

# FTF ClearBridge Global Infrastructure Income

## Opinion

- This Recommended fund is run by a team of experienced infrastructure investors. The approach has its roots in the RARE Infrastructure business, which was established in 2006 and integrated with ClearBridge in 2019.
- The approach and decision-making processes are highly collegiate in nature. The resources available to the team means they cover a wide range of opportunities from across geographies and market-cap ranges.
- By seeking to deliver an outcome in excess of G7 inflation, the team makes a clear statement about their desire to deliver positive real returns without being beholden to a reference index.

## Characteristics and Utility

- The fund is not managed with any benchmark in mind. The focus is upon providing a return ahead of inflation over the medium term.
- Infrastructure is regarded as a less risky asset class compared to property and equities because the assets provide an essential service to the community. These defensive characteristics are reinforced by the team's emphasis on the quality and visibility of earnings, combined with a focus on income streams.
- Investors can expect the strategy to fare relatively well during times of risk aversion, when more conservative investments are typically in vogue. Although there is some scope to tilt the portfolio in response to improving/strong economic circumstances, it is unlikely to participate fully when equity markets are buoyant or when momentum is fuelling share prices in certain sectors.
- Given the fund's innate interest rate sensitivity, performance can be susceptible to related market moves. Furthermore, political/regulatory regimes can have a meaningful impact on the asset class.
- The fund's exposure to companies that can link their earnings to inflation means it is well positioned to deliver a stable and growing distribution yield over time. However, while the team aims for a yield of around 5%, it is important to note that this can vary according to prevailing conditions, portfolio composition and currency moves.
- Given the fund's specialist nature, it can be deployed as a more defensive equity allocation and/or a source of income within a portfolio.

## Risk Commentary

The fund's KIID Synthetic Risk and Reward Indicator (SRRI) is 6. This is a regulatory measurement that is, where possible, calculated from the volatility of its weekly performance over a five-year period. A score of 6 means the fund's historic volatility is between 15% and 25%.

Our analysis indicates that the fund's five-year standard deviation is towards the lower end of the 15%-25% range associated with a score of 6. An SRRI score of 6 is not out of step with that of global equities. Different share classes could have different SRRI scores.



## Key Fund Facts

<b>Inception Date:</b>	9 July 2016
<b>Manager(s) Since:</b>	Global Infrastructure Income Team
<b>Fund Domicile:</b>	United Kingdom
<b>Base Currency:</b>	£ Sterling
<b>Fund Benchmark:</b>	OECD G7 Inflation + 5.5%
<b>IA Sector:</b>	Infrastructure

Formal documentation, including the fund prospectus and the KIID, should be sought directly from the asset manager. A link to the asset manager's website can be found on the relevant fund page at [theadvisercentre.co.uk](http://theadvisercentre.co.uk). An asset manager adviser factsheet is also provided there.

## Fund Snapshot

A specialist global equity fund dedicated to investing in companies with high quality infrastructure assets, with a view to delivering a sustainable level of income and capital growth. The performance objective is to deliver a return above inflation on a 5-year view, with income being an important component of the total return.

## Investment Team

The ClearBridge Global Infrastructure Income team is based in Sydney. The fund is managed by four portfolio managers, Daniel Chu, Charles Hamieh, Shane Hurst and Nick Langley, who also comprise the Investment Committee. They are supported by a dedicated team of research analysts. Clearbridge is a specialist investment manager of Franklin Resources, Inc.

## Investment Philosophy

The fund aims to provide investors with a reliable income and a total return that outpaces OECD G7 inflation over a rolling five-year period. In practice, the team are aiming to deliver an outcome consistent with OECD G7 inflation (CPI) + 5.5% (gross of fees). The team seeks to deliver this absolute real return by investing in a range of listed infrastructure securities across a range of sub-sectors, achieving diversification through geography as well as by exposure to different cash flow drivers (regulated/user pays) and macro, regulatory and political regimes.

## Investment Process

The team begins with the premise that for a company to be termed infrastructure, the underlying investment must be a real asset, available for public use, and be underpinned by a regulatory framework. Within these parameters, the focus is on companies with regulated assets, such as water and wastewater, gas and electricity transmission, as well as companies with 'user pays' assets (for example, toll roads, railways and ports).

The team works from a proprietary list of companies (the 'RARE Income Universe') drawn from the global universe of infrastructure-related securities. The list features businesses that have been screened for liquidity, the visibility and predictability of their cash flows and the quality of their dividend yields. Each company is assigned an infrastructure score, based upon the proportion of its assets that are deemed to be infrastructure of any kind, combined with an assessment of infrastructure quality, which reflects factors such as the predictability of future cashflows. Companies must also have a minimum one-year forward dividend yield of 2.5%. A scoring process generates a list of around 170 companies, on which the team carries out detailed analysis. Their specialist understanding of regulatory and concession frameworks is a key part of this work, as is a comprehensive schedule of meetings with customers, suppliers, regulators and industry experts. This work is written up into a concise format that also includes valuation analysis, where the key metric is the excess return forecast (defined as the real expected return minus the real required return). At the weekly Investment Committee, detailed scenarios around the excess return forecasts are considered and this supports their portfolio construction decisions.

## Portfolio Construction and Risk Controls

The fund typically holds 30-60 listed infrastructure securities, and it is constructed without reference to any benchmark. Rather, the team is focused upon delivering inflation-linked capital growth over an economic cycle, together with a reliable income stream. Although regulated utilities are the mainstay of the portfolio (50-90%), the fund can hold 0-40% in renewables, 0-40% in transport, 0-20% in energy infrastructure, 0-20% in communications, and 0-10% in community/social. Up to 20% can be invested in developing markets. The fund may hold up to 10% in cash when the team is unable to identify sufficiently attractive investment ideas.

## [theadvisercentre.co.uk](http://theadvisercentre.co.uk)

This document is for financial professional use only. The Adviser Centre is a trading name of Embark Investments Limited and is not authorised to carry out regulated activities. Embark Investments Limited is a company incorporated in England Company Number 03383730 and is regulated by the FCA, registration number 628981. The information in this document, including information from asset managers and third-party sources, is deemed to be correct at the time of publication but The Adviser Centre takes no responsibility for its accuracy. This document has been written for illustrative purposes and as such is neither a solicitation nor a recommendation with respect to the purchase or sale of any securities. Opinions are always stated honestly and with careful consideration, but they can change at any time. Full fund documentation provided by the asset manager should be reviewed as part of any decision-making process. Any investment's value and any income from it may fall as well as rise because of market and currency fluctuations. Investors may not get back the amount originally invested. V.2 24/3