

RM Infrastructure Bond Fund

Q4 2024 Presentation

Institutional Investors Only



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SVS RM Infrastructure Bond Overview

- Overview

- Investment objective to target an income return greater than SONIA
- Defensive focus – should be viewed as core fixed income IG holding/allocation.

- Focus sectors

- Regulated Infrastructure
- Social Infrastructure
- Economic Infrastructure

- Soft Targets:

- Capital preservation, **volatility target <5%**, (actual 12 month 3.1%)
- Lower default rates than broader corporate sectors, real assets, inflation linked cashflows

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

Lower GDP Linkage



Regulated

Social

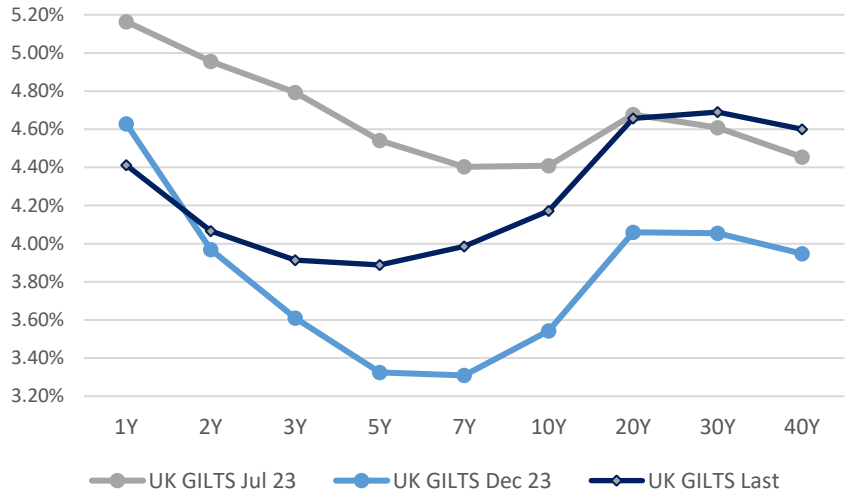
Economic

Higher GDP Linkage

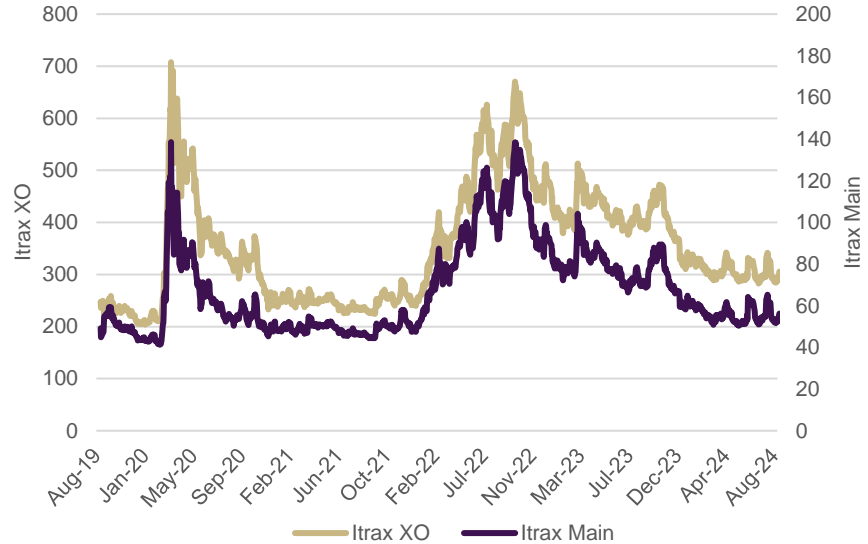
* <https://www.spglobal.com/ratings/en/research/articles/221219-default-transition-and-recovery-2021-annual-infrastructure-default-and-rating-transition-study-12576939>

