

## SHINING A LIGHT ON THE..... VT Gravis Digital Infrastructure Income Fund

### AT A GLANCE

| Investment Objective   |
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| The investment objective of the VT Gravis Digital Infrastructure Income Fund is to provide quarterly income whilst also providing capital growth through market cycles (7 years). The sub-fund will aim to meet its objective by primarily (at least 70%) investing in real estate investment trusts (REITs) and other listed securities that own, operate or finance tangible assets that provide the infrastructure which enables modern technology to operate successfully. |

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|----------------------------|---|
| <b>Inception Date</b>      | 31 <sup>st</sup> May 2021   |
| <b>Fund Factsheet Link</b> | <a href="https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F0000170NB">https://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F0000170NB</a> |

| Management     |                           |
|----------------|---------------------------|
| Manager Name   | Start Date                |
| Matthew Norris | 31 <sup>st</sup> May 2021 |
| William Argent | 31 <sup>st</sup> May 2021 |
| Nick Barker    | 31 <sup>st</sup> May 2021 |

### UPDATE....

This fund was launched on 31<sup>st</sup> May and looks to offer investors something different. They argue that this is not a fund of the future but more about a fund that is tapping into the fourth industrial revolution. This covers all aspects of our lives through work (SharePoint, slack, zoom), play (Netflix, Spotify, Twitch) and live (Ocado, ao.com, amazon).

All these need physical infrastructure to support them, whether it is data centres, digital networks, telecoms towers, 5G networks, urban logistics facilities or e-commerce fulfilment centres. This is not something that will slow:- data drives the creation of more apps, more apps create more data. More apps and more data require more bandwidth and more bandwidth requires more digital infrastructure.

Additionally, new technologies drive incremental data creation. Examples include:

- Smart home/office/city
- Biometric sensors
- Semi-autonomous/autonomous manufacturing
- Semi-autonomous/autonomous vehicles
- Internet of Things

The fund will look to invest across four sectors:

- Communication towers (examples include American Tower, Cellnex, Crown Castle Intl)
- Data centres (examples include Digital Realty Trust, Equinix, Keppel DC REIT)
- Fibre networks & energy storage (examples include Gresham House Energy Storage Fund, Cogent Communications)

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- Logistics Warehouses (examples include Goodman Group, Prologis, Segro)

What it will not invest is technology (software, hardware, and payment systems).

The universe of companies has grown to 119, and between 2010 and 2020 the size of companies has gone from £73.5 billion to £461.3 billion. On launch they expect to have around 30 holdings.

In terms of stability, they used the example of communication towers where the average unexpired lease length is 7.7 years and types of customers include AT & T, T – Mobile and Vodafone. Another example is data centres where the average unexpired lease is 5.4 years, with customers including Facebook, IBM, Oracle, and JP Morgan.

The fund will have around 50% in logistics with the balance across the other three areas. It aims to deliver a yield of around 3% per annum plus capital growth through market cycles. In terms of where it invests it will look to hold REITS and Investment Companies who in turn own thousands of infrastructure assets, and these are leased by thousands of companies and supported by millions of individual customers. As an example, Crown Castle owns 40,000 towers, Goodman 366 properties and Cogent Comms circa 95,7000 miles of data cables.

In conclusion, it is important for investors to understand that this can and will likely have negative periods like any investment, as well as positive returns, but this is an alternative investment and may act as a good blend within a portfolio of assets. This is also likely to offer something different to other global funds as it is investing in the infrastructure that is driving the growth in technology. This means many of the assets will be different. VT Gravis have experience in this area and therefore investors will benefit from this.

The two areas of potential concern are that this is a new fund and therefore needs to attract assets to make this viable, and although they can demonstrate performance on a likely basket of assets, the reality is that this has no performance track record. From our perspective it might be a fund we watch, but not to invest in at this stage. Investors would need to consider what they are looking for and whether this fund offers them this.

*The source of information in this note has been provided by VT Gravis and is correct as at June 2021. These are notes from meeting the fund manager or representative and should not be seen as a recommendation to purchase any fund mentioned. Any reference to shares is not a recommendation to buy or sell. Should you wish to make a decision based on these notes we cannot take responsibility for this and you should carry out your own research before making a decision. We would also recommend that you receive advice before following up on any decision.*