Winterflood

Fund Insight

BBGI Global Infrastructure (BBGI)

For The Long Haul

29 July 2024 | Winterflood Research | researchcontact@winterflood.com

Dashboard

For relevant definitions, please see our Infrastructure Primer

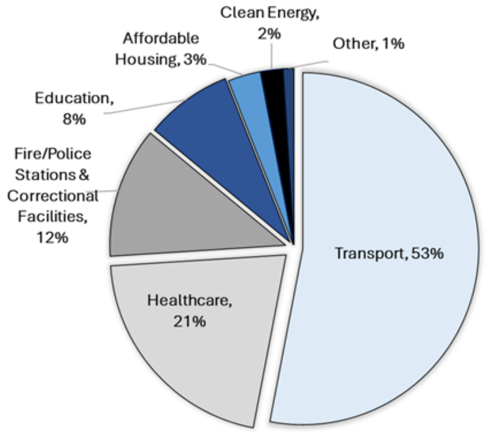
Team & Strategy

Investment objective: BBGI aims to provide secure and highly predictable long-term cash flows from a portfolio of 'core' infrastructure investments. The portfolio is actively managed to maximise long-term capital value. The fund has an annualised NAV total return target of 7% to 8%, consisting of both income and capital growth.

Team: Duncan Ball is CEO and Michael Denny is CFOO of BBGI. The fund is internally managed, with no external manager appointed, and this fund is the team's sole focus.

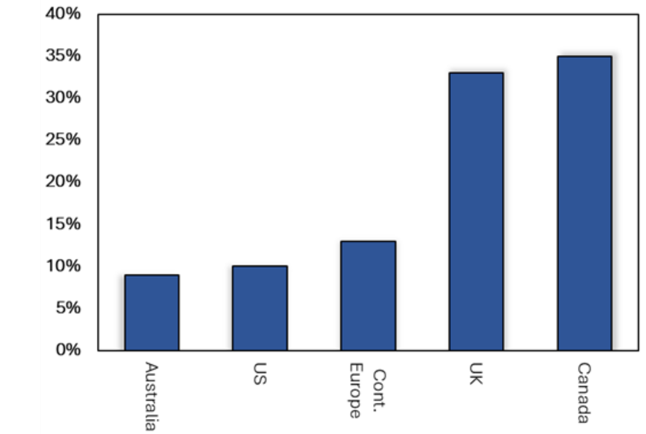
Strategy: Focused on value preservation, while achieving portfolio growth, aiming for stable and predictable cash flows. The portfolio comprises globally diversified, fully operational and availability-based assets, contracted with government or government-backed counterparties, with revenues typically linked to inflation.

Portfolio: Sector Breakdown (%)



Source: BBGI, Winterflood Securities. Data as at 31 December 2023

Portfolio: Geography Breakdown (%)



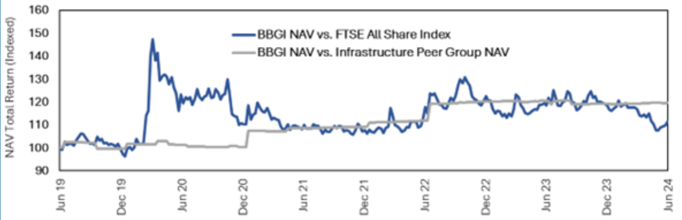
Source: BBGI, Winterflood Securities. Data as at 31 December 2023

Key Figures

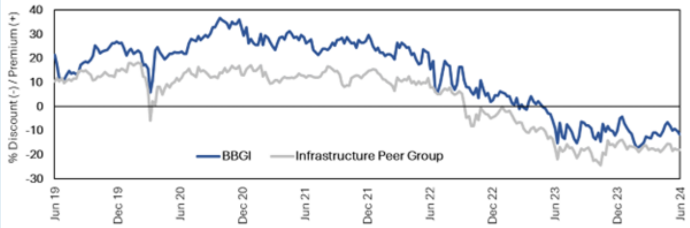
£949m	Market Capitalisation (28 June 2024)	6.0%	Dividend Yield (28 June 2024)
-10.3%	Discount to NAV (28 June 2024)	1.4x	Dividend Cash Cover (31 Dec 2023)
0.93%	Ongoing Charges (% of NAV) (31 Dec 2023)	7-8% p.a.	Target NAV Total Return (31 Dec 2023)
0.9%	Net Cash (% of NAV) (31 Dec 2023)	8.6% p.a.	NAV Total Return since IPO (31 Dec 2023)

Source: BBGI, Morningstar, Winterflood Securities.

