equities**

Source:
Bloomberg, 14h March 2022

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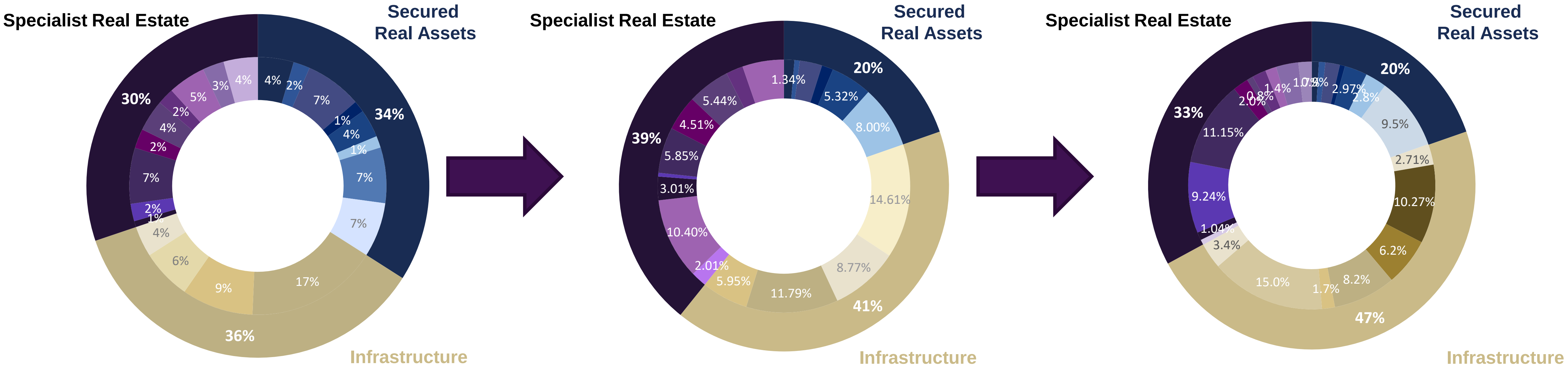
Dynamic Portfolio Allocation

Allocation Split, January 2020[1] | Allocation Split, January 2021[1] | Allocation Split, March 2022[1]



- **Dynamic Portfolio Allocations:** Mandate flexibility to refocus on different segments which present optimum risk-adjusted returns through the business cycle. Shifting towards more renewable energy exposure, demand-based and digital infrastructure – reduced exposure to areas with absolute low yields and or sensitivity to rates.
- **Global Developed Mandate:** A core and satellite approach, provides ample strategy capacity, a greater opportunity set with a deep, liquid investment universe.
- **Diversification:** More volatile market conditions = more diverse portfolio, less concentration, longer tail, modest increase in geographic diversity (UK remains core focus).

Source: VT RM Alternative Income Fact Sheets, ACD Reports, RM Funds, Bloomberg
[1]Percentages may not add up to 100% due to rounding. Excludes cash and cash equivalents. Data as of 14th March 2022.

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Market & Portfolio Outlook

- **2022 H1 Outlook**
    - **#1 Macroeconomic policy continues to dominate H1 2022,** emerging considerations (commodity shocks further driving inflationary pressures)
    - **#2 Geo-politics,** Russia / Ukraine war could be the start of increased geo-political risk globally
    - **#3 Covid health policy** remains a key concern in China**, implications on supply chains**
- **Fund Positioning:**
    - **Focus on “inflation protection” and “value”**
        - ***Inflation Protection**:* **UK Renewables** specifically **solar** and multi-technology attractive, we **also like battery storage assets**
        - ***Value:*** Real estate **assets benefiting from structural tailwinds** – specifically **student accommodation, social housing and aged care**
        - *Reducing:* Holdings with absolute low nominal yields, vulnerable to both equity risk premia adjustments and yield curve shift
    - **Liquidity & Active Management**
        - **Active Management:** Execution discipline, material dry powder and firm fundamental investments driving performance in current climate
        - Liquidity: Liquidity issues more likely in funding markets than real assets!
    - **Geography Matters**
        - Thematic allocations remain core, but local market dynamics are also an important consideration ie UK vs US vs European vs Australasia
        - **UK remains core focus but allocations along thematic lines to key developed markets**, **likely to reduce volatility in the near-to-medium term**

Overall focus on maintaining distribution/dividend targets, generating NAV growth *and reducing correlation where possible*

Questions?

Q&A

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