

# RM Alternative Income

Investor Presentation

Q1 2025

Institutional Investors Only



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## VT RM Alternative Income Fund

### About RM Funds

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- Senior Leadership

# About RM Funds

## RM Funds is a specialist in alternative investment management

- RM was founded in 2010, with offices located in Edinburgh and London.
- RM currently manages, public and private market strategies, including:
  - **Listed Real Assets Strategy: VT RM Alternative Income Fund (“RMAI”)**
  - **Infrastructure Debt Strategy: SVS RM Infrastructure Bond Fund (“IBF”)**
  - **All-Weather Strategy: SVS RM Defensive Capital Fund (“DCF”)\***
  - **Direct Lending Strategy: RM Infrastructure Income Investment Trust (“RMII”)**
- RM has an experienced Investment Team and additional support staff including distribution, finance, compliance and legal support.



RM was founded in **2010**

**Specialists** in alternative Investment management

**c.£500m** assets under management

**£50bn+** Trading execution platform

**c.£1.5bn** of transactions advised on by RM

(1) GBPUSD c.1.22  
(2) \*Fund's inception date: 1<sup>st</sup> November 2024

# RM Funds – Senior Leadership

## Fund Management Leadership



**Pietro Nicholls**  
**Lead Portfolio Manager, Investment Committee Member**

- Expertise in structuring and managing alternative assets including private credit, real estate and infrastructure
- Extensive experience advising listed, unlisted and government related entities on financing, risk management and corporate finance
- Co-Manager, SVS Infra Bond Fund
- 18 years' experience, Board Director

### Investment Team Experience

- Investment Team focused on Liquid and Illiquid alternative securities/assets
- 360 degree perspective - from lead advisory, financing, liability management, trading and investment / asset management
- Senior team have 100+ years of investment experience and have worked together for the best part of a decade
- Boots on the ground approach to investing
- Supported by proprietary technology platform

## Firm Senior Management Team



**James Robson**  
**Investment Committee Member**

- Chief Investment Officer, Lead PM SVS Infra Bond Fund, Co RMAI
- Former Head of European Corporate Credit Trading HSBC
- Chair, Risk Committee, RM Funds
- 25+ years' experience, Board Director



**Henry Chaplin (Chair)**  
**Board Director**

- 30+ years' experience
- Experience in private equity and corporate finance
- Member of risk and investment committees



**James Satterthwaite**  
**Board Director,**  
**Head of Distribution**

- 17 years' experience in institutional sales
- Chair, ESG Committee, RM Funds



**Douglas Graham**  
**Finance Director**

- 20+ Years' experience in strategy, corporate finance and fund administration
- Extensive private fund structuring experience, including property and renewable energy



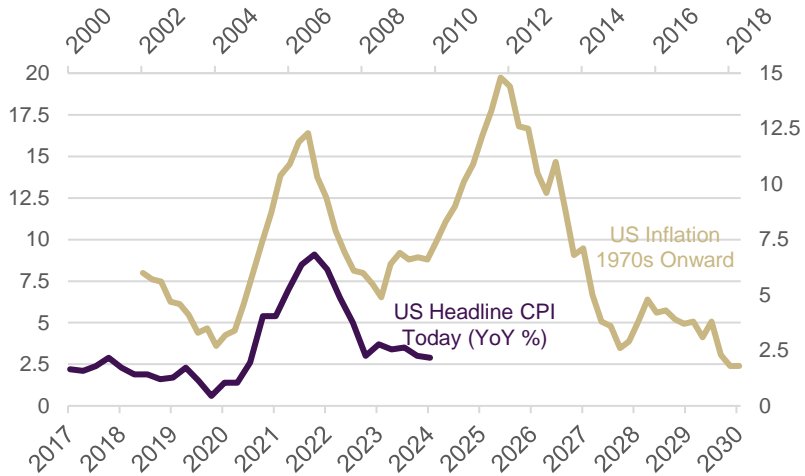
## VT RM Alternative Income Fund

### Market Conditions

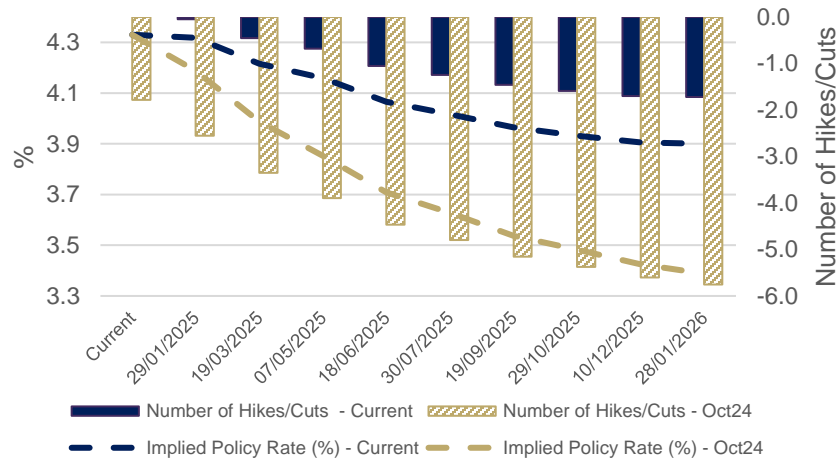
- Macro Overview
- Why Alternatives?
- Fund Summary

# Macro Expectations

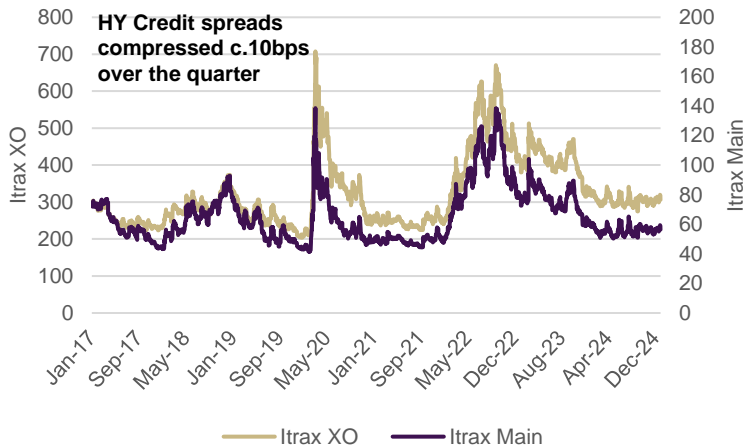
United State: Inflation: The 1970s versus today