Macro-Economic Conditions

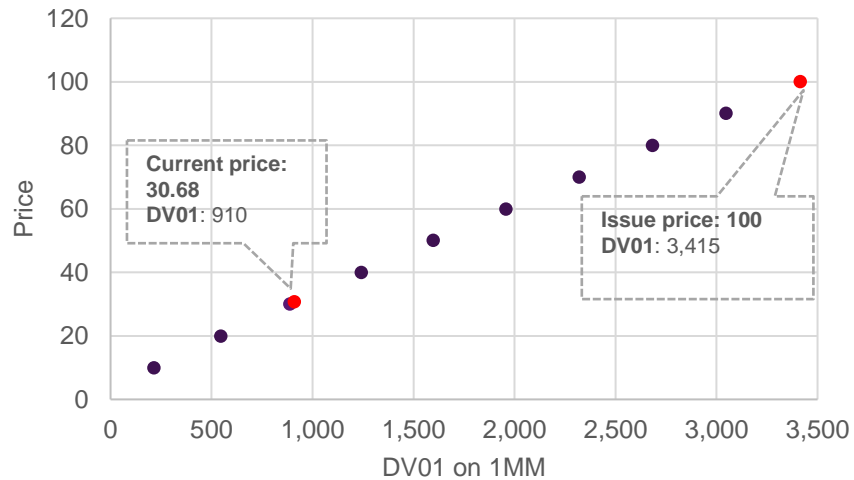
UK GILTS & US Treasury Yield Curves (%)



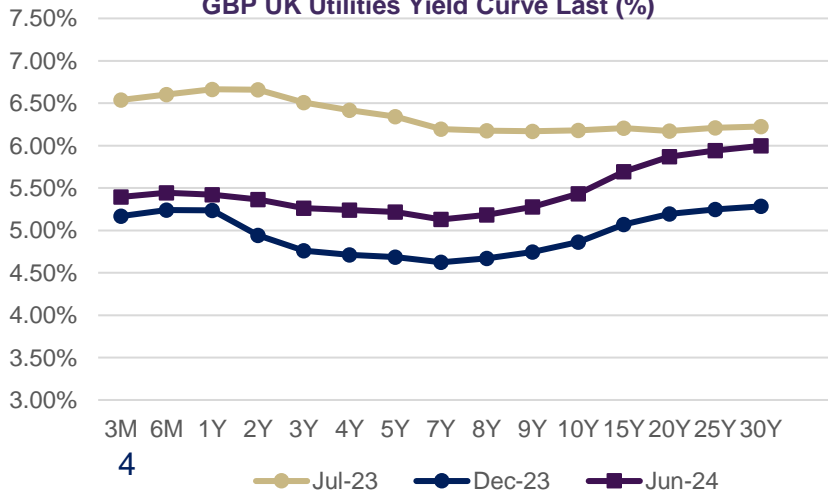
Credit Spread Indices (bps)



UK GILT 0 1/2 2061



GBP UK Utilities Yield Curve Last (%)



Yield curve shape

- Inverted – cause for concern as this usually predicates a recession
- Indicates tighter credit conditions as short dated financing is expensive.
- No real yield pick up being offered to extend.

Credit Spreads

- Cautious outlook as tighter credit conditions should see an increase in defaults and wider credit spreads.
- Focus on higher quality, shorter dated credit now. Tactical movement up and down capital structure to play any volatility.

Allocation Shift

- Deep discount and high convexity bonds offer attractive risk/return opportunities to extend into at the correct time.
- The fund is poised to capitalise on this when rates cycle turns.