Performance & Discount

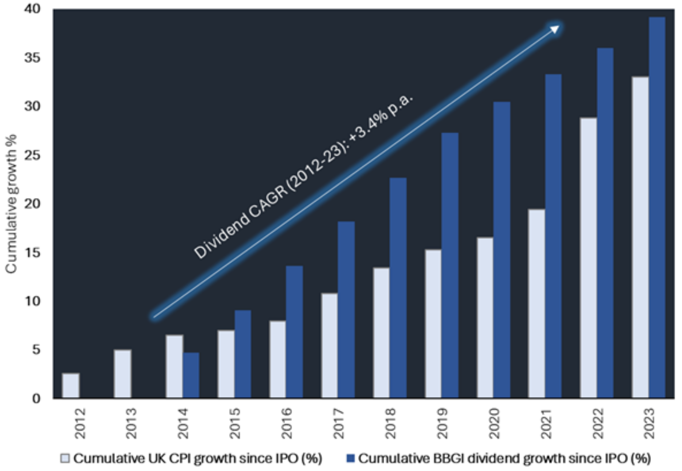


Source: BBGI, Morningstar, Winterflood Securities. Data as at 28 June 2024



Source: BBGI, Morningstar, Winterflood Securities. Data as at 28 June 2024

Dividend Growth History (%)



Source: BBGI, Winterflood Securities. Data as at 31 December 2023

This Product is intended for investors who are prepared to take a relatively high level of risk of loss to their original capital in order to achieve a higher potential return.
This Product is intended to form part of a diversified investment portfolio.
Past performance is not a reliable indicator of future results

Our Insight

For relevant definitions, please see our Infrastructure Primer

Challenges:

A lot higher for a lot longer: The difference between Gilt yields and Infrastructure investment trust dividend yields has driven share price discounts in recent years. If benchmark interest rates were to remain high for substantially longer than expected, or even increase, this may reduce the demand for BBGI shares. This could also reduce portfolio valuation based on higher discount rates, which we note is a subjective measure.

FX risk: Currency hedges provide only partial protection against substantial movements in Canadian, Australian or US dollars or Norwegian kroner versus Sterling.

Political risk: If public-private partnership frameworks are less frequently used, this reduces the potential investment pipeline. Further, BBGI is exposed to legal changes, such as the Canadian tax deduction change, even if its diversification reduces country-specific risk.

Counterparty risk: If a subcontractor underperforms or faces insolvency, this could result in a temporary loss of revenues while onboarding a replacement contractor.

Contract life: Current portfolio contracts will eventually expire, thus future investment is required to extend the fund's cashflow timeline. However, this is not a near-term requirement, as less than 1% of portfolio projects (by value) will expire over the next five years.

Advantages:

Higher quality & lower risk assets: The portfolio consists of fully operational assets, and therefore currently has no construction risk. Its PPP income streams are contracted with government(-backed) counterparties located in countries with at least an AA credit rating. Further, over half of BBGI's investments are in roads and bridges, which are low-complexity infrastructure assets, typically at the lower end of the risk spectrum. The portfolio is more geographically diversified than its closest peers, and the project pipeline benefits from a global surge of planned infrastructure spending.

Growing & contractual income: The availability-based nature of portfolio projects provides corresponding reliability of income. Furthermore, the 'mechanical' nature of BBGI's inflation linkage has facilitated +3.4% p.a. compound dividend growth since IPO, while each published dividend target has been met or exceeded.

Alignment & low cost: BBGI is the only internally-managed Infrastructure investment trust, and its resulting lower overhead costs contribute to the ongoing charges being the lowest among its peers. The fee structure is not based on NAV, aligning with shareholder interests by disincentivising 'asset gathering'. The managers have 'skin in the game', with a requirement to hold at least 200% of salary in shares, and salaries include a performance-based component.

Our Insight:

Combining bond like characteristics with growth: As a result of its availability-based income streams, the BBGI portfolio is not dependent on economic growth, offering resilience in a downturn, while portfolio company cash reserves reduce interest rate sensitivity. Moreover, the fund benefits from contractual inflation linkage supporting real cash flow growth, with progressive dividends expected for the next 15 years even if no further investment was made. The long life of its assets and its defensive nature puts BBGI in a strong position to outperform should interest rates decline.

