

Alternative income

James Smith, Fund Manager: Premier Global Infrastructure Income Fund

UK infrastructure has been significantly influenced by the political environment this year. Fund manager James Smith believes this illustrates the importance of looking globally, seeking out those areas with an improving political environment to harness the growing income and stable growth characteristics usually associated with infrastructure investment.

The fund aims to generate a high and growing income from infrastructure assets, including areas such as renewable energy, water, electricity, gas, and since a modification of investment policy in May 2017, non-utility infrastructure assets such as ports, roads, and telecommunications infrastructure. The fund's primary focus is on regulated assets, but the fund also holds some unregulated assets.

The fund manager believes utility infrastructure assets offer some of the best balance of risk and reward: companies own their assets, revenues are usually linked to inflation and they are not exposed to commodities prices. They also tend to be natural monopolies.

The fund has a high yield, currently about 5%, with a strong track record of dividend growth and lower volatility versus the FTSE All-World Utilities Index.

In taking positions for the portfolio, the investment team focus on four main areas. Yield equities form the largest part of the portfolio and typically pay a high income at relatively low risk. The team balance this with growth equities, which are there to try and keep the NAV moving higher over time and provide long term dividend growth. This area tends to incorporate smaller companies and emerging markets.

The fund also has holdings in fixed income, which are designed to reduce portfolio risk and provide a regular, above average yield. Finally, the investment team have moved recently to increase their weighting in yieldcos. These pay out a high percentage of free cash flow, have strong revenue visibility and are mainly focused on renewable energy or contracted energy generation.

The investment process incorporates macroeconomic factors, including economic growth, politics, the regulatory environment and the competitive landscape. The investment team build their own models to compare companies around the world. The fund's portfolio of an expected 50 to 60 stocks are selected by looking at their relative valuation, competitive position, liquidity and the strength of their management teams. This analysis is overlaid with risk metrics, such as gearing, cash flow, FX and commodity exposure.

Infrastructure assets are sometimes viewed as a potential 'defensive' rather than a 'growth' asset. The fund's investment team don't agree with this assessment and believe that on the back of a continued need for investment in infrastructure and low interest rates, assets such as regulated utilities are amongst the highest quality infrastructure assets available. On this basis, the investment team see continued opportunities in the global environment for infrastructure assets and a robust outlook for dividend growth.



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Historic yield source: Premier Asset Management as at 02.01.2018. The historic yield reflects distributions declared over the last 12 months as a percentage of the mid market share price of the Fund, based on class C income shares. The yield is not guaranteed and will fluctuate. Volatility source: FE Analytics, data from 30.06.2012 to 31.12.2017, based on annualised weekly data. Past performance is not a guide to future returns.

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A free, English language copy of the fund's Prospectus, Key Investor Information Documents and Supplementary Information Documents are available on the Premier website. All data sourced to Premier Asset Management unless otherwise stated. For your protection, telephone calls are recorded and monitored for quality assurance purposes

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