

RM Infrastructure Bond Fund

Q3 2023 Quarterly Update

Institutional Investors Only



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Summary

RM Funds designed the SVS RM Infrastructure Bond Fund to generate income linked to SONIA and modest capital growth.

- ✓ **+2.5% performance over first quarter, ahead of benchmark** F class accumulation share
- ✓ **2.044 pence dividend distribution for first period since fund launch (annualized 5.28%)** (Distribution yield reflects the last quarterly dividend annualised as a percentage yield of the GBP Income I class and may not be reflective of the actual full year dividend yield).
- ✓ **Quartile ranking: 1 in IA Sterling Strategic Bond** as at 10-11-23
- ✓ **Volatility 30 day 4.59%; 90 day 3.37%** as at 10-11-2023
- ✓ **Defensive sector focus - the only fund in IA Sterling Strategic Bond sector dedicated to thematic infrastructure investing.**

Highly experienced
investment team led by
portfolio manager, James
Robson

Granular and diverse
investments underpinned
by contracted cash flows
and tangible assets

Defensive focus
Active management of
credit and rates risk

SVS RM Infrastructure Bond - Investment Objectives

The SVS RM Infrastructure Bond Fund (the “Fund”) launched in June 2023.

▪ Objectives:

- Investment objective to target an income return greater than SONIA
- Soft Target: To outperform the IA Sterling Strategic Bond Index
- Capital preservation, **volatility target <5%**, **global developed mandate**, core/satellite approach
- **Actively managed**, allowing the Investment Manager to gain exposure to public bonds across the whole range of fixed income assets, from Government bonds to corporate bonds, that are both high yield and investment grade. **Maximizing risk adjusted returns.**

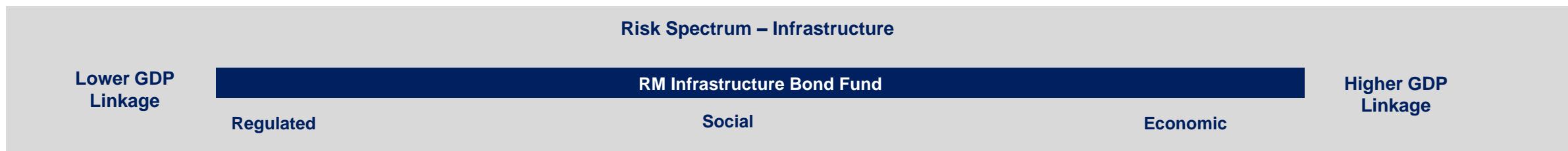
▪ Why infrastructure:

- Lower default rates than broader corporate sectors*
- Access to Inflation linked bond issuers / **inflation linked cash flows reduce borrower risk**
- Financing real assets with **tangible asset backing and better recovery profiles**

Fund Information

- Low management fee, 0.45% F Class
- F Class capped OCF 0.50%
- Zero synthetic costs
- IA Sector: Sterling Strategic Bond
- Average rating currently BBB
- Only Infrastructure focused fund in sector

Risk Spectrum – Infrastructure



* <https://www.spglobal.com/ratings/en/research/articles/221219-default-transition-and-recovery-2021-annual-infrastructure-default-and-rating-transition-study-12576939>

Current Positioning

- Risk-off credit positioning :100% of holdings are IG or IG-equivalent
- Duration: Nearly at neutral duration positioning.

Investment Guidelines:

- Issuer Limit 10%
- Issue Limit 5%
- >70% portfolio issuers IG
- All holdings have an issue size >£150m (No Illiquid Holdings)
- <5% crossover in portfolio holdings with RM Alternative Income



Outlook	Risk-off	Neutral	Risk-on
Credit Profile	Upper	Neutral	Lower
Definition	90-100% Investment Grade	80-90% Investment Grade	70-80% Investment Grade
Duration Profile	Short	Neutral	Long
Definition	0-5 years	5-7 years	7-12 years

* Current positioning

Dynamic Changes in the Portfolio: A 4-Month Overview

July-23

Positioning

- Allocated into very front-end, with 2-year gilts yielding greater than 5.25%. Both credit and gilts short duration. Focus on IG credit.

