

# Infrastructure: The foundation for income and growth as the economy recovers and rebuilds

Evidence in early 2022 shows that it is likely to be a challenging year for financial markets as economies rebuild and adapt following the COVID-19 pandemic. There is growing pressure from rising inflation, tightening of financial conditions and heightened volatility. The impact of the pandemic has been felt by most economies and businesses and with market conditions continuing to be a challenge, investors are starting to look outside of traditional stocks and bonds for reliable sources of income.

Given the influence political and economic events can have on traditional asset classes, it makes sense to diversify exposure towards alternative investments whose returns are less dependent on economic growth to deliver attractive risk-adjusted returns. Infrastructure is one such alternative asset class that, when added to a well-diversified portfolio, can help to lower volatility; increase income; provide a hedge against rising inflation, and enhance risk-adjusted returns.

## Key characteristics

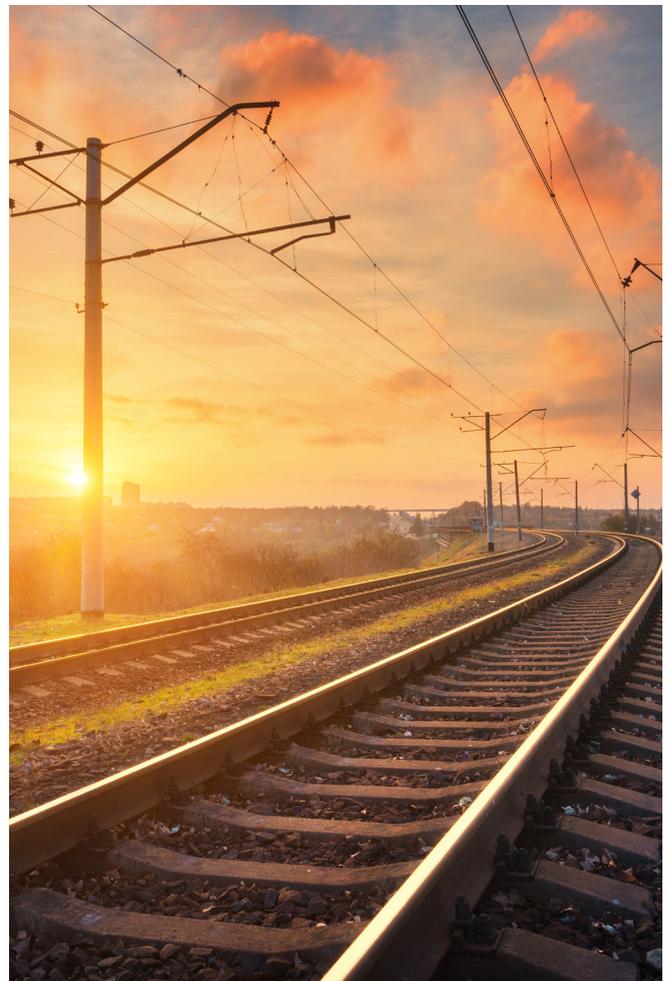
Infrastructure is defined as the basic services or social capital of a nation, which bolsters economic and social activities and includes schools, hospitals, renewable energy, railways, water and digital infrastructure. Projects are often asset backed, with a significant degree of long term pre-determined cash flows to the investor with the added security of high quality counterparties such as the Government. As such, the asset class can help solve many of the investment challenges facing today's investors.

First is through diversification. The infrastructure sector comprises many kinds of projects from schools to renewable energy, telecommunications to sewage networks, they all provide crucial services to the economy and have a low correlation to traditional asset classes. This means, they have the ability to protect portfolios from downturns in the economic cycle (downside mitigation).

Infrastructure can also offer investors consistent income with capital growth prospects through sustainable and regular dividends. Importantly, infrastructure is typically a lower volatility asset class and can be used to enhance risk-adjusted returns.

Investing in infrastructure assets can also insulate against rises in inflation since they can have income streams directly linked to the rate of inflation, protecting income returns in real terms.

Past performance is not a reliable indicator of future results.



## Government commitment

The Government says it will prioritise investment in renewable energy, and improving transport networks, hospitals and schools. These sectors are the cornerstone of the UK's economic and social welfare, reflected in the UK Government's 2020 Spring budget, pledging £640 billion of gross capital investment into roads, railways, communications, schools and hospitals by 2024-25.<sup>1</sup>

Furthermore, the Government pledged £22 billion for a new infrastructure bank in the 2021 Budget. This public sector spending is expected to help stimulate private infrastructure spending too, which will provide further tailwinds for the sector.<sup>2</sup> The announcement continues the commitments made in the 2016-2021 National Infrastructure Strategy which pledged £300 billion to UK projects. This creates ample opportunities for investors seeking long term, stable projects. In fact, the UK is one of the most attractive countries for renewable energy and infrastructure investment, and in the past few years the listed infrastructure sector has achieved attractive returns; stable dividend growth; and consistent premium ratings.