Source: Bloomberg , 9th October 2024
Bank of England, Federal Reserve, RM Funds analysis
Robert H. Frank, Principles of Macroeconomics 2007

Current Portfolio Positioning

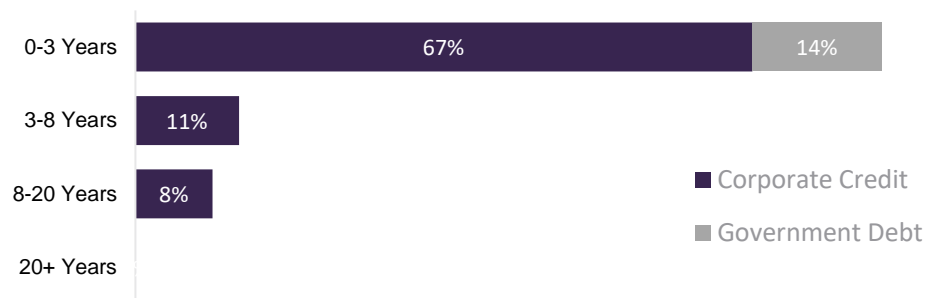
Portfolio Statistics

- Top #10 Exposure: c.42.6%
- # of Holdings: 33

- Running Yield: 5.38%
- Distribution Yield*: 5.66%
- Option Adjusted Duration: 2.04 years
- YTW: 5.35%

- Economic Infrastructure: 42%
- Regulated Infrastructure: 32%
- Social Infrastructure: 11%
- Gilts/Cash: 15%

Bond Maturity Distribution



Bond Rating Allocation



TOP TEN HOLDINGS

Issuer	Maturity	% of Fund
EDF Energy	PERP	7.40%
Southern Housing	Jan 2054	5.95%
Heathrow Airport	Mar 2025	4.80%
UK GILT	Jan 2025	4.74%
Electricity Northwest	Mar 2026	3.81%
Porterbrook Rail	Oct 2026	3.78%
UK Power Networks	Mar 2025	3.66%
Welsh Water	Sep 2044	3.59%
Telefonica	Feb 2026	3.03%
United Utilities	Feb 2025	2.97%

Source: Bloomberg, 30th September 2024

Bond Ratings from Bloomberg Composite Credit Ratings

* Distribution yield reflects the last quarterly dividend annualized as a percentage yield of the GBP Income I class.

Allocation Process

- Defined and structured approach to risk taking
- Clear risk profile grading system for investor communication

Investment Guidelines:

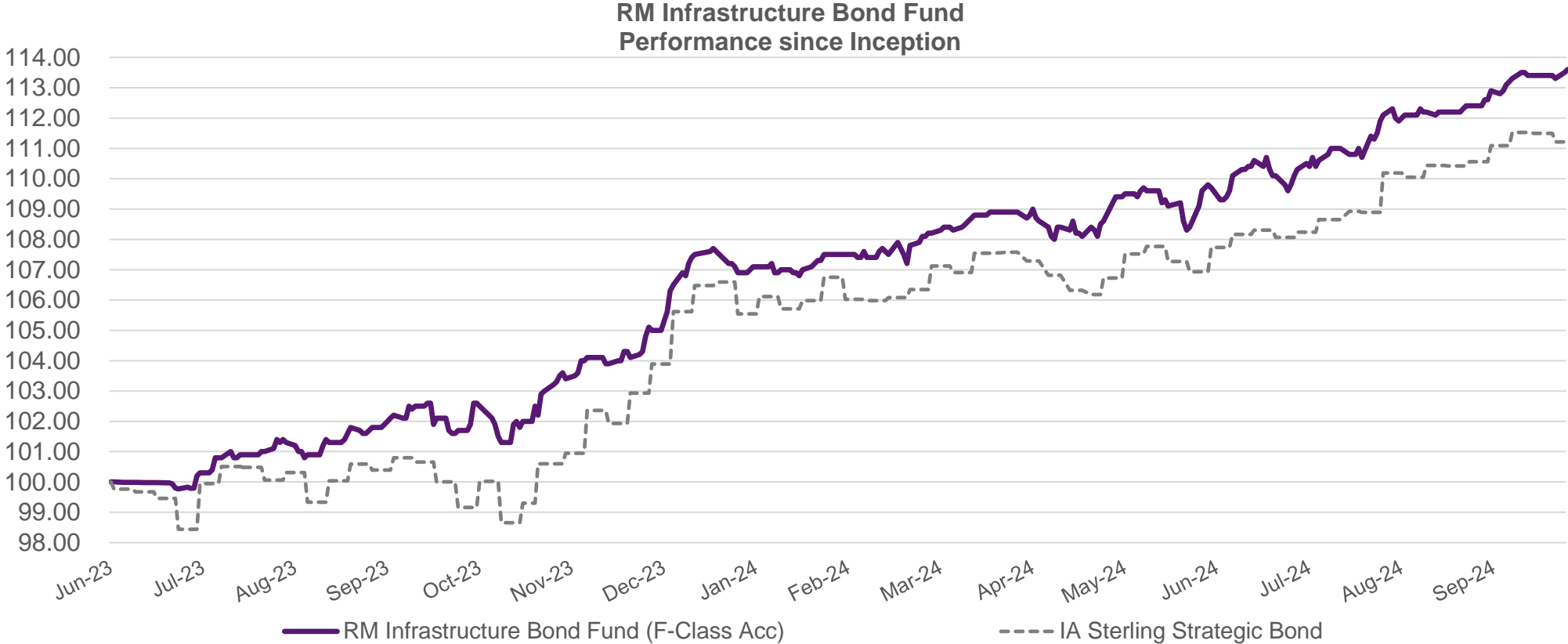
- Issuer Limit 10%
- Issue Limit 5%
- >70% portfolio issuers IG
- No Illiquid Holdings/Securities
- <5% crossover in portfolio holdings with RMAI



