SHINING A LIGHT ON THE……
Legg Mason IF RARE Global Infrastructure Income Fund

AT A GLANCE

Investment Objective
To provide investors with an income comprised of dividends with a secondary investment objective of long-term capital growth. The Fund seeks to achieve its objective by investing primarily in a diverse range of global listed infrastructure securities across a number of infrastructure sub-sectors, such as gas, electricity and water utilities, toll-roads, airports, rail and communication infrastructure and across different geographic regions, under normal market conditions.

Inception Date	1 July 2016
Fund Factsheet Link	http://www.morningstar.co.uk/uk/funds/snapshot/snapshot.aspx?id=F00000XGBH

Management	
Manager Name	**Start Date**
Daniel Chu	1 October 2019

Investment Style Details	
Equity Style	
Market Capitalisation	**% of Equity**
Giant	4.23%
Large	40.13%
Medium	42.49%
Small	13.15%
Micro	0.00%

Top 10 Holdings		
Total number of holdings	36	
Assets in Top 10 Holdings	39.57%	
Name	**Sector**	**% of Assets**
Hydro One Ltd	Utilities	4.86%
Red Electrica Corporacion SA	Utilities	4.67%
National Grid PLC	Utilities	4.17%
Enbridge Inc	Energy	3.96%
Dominion Energy Inc	Utilities	3.94%
Snam SpA	Utilities	3.93%
United Utilities Group PLC	Utilities	3.82%
Emera Inc	Utilities	3.57%
Transurban Group	Industrials	3.47%
AusNet Services Ltd	Utilities	3.17%

Volatility Measurements	
3-Yr Std Dev (volatility)	10.84%
3-Yr Mean Return (average)	12.15%

FUND PERFORMANCE

Performance from 1st July 2016 to 31st January 2020:

	2016	2017	2018	2019	2020
Legg Mason IF RARE Global Infrastructure Income Fund	2.80%	8.17%	-0.27%	27.41%	3.61%
MSCI World	8.86%	16.27%	-9.13%	24.86%	-0.32

Performance over 12 months, 3 years and since launch:

	1 year	3 years	Since launch
Legg Mason IF RARE Global Infrastructure Income Fund	22.51%	41.04%	46.40%
MSCI World	16.17%	29.90%	43.15%

You should note that past performance is not a reliable indicator of future returns and the value of your investments can fall as well as rise. The total return reflects performance without sales charges or the effects of taxation, but is adjusted to reflect all on-going fund expenses and assumes reinvestment of dividends and capital gains. If adjusted for sales charges and the effects of taxation, the performance quoted would be reduced.

UPDATE….

The story behind the strategy hasn't really changed; the primary aim is to deliver an income of 5% p.a. with some capital growth. It is seen as more defensive than some other infrastructure funds in the market. When markets are racing ahead the fund will lag but at times when the markets are falling then this tends to be more defensive as can be seen in 2018 and the start of 2020.

We started by discussing liquidity. This is something that they are getting more enquiries on. The fund currently has £620 million in assets and this is reviewed every year. There is a 50% overlap with another strategy and the total assets across both are $4.5 billion. The risk committee run a belts and braces approach to liquidity which shows that 80% could be liquidated within 7 days. It is worth adding that they invest in large companies traded on international stock exchanges so the ability to liquidate will always be there. Of course, if everyone was selling then it would be slightly different.

The other area that they look at is whether any single entity holds too much within the fund and therefore if they liquidated whether that would cause problems. They have a well-diversified spread of investors so this doesn't present a risk.

In terms of style and performance 2018 was a good example of when this fund can do well. At the start of the year this fund suffered because it had a higher weighting to utilities and there was a sell-off forcing prices down. This created mispricing in the market which they exploited by adding more to the portfolio. Because they are benchmark agnostic, they were not restricted on how much they could hold. At the end of the year, as markets dropped, those managers who had been selling utilities at the start of the year rushed back in search of safety, forcing up the price.

This meant that the MSCI World Index was down over 9%, but this fund was effectively flat. In 2019 they started to take profits from some of the utilities, and at the same time benefited from a rally in value stocks. The turnover for the fund over 2018 and 2019 was high at 60% but this reflects the need within the environment they are in to deliver the best returns for investors.

Although 2020 has only just started the fund has delivered positive numbers against a negative index.

In summary, this is a defensive play on the infrastructure market. It is aiming to produce an income of 5% plus some capital growth. They do forward price and they think a total return of 8% p.a. is about right. The fund will always perform better when markets are under pressure, and in a fast-moving upward market it will lag. It also worth adding this fund will only invest in listed infrastructure.

The source of information in this note has been provided by Legg Mason and is correct as at February 2020. 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.