Performance

- NAV monthly return: 0.92%

August-23

Positioning

- Underlying gilt yields fell during the month, with specific focus in the front-end as curve steepened
- Portfolio relatively unchanged throughout month as initial positioning and narrative played out.

Performance

- NAV monthly return: 0.69%

September-23

Positioning

- Front-end of the yield curve continued to steepen, 5/10 year nearly flat.
- Remained in short-dated, high-quality credit in anticipation of spread widening and credit decompression.
- Started to rotate into longer-dated higher convexity gilts given normalisation of risk-free curve, ensuring no underperformance versus benchmark should bond markets rally, but providing limited downside in a rate sell-off.

Performance

- NAV monthly return: 0.49%

October-23

Positioning

Performance

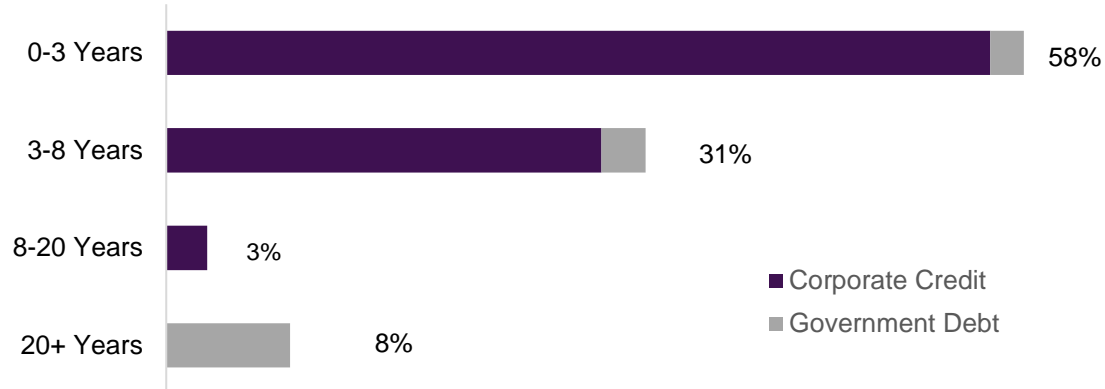
- Further yield curve steeping - as long-end yields rise, 2-year yields fell.
- Narrative is that long-end yields at 5% will stabilise.
- Credit continues to widen with Xover (HY) closing at 460 and Europe Main (IG) at 85.

