As investors grapple with the outbreak of COVID-19 and are experiencing high levels of volatility on the stock markets, we look at how infrastructure assets provide an alternative for those in search of income.

TIME INVESTMENTS

Macropolitical and economic events continue to drive the fortunes for the global equity and bond markets so far in 2020. For investors around the globe, the outbreak of COVID-19 has led to unparalleled volatility within financial markets and uncertainty for investors. The impact of the pandemic has been felt by most economies and businesses and with market conditions so challenging, investors must continue 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, diversifying 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 has shown that it can 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 municipal housing. 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.

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.[1]

Furthermore in 2019, Chancellor of the Exchequer at the time, Sajid Javid committed to spending 3% of UK GDP on national infrastructure. 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.

Social benefits

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.

Accessing infrastructure

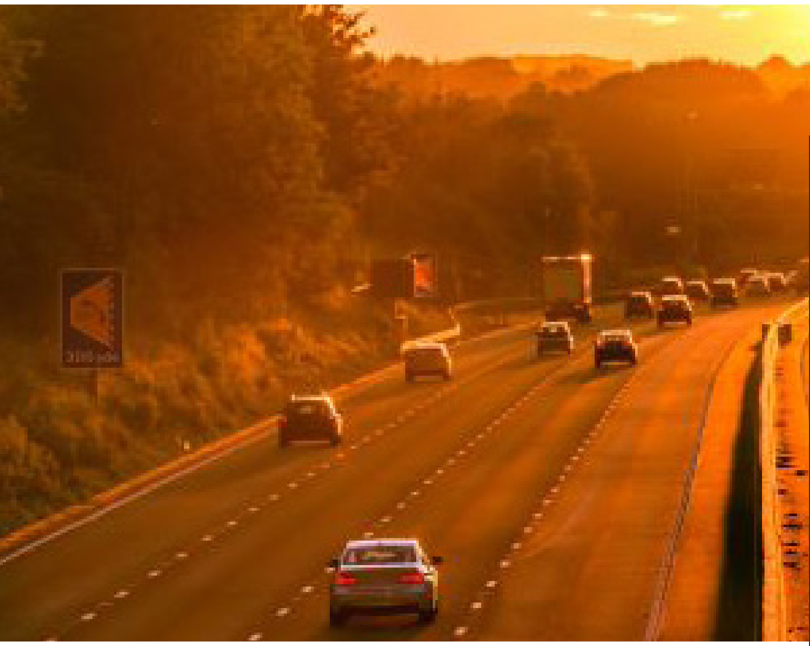
Direct allocations to infrastructure projects can be challenging for those without huge sums to invest. However, listed infrastructure funds, pool allocated capital from many smaller investors to a wide range of projects, which in turn results in a more straightforward and liquid way of accessing the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

For example, 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 21 holdings the Fund comprises infrastructure; renewable energy; secured lending; and real estate companies. However, since the Fund invests in listed investment trusts, the Fund has exposure to more than 1,200 underlying assets across the wider infrastructure and real estate subsectors. This extensive universe provides the diversification investors in infrastructure need, and historically has proven to be less volatile than mainstream equities.

Outlook

As the impacts of COVID-19 continue to unfold, the political and economic outlook shows no sign of calming, and so investors need to widen their nets. 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.

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



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

TIME:UK Infrastructure Income characteristics

- Diversification: Low correlation to other asset classes.
- Consistent income with capital growth prospects
- Lower volatility
- Inflation protection
- Downside mitigation
- UK focus

Proposed government infrastructure projects

- Extend access to full fibre broadband services across the country, with subsidised provision in rural and remote communities
- £600 million for new homes
- 50% of the UK's electricity should come from renewable sources by 2030
- 20 hospital upgrades
- Creating a charging network for electric vehicles
- £43 billion funding between now and 2040 to develop strategies for improving local transport networks
- A national resilience standard to protect communities against the risk of flooding

All information contained in this document is as 1 June 2020