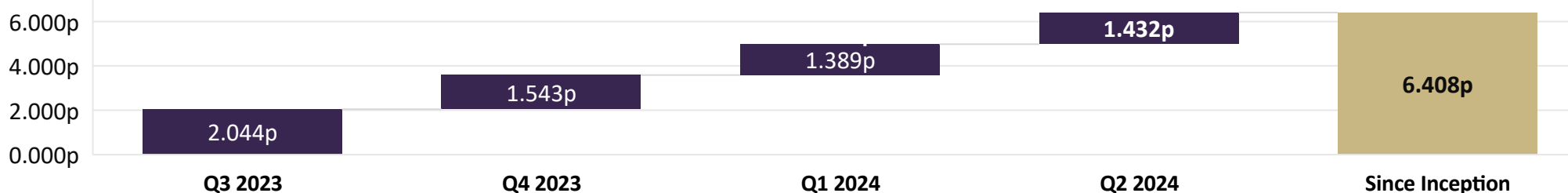
Outlook	Risk-off	Neutral	Risk-on
Credit Profile	Upper	Neutral	Lower
Definition	90-100% Investment Grade	80-90% Investment Grade	70-80% Investment Grade
Duration Profile	Short	Neutral	Long
Definition	0-5 years	5-7 years	7-12 years