Performance

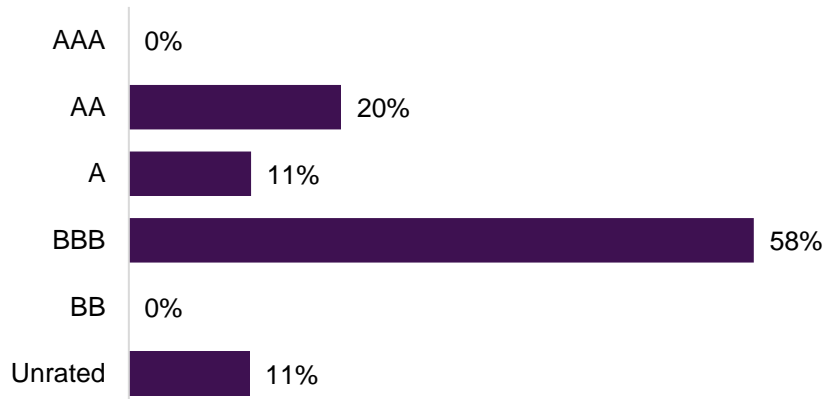
- NAV monthly return: 0.39%

Portfolio Allocations as at 31st October 2023

Bond Maturity Distribution



Bond Rating Allocation



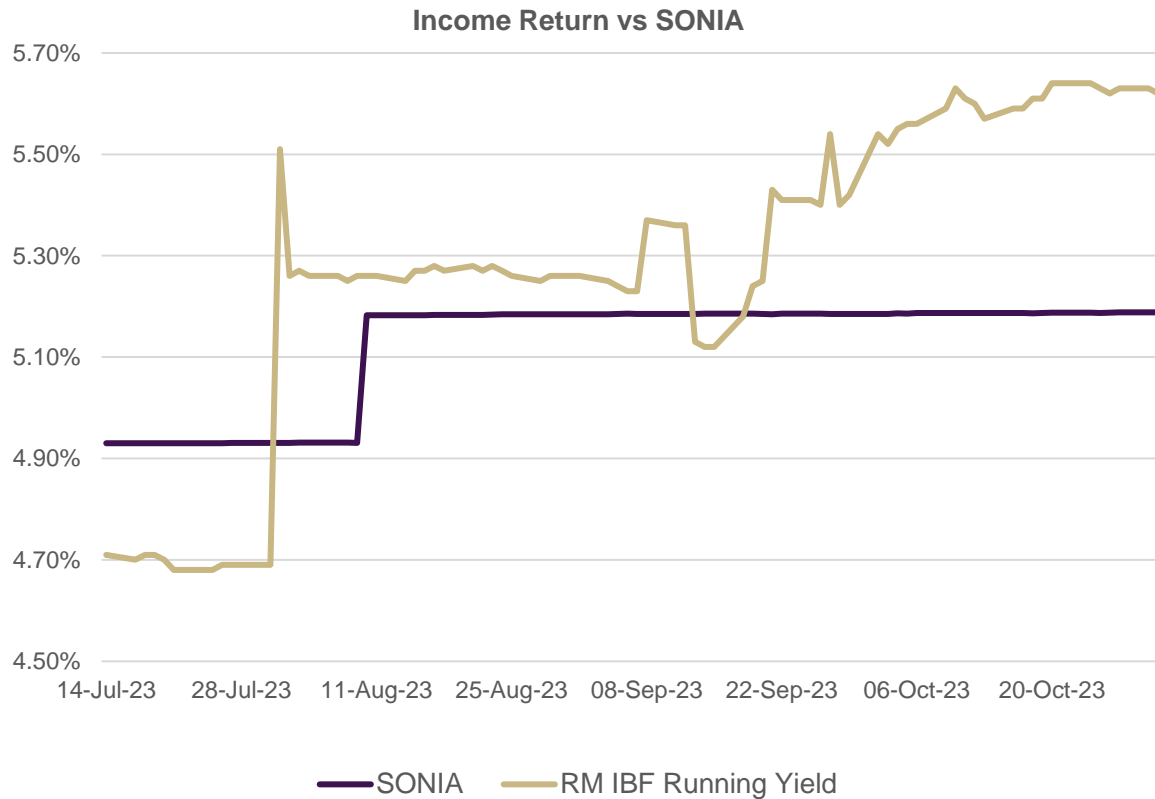
TOP TEN HOLDINGS

Issuer	Coupon	Maturity
Associated British Ports	6.25%	Dec 2026
Heathrow	7.125%	Feb 2024
E. ON	5.625%	Dec 2023
National Grid	6.00%	May 2025
Places for People	5.875%	May 2031
Primary Health Properties	2.875%	Jul 2025
Network Rail	4.75%	Jan 2024
SSE	8.375%	Nov 2028
UK GILT	0.50%	Oct 2061
Electricity North West	8.875%	Mar 2026