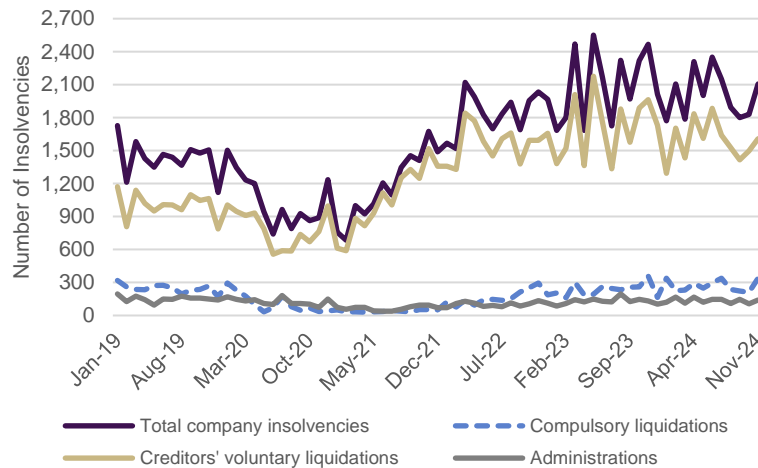
US Implied Overnight Rate and Number of Hikes/Cuts



Credit Spread Indices (bps)



Registered Company insolvencies, England and Wales



## Macro Focus

- Fed remains focused on inflation, wages, unemployment
- NFPs headline vs revised prints
- Fed in reactionary mode to weak data points
- Rate expectations perhaps a little too aggressive
- Political risk will increase going into Q4 24

## Alternatives Data Points

- Compulsory insolvencies and defaults increasing in UK
- Real asset's replacement cost vs NAVs – material opportunity set
- M&A + Corporate Activity continues to increase
- Corporate Governance material source of alpha presently

Source: Bloomberg, 15/01/2025  
Insolvency Service and Company House.



# What are Alternative Income Assets, and why invest?

## Alternative Income assets, put simply, are investments in assets beyond traditional equities, bonds and cash.

They include assets in specialist real estate (eg data centres, care homes, student accommodation), secured real assets (eg private credit) and infrastructure (eg hospitals, renewables).

### Investing in alternative income assets provides the following benefits for investors:

- Low-correlation returns vs traditional asset classes;
- Asset mix / portfolio diversification;
- Potential to reduce duration and inflation risk.

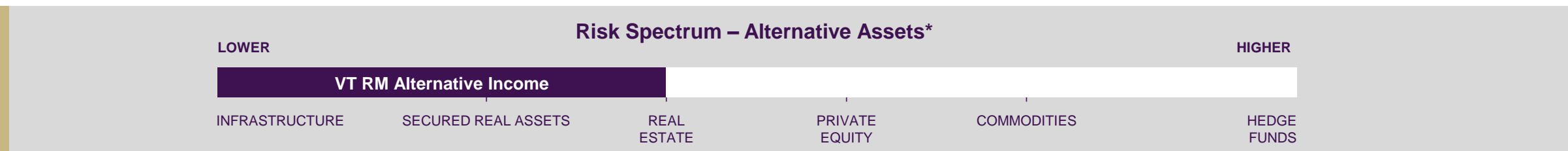
With such a range of options, RM Funds designed VT RM Alternative Income to offer investors an actively managed, diversified fund which will provide exposure to a broad range of alternative income producing assets.

Troubled macro economic outlook

- Global health pandemic
- Inflation & interest rate outlook
- Brexit
- Volatile power markets
- Shift in consumption and working practices

Meanwhile, closer to home

- Technological disruption
- Socio-demographic trends
- Search for income
- Unemployment shocks



\*Chart an indication of risks only and a summary of typical risks for different asset classes. Please see Key Information document for fund risk rating.

# VT RM Alternative Income Overview

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

- **An actively managed global-developed mandate**, 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.

FUND  
LAUNCHED

**11<sup>th</sup> 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  
**5.00% p.a.**  
dividend income,  
paid quarterly

Total return target  
**7-8% p.a.**

Target Vol  
**<5.00 30Day**

ESG overlay, with  
detailed questionnaire to  
guide ESG engagement  
activities.

Source: Bloomberg, 31<sup>st</sup> December 2019-2024



## VT RM Alternative Income Fund

### What are Alternative Income Assets?

- **Infrastructure & Sustainable Assets:** Hospitals, schools, ports and renewables
- **Social Impact Real Estate:** Nurseries, dentists, GP surgeries, student accommodation and aged care
- **Digital Infrastructure:** Data centres, logistics warehouses, telecommunication towers and fiber optic cables

# Infrastructure & Sustainable Assets

## *Infrastructure assets provide essential services to the economy and society.*

Government policy (social, health and environmental), supported by long-term structural drivers, underpins an asset class characterized by non-cyclical cash flows and high-quality counterparties, creating an opportunity-rich universe.

Key areas of focus include availability, volume and demand-based infrastructure. **Investments within this sector align their activities with the UN Sustainable Development Goals (SDGs).**

### Infrastructure (Availability & Demand)

- **Availability - Hospitals & Schools** – Central government counterparties, coupled with high quality predictable cash flow with index-linked income. Exposure to duration (interest rates) and political risks.
- **Demand: Ports & Toll Roads** - GDP-linked, with limited headline political risk. Excellent assets for growth economies. Exposed to reopening conditions and government health policy.

### Infrastructure (Sustainability Assets)

- **Renewable Energy Generation:** Low-Carbon energy generation such as wind, solar PV and hydro power, achieving lower LCOE than traditional fossil fuel, supported by government policies and increasing energy demands.
- **Energy Storage:** Grid-balancing services are required to support intermittent power demands and green energy capabilities. Energy storage plays an essential role in the growth, development and shift to low-carbon economy.
- **Green Transmission:** Investing in mission-critical energy infrastructure, transmission of energy across geographies.

#### SUMMARY STATISTICS

**\$2.5 trillion per year**

invested in power, water, telecoms and transportation infrastructure.

**250,000,000**

estimated electric vehicle stock on the road by 2030<sup>1</sup>

**c.\$363bn**

Capital deployed into clean energy assets during 2019<sup>3</sup>

#### INVESTMENT CHARACTERISTICS

- ✓ Non-cyclical industries
- ✓ “Essential products” produce stable cash flows
- ✓ Broad support from Consumers, Industry and (most) Governments
- ✓ Long-term structural support driven by the electrification of transportation and heat

Source:

<sup>1</sup>IEA.Org, *Global EV Outlook 2019*

<sup>2</sup>Grand View Research (*Market Analysis Report*)

<sup>3</sup>Bloomberg *New Energy Finance*

# Real Estate & Ageing Populations

*The global population is growing and ageing. By 2030 the population is expected to be over 8.5bn, and the total number of people over the age of 60 is predicted to grow from c.962M in 2017 to c.2.1bn worldwide by 2050.<sup>1</sup>*

A changing global population will have profound implications both at a global and national level. Governments will need to adopt radical policies to address and cope with such changes.