## Sustainability

Investing in infrastructure has the potential to enhance portfolio returns as well as delivering wider social and environmental benefits. Many infrastructure projects aim to have a positive impact on the lives of local communities either through enhancing transport networks, rejuvenating schools and hospitals or creating new industries. Supporting renewable energy, rail networks, and healthcare and social projects offers the chance to improve long term returns and secure the economic and environmental future for local and national communities.

1. gov.uk/government/news/budget-2020-what-you-need-to-know

2. assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\_data/file/1043689/Budget\_AB2021\_Web\_Accessible.pdf

3. investordaily.com.au/analysis/45694-defensive-equity-listed-infrastructure-vs-property-reits

4. gov.uk/government/news/600-million-boost-for-housing

5. bbc.co.uk/news/uk-politics-58792261

6. nic.org.uk/studies-reports/cities-programme/

7. gov.uk/guidance/flood-and-coastal-resilience-innovation-programme

## Accessing infrastructure

Direct allocations to infrastructure projects can be challenging for those without huge sums to invest. However, listed infrastructure funds pool capital from many smaller investors to invest in a wide range of projects, which in turn results in a more straightforward and liquid way of accessing the asset class.

TIME:UK Infrastructure Income invests in a well-diversified portfolio of high-quality asset-backed infrastructure and renewable energy securities, targeting a consistent income return with capital growth. Across the existing portfolio of 26 holdings the Fund comprises infrastructure; renewable energy; secured lending; social infrastructure; digital infrastructure; and logistics companies. However, since the Fund invests in listed investment trusts, the Fund has exposure to over 5,000 individual assets in over 30 subsectors. This extensive universe provides the diversification investors in infrastructure need, and historically has proven to be less volatile than mainstream equities.<sup>3</sup>

## Outlook

As the impacts of COVID-19 continue into 2022, the political and economic outlook shows no sign of calming, and so many investors are starting to seek alternative asset classes for their portfolios. Infrastructure offers plenty in the way of alternative benefits to traditional asset classes and a diversified, professionally managed fund makes access easy. However, as with all investments it is not without risk and investors should seek professional advice before exploring this opportunity.



For more information on TIME:UK Infrastructure Income, please get in contact via email at [questions@time-investments.com](mailto:questions@time-investments.com)

TIME:UK Infrastructure Income characteristics

- Diversification: Low correlation to other asset classes
- Target consistent income with capital growth prospects
- Lower volatility
- Inflation protection
- Assets have the potential to provide downside mitigation
- UK focus

Proposed government infrastructure projects

- £600 million for new homes<sup>4</sup>
- All UK's electricity will come from clean sources by 2035<sup>5</sup>
- £43 billion funding between now and 2040 to develop strategies for improving local transport networks<sup>6</sup>
- A national resilience standard to protect communities against the risk of flooding<sup>7</sup>

Issued in the UK by TIME Investments ('TIME') which is the trading name of Alpha Real Property Investment Advisers LLP ('Alpha') a subsidiary of Alpha Real Capital LLP, both of which are authorised and regulated by the Financial Conduct Authority.

TIME is the investment manager of TIME:UK Infrastructure Income. Please note there is no guarantee that the investment objectives of this product will be achieved. The value of investments and the income from them may fall as well as rise as a result of fluctuations in market, currency or other factors and investors may not get back the original amount invested. Any past performance data cited is not a reliable indicator of future results. TIME may source data from third party data providers but accepts no responsibility or liability for the accuracy of data. Applications for shares in the Fund can only be made via an Application Form and after reviewing the Key Investor Information Document ("KIID") and the Prospectus. Investors should carefully read the risk warnings contained within. All documentation is available on request. This document does not constitute investment or tax advice and potential investors are required to seek professional advice before investing. The underlying investments in the Fund consists of listed shares and securities (TIME:UK Infrastructure Income); under certain market conditions investors seeking to redeem their holdings may experience significant restrictions or delays. Fund Status: The Fund is a UK UCITS within the meaning of the rules contained in the Collective Investment Schemes Sourcebook (the FCA Regulations) published by the FCA as part of their Handbook of rules made under the Financial Services and Markets Act 2000 (the Act).

All information in this document is as correct as at January 2022