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**
Richard Elmslie, Nick Langley, Shane Hurst and David Maywald	1 July 2016

Investment Style Details	
Equity Style	
Market Capitalisation	**% of Equity**
Giant	11.51%
Large	47.41%
Medium	29.73%
Small	11.35%
Micro	0.00%

Top 10 Holdings		
Total number of holdings	31	
Assets in Top 10 Holdings	50.68%	
Name	**Sector**	**% of Assets**
Enbridge Inc	Energy	6.76%
Williams Companies Inc	Energy	6.22%
Transurban Group	Industrials	5.29%
Emera Inc	Utilities	5.05%
Atlantia SpA	Industrials	5.04%
United Utilities Group PLC	Utilities	4.99%
National Grid PLC	Utilities	4.94%
Spark Infrastructure Group	Utilities	4.84%
SSE PLC	Utilities	4.06%
China Merchants Port Holdings Co Ltd	Industrials	3.48%

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

FUND PERFORMANCE

Performance from 1st July 2016 to 28th February 2019:

	2016	2017	2018	2019
Legg Mason IF RARE Global Infrastructure Income Fund	2.60%	7.80%	-0.72%	9.11%
Vanguard Global Bond Index Fund	-2.35%	2.00%	-0.11%	1.00%

Performance over 12 months, and since launch:

	1 year	Since launch
Legg Mason IF RARE Global Infrastructure Income Fund	16.54%	19.80%
Vanguard Global Bond Index Fund	1.94%	0.49%

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….

Infrastructure can be seen as a diversified asset and doesn’t necessarily move in the same direction as equities and bonds. The difference with this strategy compared to others is the defensive nature. The focus is on delivering income of 5% with some capital growth. Although the strategy is new in the UK it has a track record going back eight years.

In a market where everything is racing ahead this fund will lag, but when markets are falling this is likely to fall less. In terms of developing the portfolio they work from a blank sheet of paper. They are benchmark agnostic and construct the portfolio where yield quality is key.

Although macro forecasts play a part fundamentally, they see themselves as bottom up infrastructure specialist managers. In the UK, as an example, utilities got close to their regulated asset values, but political uncertainty made them cheap. Looking through the noise they saw opportunities and now have about 16% to UK utilities. If Labour Nationalised them, they would have to pay compensation which would be close to the regulated asset value. On this basis they wouldn’t lose anything.

The reality is that many of these businesses are performing well and it would make little sense to do this. Understanding these things can add value to the portfolio.

In terms of holdings they have about 10% in Emerging Markets (mainly Brazil), Australia (toll roads, pipelines etc) and increased exposure to the US from 28% to 43%. The weighting to Europe has come down and they recently sold out of Italy due to concerns over the government.

Another important aspect of the strategy is that it only invests in listed infrastructure. Some funds invest in greenfield projects. This further reduces the risk.

In summary, infrastructure is becoming more of a diversifying asset for portfolios. Where this is different is the focus on downside protection which we saw in 2018, but at the same time it will capture some upside. If there was a period of exceptional performance, then this fund would struggle. The fund also does not follow the benchmark and therefore will likely look very different. It will likely sit as a fund on its own or a blend with other infrastructure funds. RARE are a specialist infrastructure business with 48 employees managing $3.6 billion in assets. Legg Mason own 85% of the business but effectively leave them to focus on their area of specialism.

The source of information in this note has been provided by Legg Mason and is correct as at March 2019. 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.