**Investments within this sector are aligning their activities with the UN Sustainable Development Goals.**

Key Areas of Focus include:

- **Social Care & Education:** The education and childcare sectors continue to grow, essential assets and services such as schools, nurseries and service providers will need to meet this growing demand
- **Healthcare & Senior Living:** Ageing populations and the impact on government policy in the delivery and funding of health and aged care is critical in dealing with the challenges ahead.
- **Social Infrastructure:** Essential assets required for society, including GP surgeries, dentists, pharmacies, multi-family housing, social housing, and sheltered accommodation.

**Investments within this sector align their activities with the UN Sustainable Development Goals (SDGs).**

## SUMMARY STATISTICS

**\$200bn per annum**

Expected growth in **G7 Countries ex US** healthcare spending<sup>2</sup>

**c. 8,000**

UK GP surgeries delivering healthcare services to over 1.3mm patients a day (April 2023).

**+8.0%** Increase in UCAS applications for AY 21/22, coupled with a supply shortage in the UK

## INVESTMENT CHARACTERISTICS

- ✓ Underpinned by long-term growth drivers
- ✓ Supported by central government policies
- ✓ Local and central government counterparties mixed with granular private sector
- ✓ Index-linked cash flows with visible contracted cash flows

Sources:

<sup>1</sup>United Nations 2015, 2017

<sup>2</sup>Deloitte, Labour Force Survey

<sup>3</sup>PwC, The Financial Sustainability of Health Systems

<sup>4</sup>PwC, Women in Work Index

# Industrial Disruption

*The global health crisis immediately disrupted consumer behavior and accelerated the structural decline of traditional physical-based businesses and services.*

Working from home, E-commerce and cloud-based application usage surged during lockdown. How will industry business models, commerce, and consumers react in this new normal?

**Investments within this sector are increasingly aligning their activities with the UN Sustainable Development Goals**

Key Areas of Focus include:

- **Data Centres & Digital Infrastructure:** Internet usage is growing at a rate of over 9.00% per annum, with the time spent online averaging at over 6 hours per day globally! Data centres and their owner/operators represent one of the most attractive opportunities of the decade with CAGRs of 17%+
- **Telecommunication Towers & Fibre:** The movement from 4G to 5G creates new technological challenges and a requirement for telecommunications companies to invest in advanced telecommunications infrastructure – RM Funds estimates that 3x as many telecom towers are required to deliver the service.
- **Logistics Centres & Last Mile Delivery:** The constant disruption of industry business models will create new opportunities for asset owners and operators throughout the value chain. Distribution warehouses are a prime example, the growth of e-commerce supports the development of large format warehouses and last-mile logistics assets.

## SUMMARY STATISTICS

**+9.1% per annum**

growth in internet usage<sup>1</sup>

**2.14bn digital buyers**

c.46% of all internet users shop online<sup>2</sup>

**6 Hours 43 minutes**

time per day spent online<sup>3</sup>

## INVESTMENT CHARACTERISTICS

- ✓ Real assets with blue chip counterparties
- ✓ Structural drivers support growth-driven investment thesis

Source:

<sup>1</sup>Digital 2019, We Are Social, Hootsuite

<sup>2</sup>Statista - # of Digital Buyers Report

<sup>3</sup>Global Webindex (Users 16-64) Q2/Q3 2018 Survey



## VT RM Alternative Income Fund

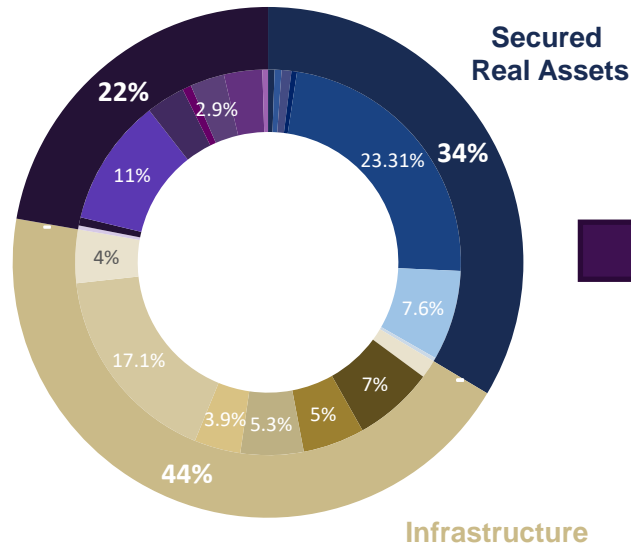
### Fund Overview

- Portfolio
- Performance
- Contribution
- Outlook

# Dynamic Portfolio Allocation

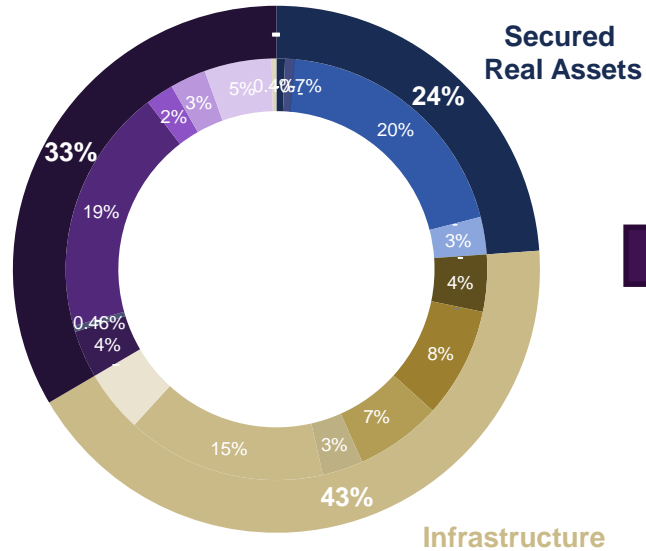
Allocation Split<sup>1</sup>, March 2023