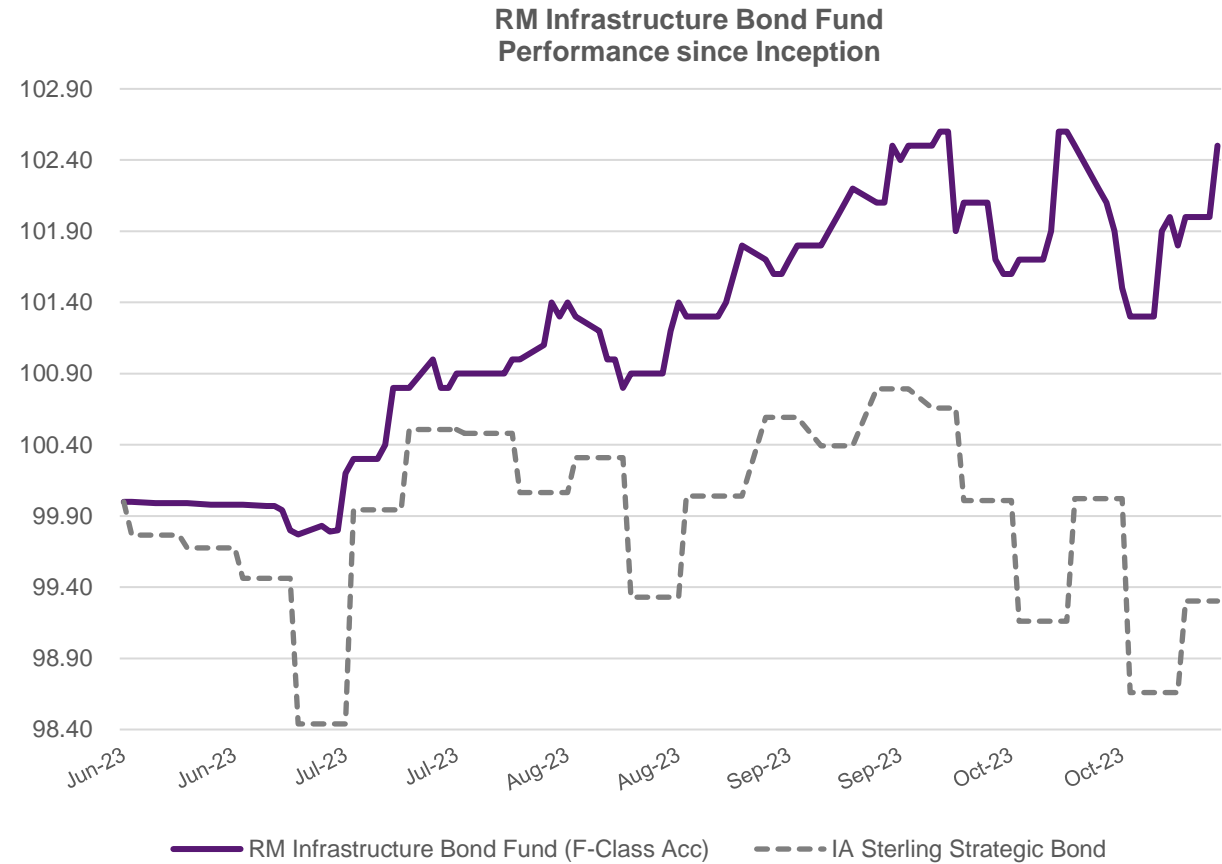
Source: Bloomberg (31st October 2023)
Bond Ratings from Bloomberg Composite Credit Ratings

Fund Performance (Inception – 31st October)

Investment Objective:
Target an income return greater than SONIA



Soft Target:
Outperform IA Sterling Strategic Bond Sector



Outlook for next quarter

- Continued volatility across rates and credit, with a bias for lower risk-free yields and higher spreads as the quarter progresses.
- No soft landing: credit weakness - RM have a target for Xover to widen by 50% over first 6 months of 2024, target 600+.
- Credit decompression will occur, this has not happened to date as forecast.
- Opportunities to capitalise on this volatility, specifically within the rates element.
- RM forecast a continued steepening of the gilt curve, which will see the portfolio increase in value.
- Likely to see SONIA stable over the period, so continued income at current distribution level.

Fund Information

Key Term	Details
Distributions:	Quarterly in arrears
Share Classes:	Income & Accumulation available
Currency:	GBP
Min Investment:	£5m Founder / Top-up £25 £10,000 Institutional / Top-up £25
Valuation / Trading:	Daily
Annual Management Charges "AMC"	Institutional: 0.55% Founder Class 0.45%
IA Sector:	Sterling Strategic Bond
	GBP Acc: GB00BR103F36 Founder Class "F" GBP Inc: GB00BR104D86 Founder Class "F"
	GBP Acc: GB00BR104F01 Institutional Class "I" GBP Inc: GB00BR104G18 Institutional Class "I"
ISINs & LEI numbers:	<p><u>LEI Sub Fund</u> SVS RM INFRASTRUCTURE BOND FUND - 213800HD6S44L44EHD57</p> <p><u>LEI Umbrella</u> SVS RM FUNDS ICVC - 213800KQVAFO5Q2P4N57</p>

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