* Current positioning

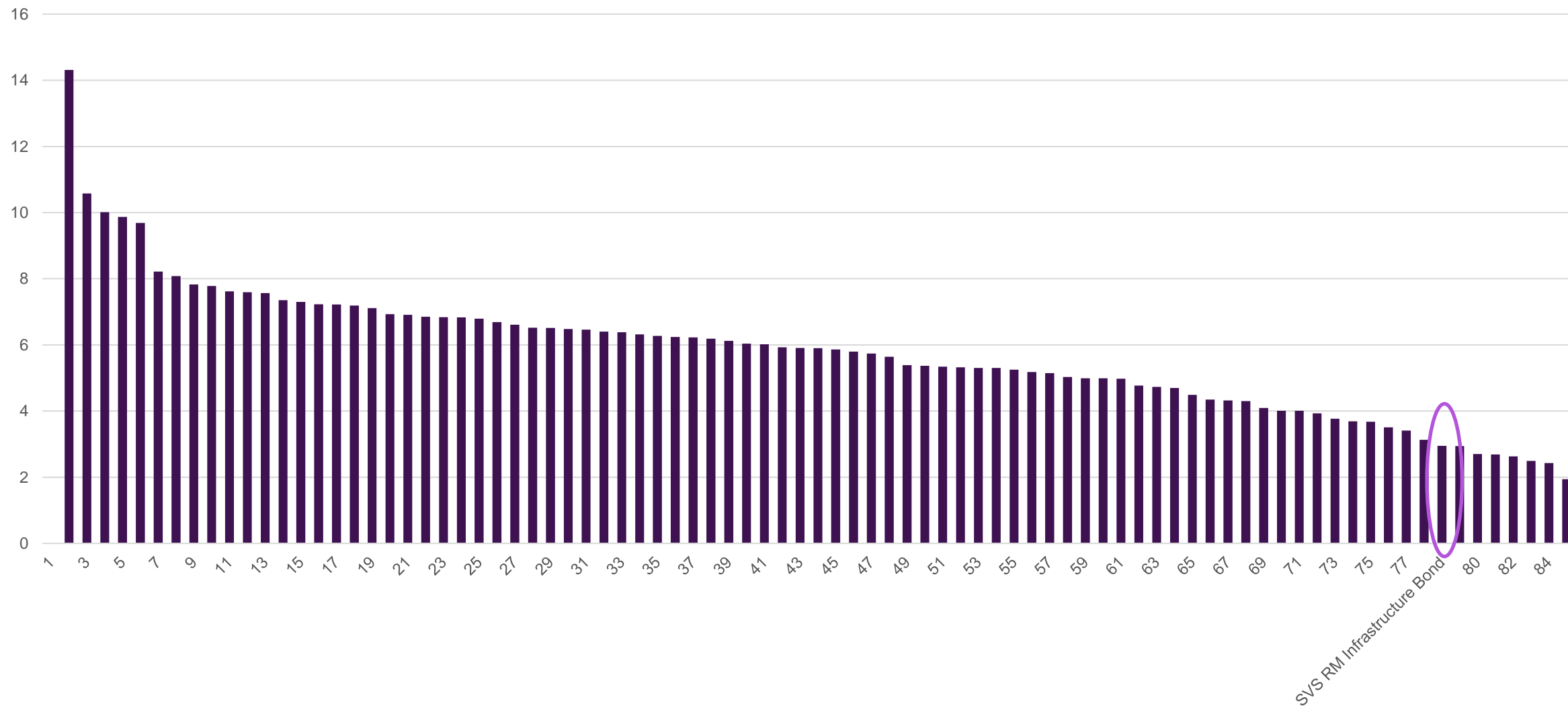
Actual Fund Performance (15th June 2023 – 30th September 2024)



SVS RM Infrastructure Bond - Institutional "I" Class Distribution (GBP/share)



IA Sterling Strategic Volatility



Source: FE FundInfo (30/09/2024)

Sharpe Ratio vs IA Sterling Strategic Bond Peers



Source: FE FundInfo (30/09/2024)

Market & Portfolio Outlook

- **2024 H2 Outlook**

- Overall economic conditions will slow due to tighter financial conditions seen over 2023/24 to date.
- Expect government bond yields to be lower over the 2024 year and credit spreads wider.
- UK Gilt Curve will steepen.

- **Fund Positioning:**

- Volatility in rates and credit will allow for tactical positioning over the year.
- Currently market weight duration. Expecting to get longer post CPI.
- Focus on short-dated IG, participate in new issues and stay underweight HY. Steepening yield curve will play into the fund's hands.
- Stay nimble, be wary of bond vigilantes given the elections are due this year in US/UK and any unfunded fiscal deficits could be punished heavily, such as we saw in December 2022 after the Truss mini budget.

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