Specialist Real Estate



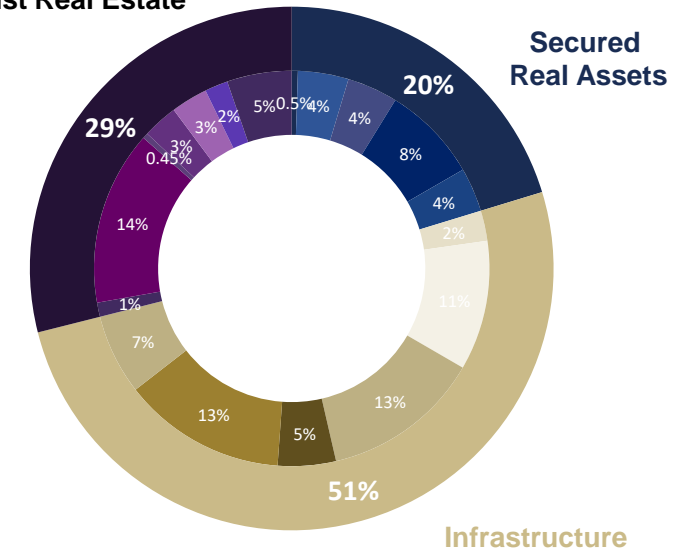
Allocation Split<sup>1</sup>, March 2024

Specialist Real Estate



Allocation Split<sup>1</sup>, March 2025

Specialist Real Estate



- 2022 theme was to reduce rate exposure/sensitivity and capture inflation > Reduction in REITs, Increase in Cash and Inflation-linked Cashflows
- 2023 theme was to navigate bond proxy repricing, whilst maintaining optionality > Increase in short-dated IG bonds, with laddered maturity profile
- 2024 theme remains to position as a hedge vs rate cuts and or decline in macro-economic conditions
- Market now repriced credit, with yields tightening materially over the last 3-6 months > switch trades, allowing fund to crystallise gains, and rotate into deeper discount equities picking up 250-300bps cash yields + capital growth potential.

- Infrastructure - Digital - 2.5%
- Infrastructure - Renewables, Mixed - 13%
- Infrastructure - Renewables, Solar - 13.4%
- Debt - Asset Backed - Secured Loans - 0.5%
- Debt - Government - 4.1%
- Property - Specialist (Retail) - 3%
- Property - Specialist (Other) - 0.5%
- Property - Europe Regional - 1.2%

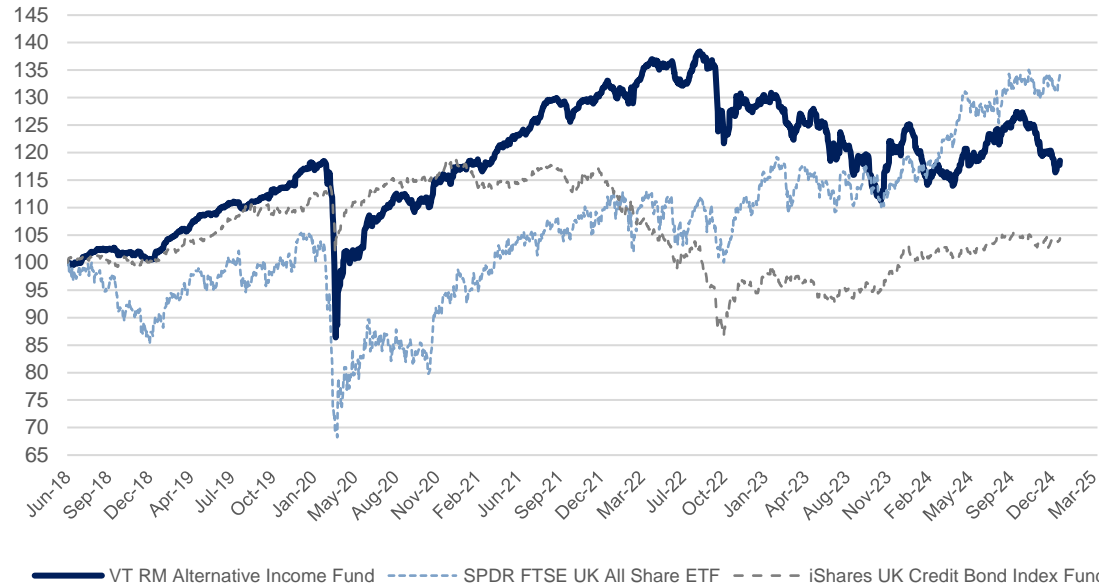
- Infrastructure - PPP - Core - 10.6%
- Infrastructure - Renewables, Other/Special - 4.7%
- Infrastructure - Renewables, Wind - 6.6%
- Debt - CLOs - 4.1%
- Debt - Infrastructure - 7.9%
- Property - Specialist (Healthcare) - 14.3%
- Property - Specialist (Residential) - 2.9%
- Property - Specialist (Social) - 1.9%

Source: VT RM Alternative Income Fact Sheets, ACD Reports, RM Funds, Bloomberg  
<sup>1</sup>Percentages may not add up to 100% due to rounding. Excludes cash and cash equivalents. Data as of 31<sup>st</sup> March 2025



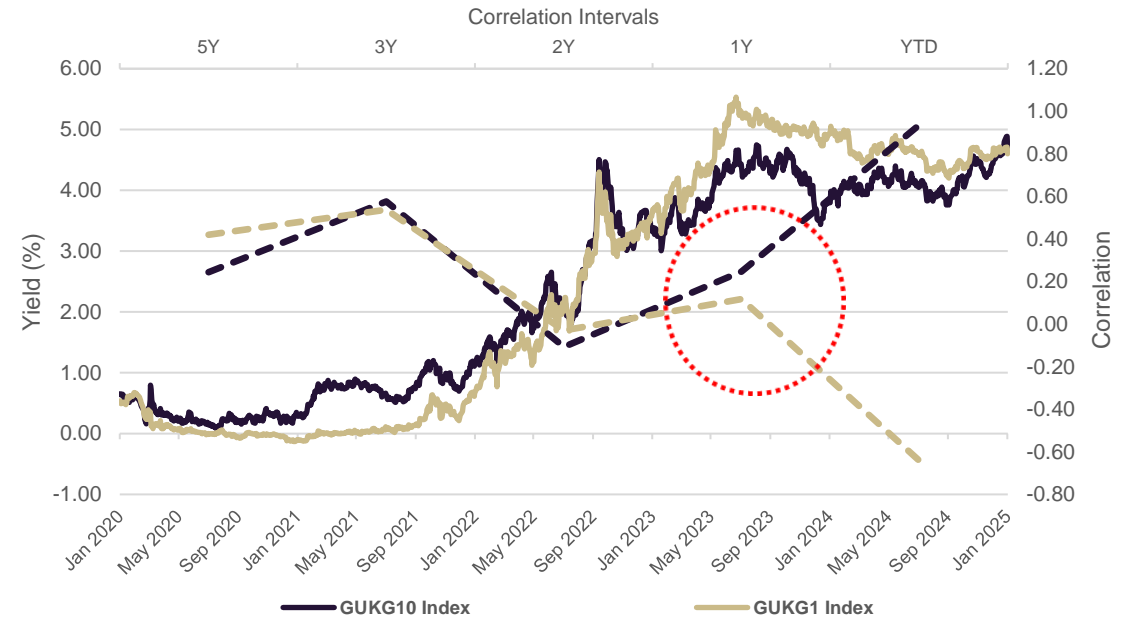
# Relative Performance vs Asset Classes

VT RM Alternative Income Fund – Relative Performance Since Inception



| Comparative Performance   | Total Return (inception) | Volatility (30 day) |
|---|--------------------------|---------------------|
| VT RM Alternative Income Institutional Accumulation Class (net) | 19.93%                   | 10.40%              |
| SPDR FTSE UK All Share ETF                                      | 38.37%                   | 10.02%              |
| iShares UK Credit Bond Index Fund                               | 4.78%                    | 3.72%               |

RMAI - UK Generic GILTs Yield Correlation



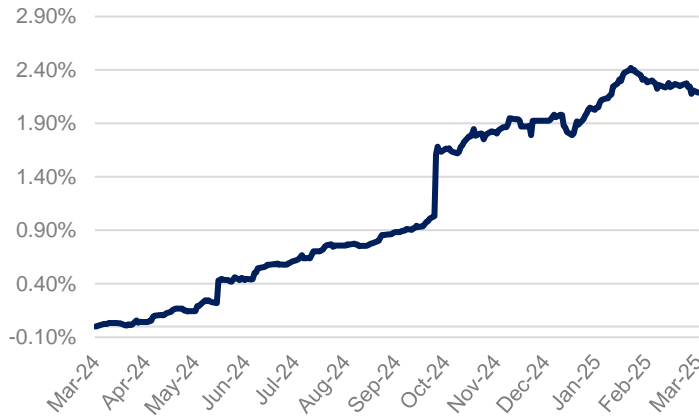
## Comments

- Through-the-cycle return profile: 7-8% Total Return
- Income driving return, capital to follow through normalisation of rates
- Correlation to money-markets provide clear signal for re-rating
- Maintain exposure but reduce volatility where possible

Source: Bloomberg Data 11<sup>th</sup> June 2018 to 31<sup>st</sup> March 2025 inclusive.

# Performance Contribution – LTM to March 2025

Secured Real Assets Performance Contribution LTM



Infrastructure Performance Contribution LTM



Real Estate Performance Contribution LTM



VT RM Alternative Income LTM (Rebased)



## Performance

- Last 12 Months Total Return of 3.34%
- Average total return contribution per holding was 6.8bps
- Bottom 10 holdings detracted (5.19%) from total return

## Real Estate – Top 3

- Care Reit PLC 198 bps
- Tritax EuroBox PLC 62.0 bps
- Sienna Senior Living Inc 48.9 bps

## Infrastructure – Top 3

- Cordiant Digital Infrastructure 76.5 bps
- NextEnergy Solar Fund Ltd 47.9 bps
- Bluefield Solar Income Fund Ltd 39.0 bps

## Secured Real Assets – Top 3

- UKTB 0 11/11/24 66.0 bps
- GCP Asset Backed Income Fund Ltd 39.0 bps
- Fair Oaks Income Ltd 23.3 bps

Source: Valu-Trac, Bloomberg Data 1<sup>st</sup> January 2024 to 31<sup>st</sup> March 2025 inclusive.

# Market & Portfolio Outlook

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- **2024 Q3 Outlook**

- **#1 Political & Regulatory Risks:** Trump Chips & Dips ©, Tariffs, Increased geo-political tensions, Inflationary policies
- **#2 Monetary Policy & Inflation:** US CPI, ECB Rate Cuts, FOMC, non-farms, unemployment, weak euro & UK data, corp defaults and insolvencies.
- **#3 M&A Activity:** Busy period, more to come? We expect more activity, with more nuanced activity now.

- **Fund Positioning**

- **Playbook**

- **Fundamentals:** Continued focus on investing based on fundamentals, foreseeing challenges for entities with weaker balance sheets. Strategy continues to prioritise earnings visibility, low relative leverage, and clear catalysts for re-ratings
    - **Rotations:** Focused on switching and relative value, collecting 2-300bps cash yield pick-up
    - **Engagement:** Board engagement materially increased over the last 12-18 months. Engagement is a source of alpha and driving activity
    - **Active Management:** Very active MTD, spread across capturing profits from previous M&A situations, to participating in block secondary sales

*Overall focus on delivering investment objectives and maintaining weak correlation to other asset classes*

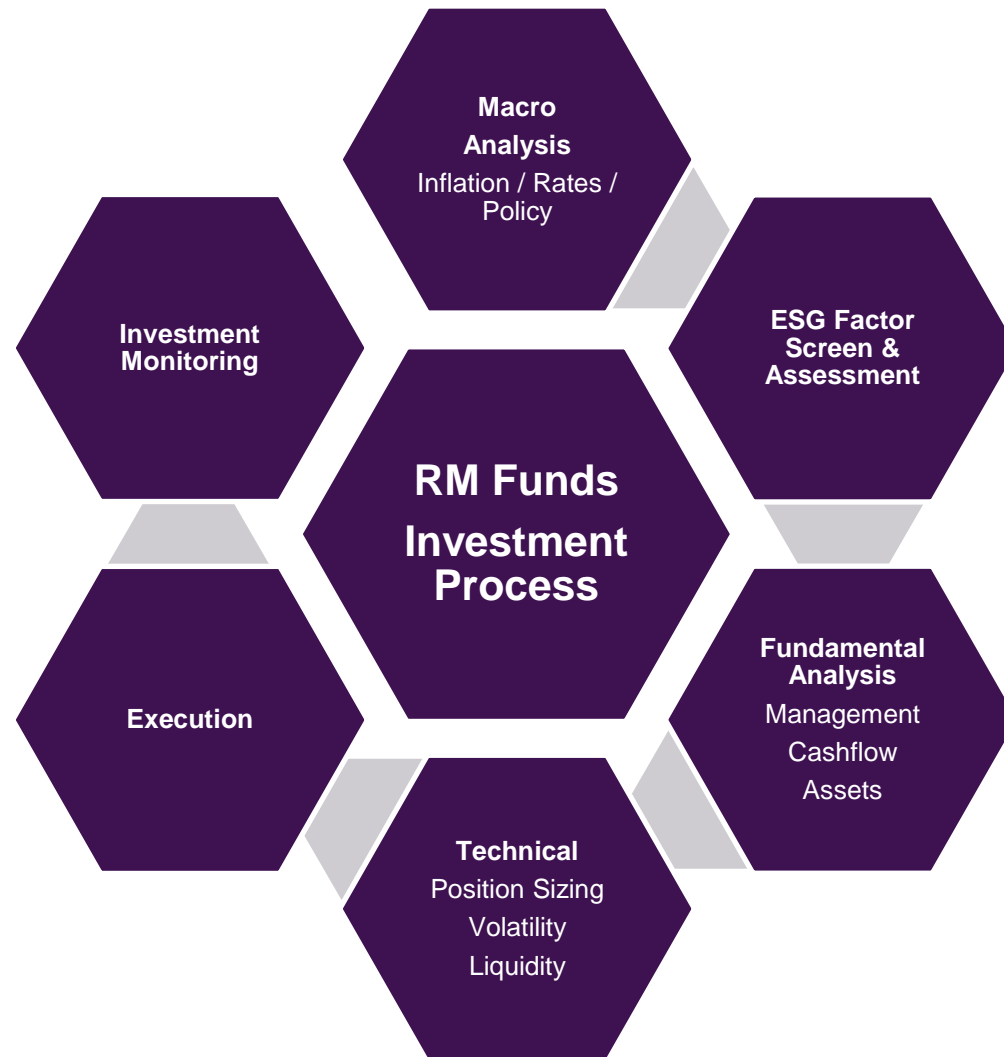


## VT RM Alternative Income Fund

### Investment Process

- RM Funds Edge
- Investment Process
- Summary
- Contact Information

# Summary Investment Process



**Rigorous investment process, with a focus on both top-down and bottom-up analysis to support investment decisions.**

#### **ESG FACTORS**

- Ethical, Social and Corporate Governance
- Active engagement with Boards

#### **TECHNICAL CONSIDERATIONS**

- Liquidity
- Execution Risk
- Asset Volatility

**Considerable expertise, resources and market access allows us to source the best investments for investors.**

#### **KEY RESTRICTIONS**

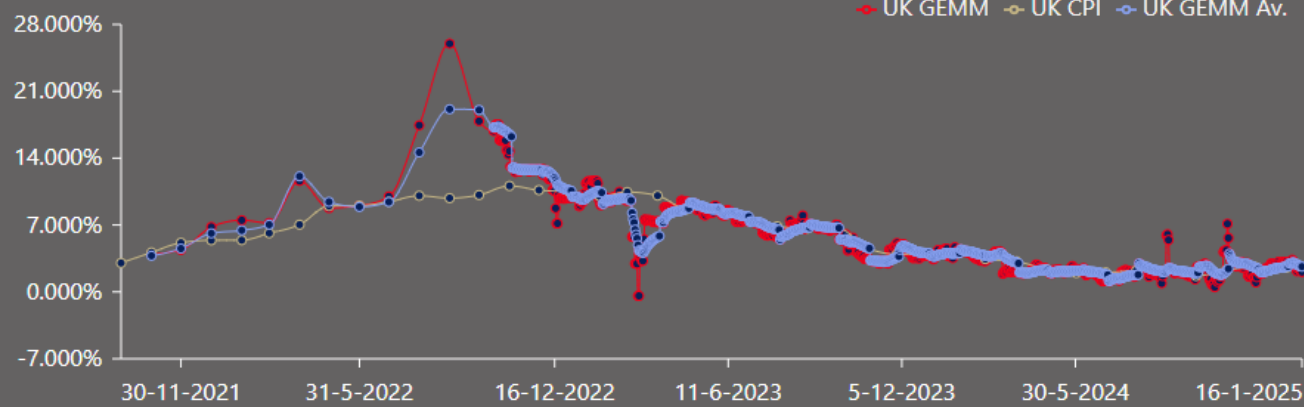
- Minimum # of holdings
- Maximum exposure 10%
- ESG criteria

#### **SPECIALIST MANAGER**

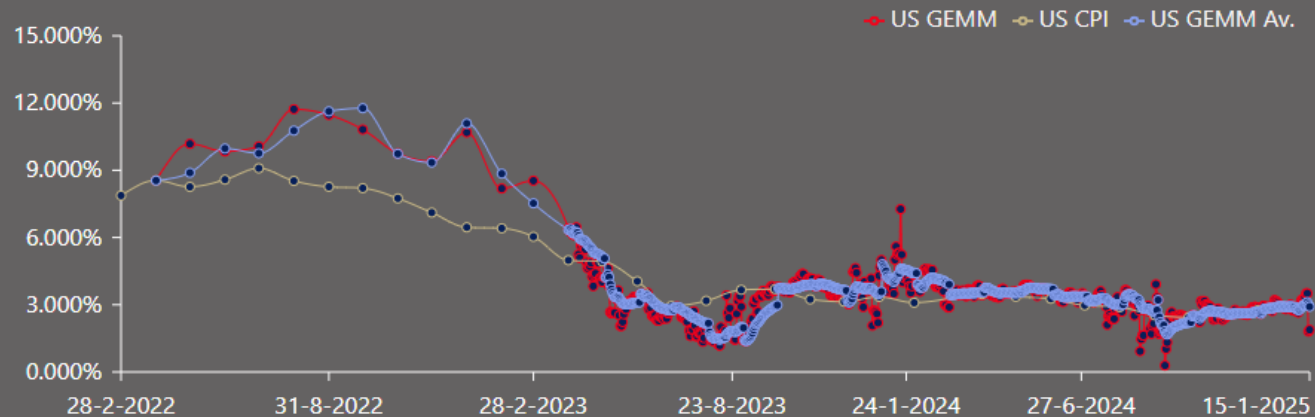
- 6 strong “Alternatives” investment team
- Established track record in alternatives
- Circa \$300m of Alt-asset managed

# Macro Analysis & Review

Rolling LTM



Rolling LTM



**Investment Team Time:** up to 10%

## Key Metrics:

- GDP
- Payrolls
- Housing Sales/Starts etc
- PMIs
- Interest Rate Expectations
- Inflation Expectations
- Cyclical macro factors

## Why?

- Macro-economic information is an important consideration when considering domestic (fund base currency) investments or cross-border investments.
- Factors such as GDP growth can, and often will, influence where the investment team consider deploying capital. Furthermore, data points such as inflation prints will factor into the fundamental analysis / modelling at the individual security level.
- When we consider interest rates (and country differentials), this is helpful to the Portfolio Managers and Investment Team, in shaping their views relating to equity risk premia, duration risk and currency hedging strategies.

# ESG Review



**Investment Team Time:** c.5%

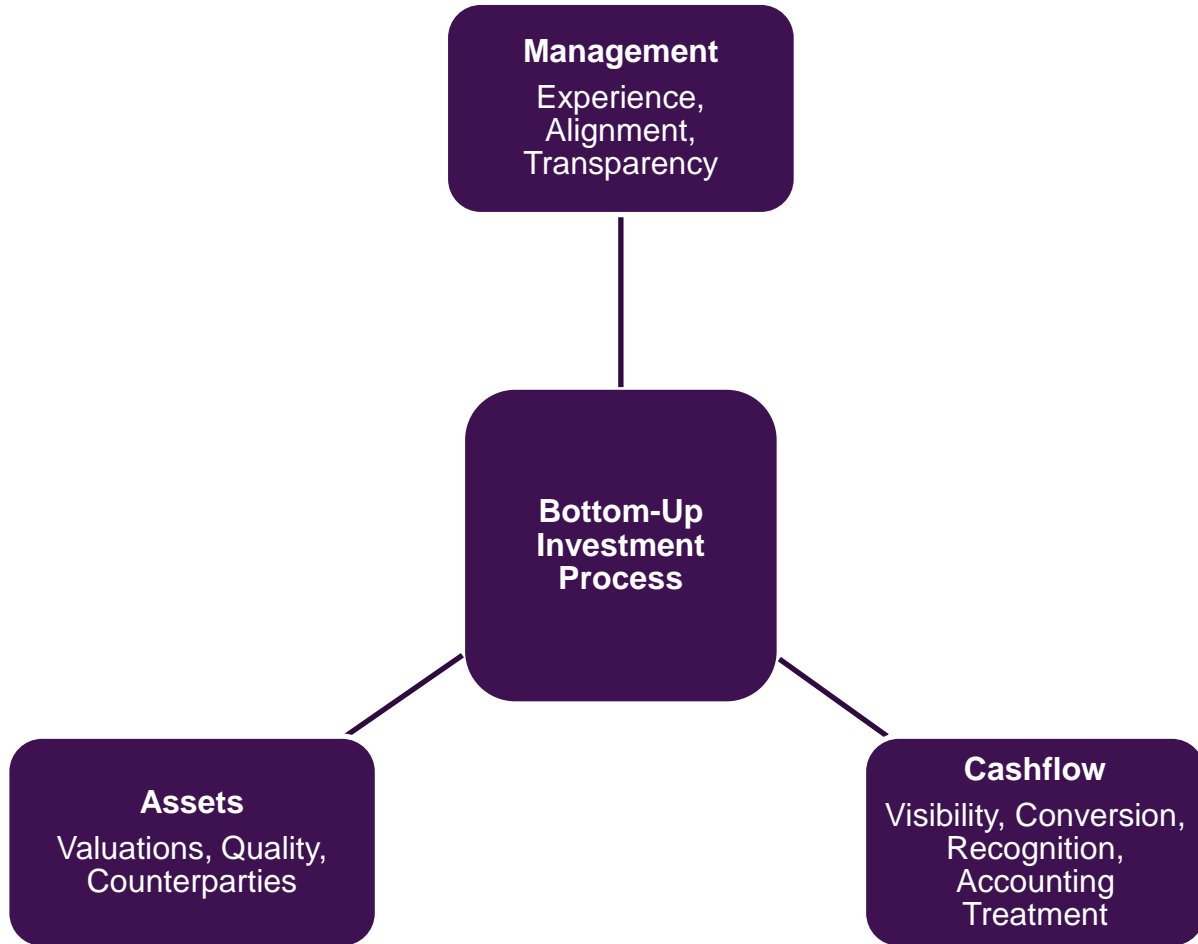
## Key Metrics:

- C.100 metrics
- UN Sustainable Development Goals
- Specific areas include: suitability management, environmental impact, labour practices, health & safety, diversity & inclusion, supply chain management, leadership & governance and business ethics

## Why?

- We utilize a negative ESG screen to remove sectors or holdings which breach the firm's Responsible Investment Policy ("RI").
- The investment team consider ESG factors whilst investors, as they in themselves are important considerations, such as the Governance and Transparency of a prospective holding.

# Fundamental Analysis



**Investment Team Time:** Up to c.50%

## Three Key Factors:

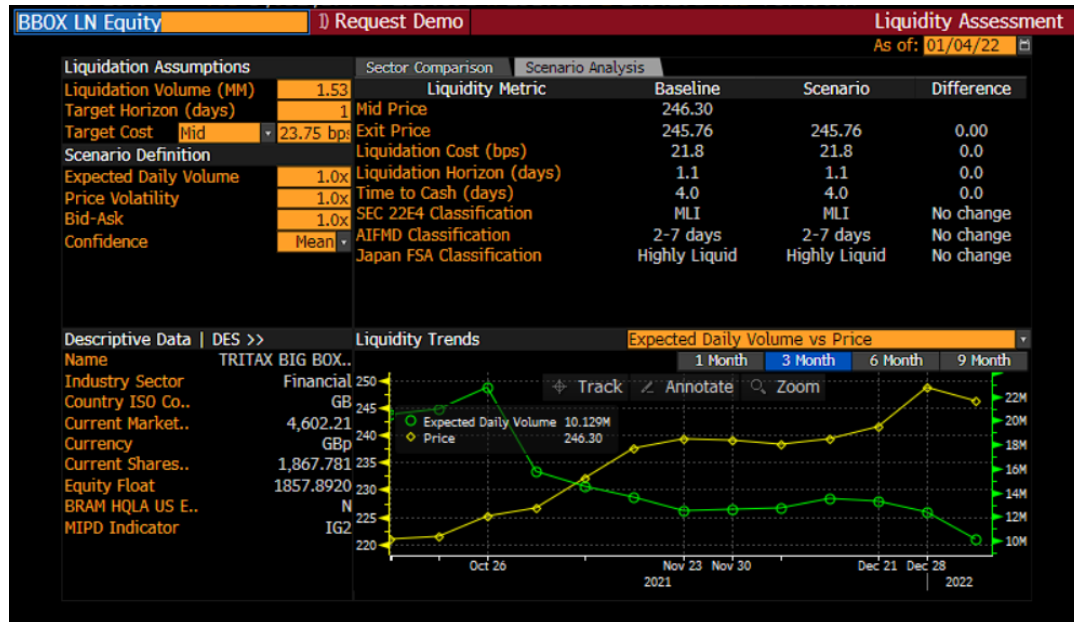
- **Management:** Board, Governance, Transparency and Alignment
- **Financial Statements:** Cash Generation, Revenue Recognition, etc
- **Assets:** Counterparties, Valuation Policy, Capital Structure, leverage etc

## Why?

- Executive team / Board alignment, experience, governance and transparency issues are the key factors as to why we decline to invest in prospective securities.
- Understanding financial drivers of a prospective holding is a key factor in the investment team's due diligence process.
- The investment team spend considerable time and resources focused on the due diligence of real assets, including engagement with third party valuation agents, supply chain partners and stakeholders.



# Liquidity, Technical Factors & Portfolio Construction



Investment Team Time: c.5-10%

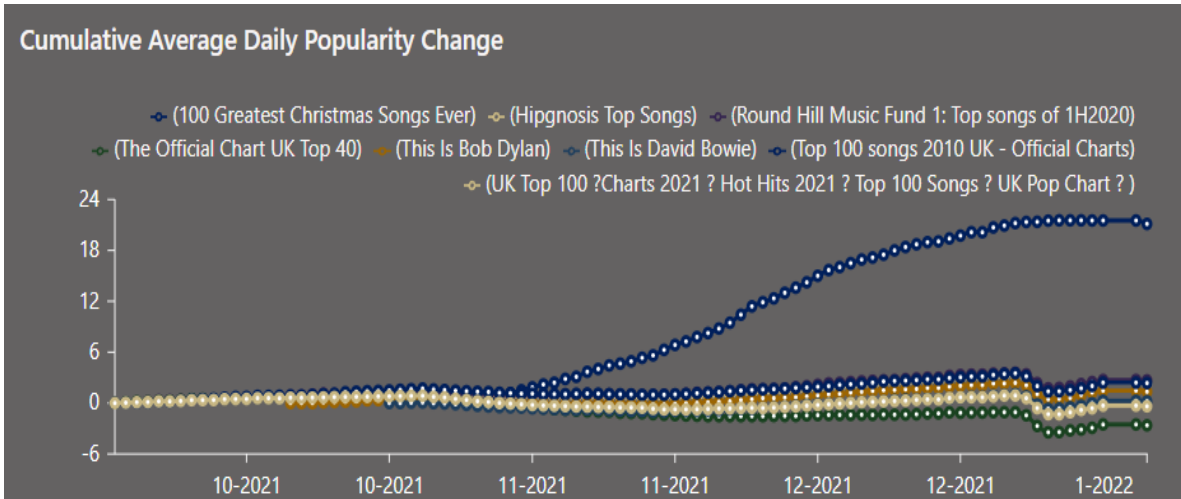
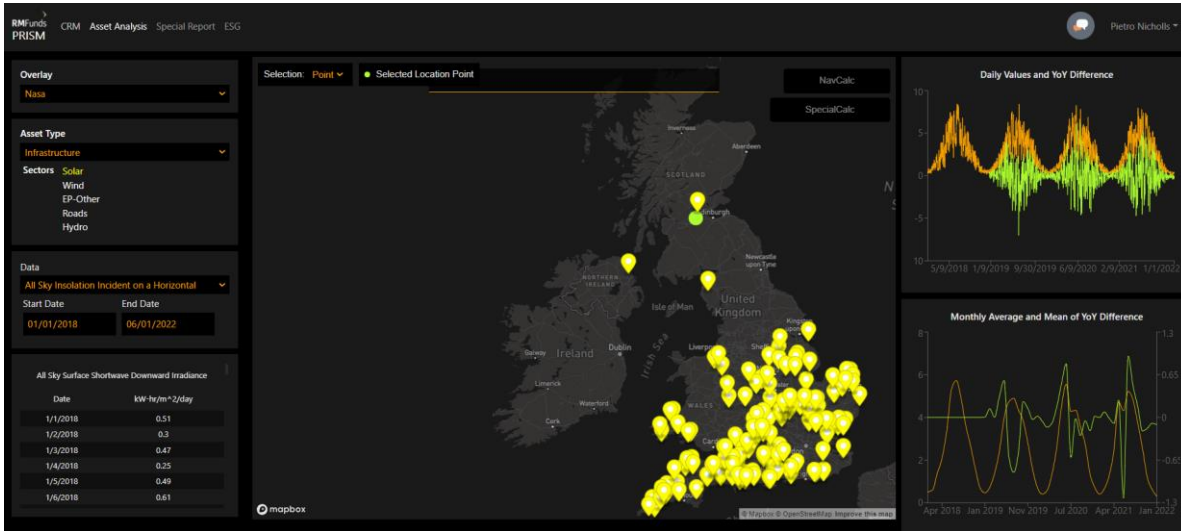
## Key Priorities

- Liquidity Tree and Ladder
- Portfolio and stock metrics (volatility, correlation, beta et al)
- Position sizing/weighting

## Why?

- A key focus is ensuring we only invest in liquid public securities, with ample daily liquidity to accommodate any inflows/outflows a daily-dealt fund requires.
- The investment team approach from two perspectives, a bottom-up liquidity tree (for each stock) and a liquidity ladder (top-down) at the fund level (considering ADV, inflows/outflows etc).
- The Portfolio Manager reports to the Investment Committee, and the Risk Committee have additional oversight.
- In addition to liquidity, the investment team consider volatility, correlation, beta and scenario analysis when formulating a view relating to position sizing.
- Holdings are split between “Core” & “Satellite”, which is dependent on several factors.

# Post-Investment Monitoring



Investment Team Time: 20-50%

## Key Metrics:

- Various metrics, driven by sector specific considerations, for example:
  - Renewables: power prices, resource generation, discount rates, OpEx costs, tax, asset life.
  - For Real Estate: psf price, rent free periods, occupancy rates, counterparty risk, leverage, sector, NIY, passing rent etc

## Why?

- The RM Funds investment team develop proprietary tools to assist in the analysis and monitoring of investments, ranging from renewables, toll roads, airports, supermarkets, student accommodation and care homes to esoteric assets such as music royalties.
- Our ability to commission reports by third party experts, supported by our technology and experience, provides an investment and risk management edge.

# Summary

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## VT RM Alternative Income is a diversified investment strategy, designed to deliver stable income returns for investors.

- **Focus on capital preservation and stable income generation** – minimal exposure to traditional listed equities and corporate bonds.
- **Potential for protection against a rising interest rate** environment, rising inflation and with the potential for capital growth over the medium term.
- **Active stakeholder engagement** with environmental, social and corporate governance restrictions.
- **Target net distribution of 5.00%** (on issue price)
- **Target total return 7-8%.**

Due to FCA reporting requirements, UCITS funds must now report synthetic costs from underlying investments within the OCF calculation (contained in the KIID). For the avoidance of doubt the cash amount charged by the Investment Manager has not changed and the non-synthetic OCF remains capped at 0.45% on the F Class shares.

**Highly experienced**  
investment team and  
specialist fund managers

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

**Protection** against  
inflation, interest rates  
and market volatility

# Contact Information

## Investment Management

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RM Capital Markets Limited is authorised and regulated by the Financial Conduct Authority (Number 562209)