Disciplined approach to capital allocation: BBGI's internally-managed team has consistently shown a disciplined approach to capital allocation. No acquisitions have been made over the past 18 months, as the managers prioritised deleveraging, attaining a net cash position. This contrasts with its peers, some of which were forced to dispose of assets to reduce gearing levels amid the higher interest environment.

Shift in market pricing: BBGI shares have been trading at a discount to NAV over the last 12 months, having traded at an average premium of 14.5% over the last 10 years. This is despite the portfolio discount rate having been increased to 7.3% to reflect the increased cost of capital. Hence, value investors may view the current rating as an opportunity.

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Team & Strategy

Team & Strategy

For relevant definitions, please see our Infrastructure Primer

Team: The Management Board of BBGI Global Infrastructure (BBGI) consists of CEO Duncan Ball, CFOO (Chief Financial & Operating Officer) Michael Denny and Head of Business Development Andreas Parzych, each of whom have over 20 years of infrastructure sector experience. The fund is 'internally managed', meaning that there is no appointed external investment manager, and this fund is the team's sole focus. BBGI has a five-person Supervisory Board, and its members have substantial executive and non-executive experience, including with other investment trusts. All Management and Supervisory Board members are BBGI shareholders, as are 28 of 31 staff members.

Objective: To provide highly predictable long-term cash flows from a portfolio of 'core' infrastructure investments, actively managing the portfolio to optimise capital value over the longer term. The investment policy limits construction assets to 25% of portfolio value. The fund targets an annualised NAV per share total return of 7-8%, consisting of both income and capital growth. The fund has a bi-annual continuation vote, with the next vote scheduled for April 2025.

Philosophy & Process: BBGI focuses on value preservation, with long-term reliability and predictability of income. The portfolio is diversified, comprising fully operational infrastructure assets (i.e. none under construction) with government (-backed) counterparties. These contracts are all 'availability-based' concessions, inflation-linked and projects are contracted as Public-Private Partnerships (PPP) or under similar frameworks. *For more detail, see our Infrastructure Primer.*

Investment structure: Each project is executed via a special purpose vehicle ('portfolio company'), typically funded from a combination of equity and non-recourse debt. Portfolio companies are generally responsible for asset lifecycle costs, but this responsibility and corresponding risks can be passed onto subcontractors. The utilisation of subcontractors for construction, maintenance and facility management is typical for PPP-style structures.

Dividends: The fund has a progressive dividend policy, and has delivered average dividend growth of +3.4% p.a. between 2012 and 2023. The dividend target for the financial year to December 2024 is 8.4p per share (a +6% increase year-on-year) and the dividend target for 2025 is set at 8.57p (+2% year-on-year). Based on current contracted income, the managers believe that the portfolio could sustain a progressive dividend for the next 15 years.

Gearing: Having utilised its revolving credit facility to finance two acquisitions, BBGI has since repaid all drawings, and held £9.7m net cash in December 2023 (0.9% of portfolio value, compared to a gearing policy limit of 33%). The £230m credit facility, maturing in May 2026, can be expanded to £300m and is priced at a margin of 165bps over the reference bank rate.

The Managers Say:
"We are the only infrastructure company with an in-house management team [..] Our growth strategy has always focused on quality over quantity to deliver long-term shareholder value"

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Portfolio

Portfolio: Characteristics

For relevant definitions, please see our Infrastructure Primer

Key Metrics: The BBGI portfolio comprises 100% operational and availability-based assets, compared to an average of 91.5% operational and 47.5% availability-based assets for its closest peers (*see adjacent table*). These metrics indicate a relatively lower risk profile, which corresponds to the comparatively lower discount rate utilised by BBGI. The BBGI dividend yield was lower than its peers as at 28 June, while its last reported dividend cover of 1.4x was higher than its closest peers.

Portfolio Concentration: As at 31 December 2023, the portfolio consisted of 56 assets, geographically diversified across North America, Australia, the UK, Germany, the Netherlands and Norway. Exposure to the top 10 assets represented 48% of portfolio value (*see adjacent table*). 79% of portfolio assets (by value) are majority owned by BBGI.

Remaining Life: Concessions in the portfolio have a weighted average remaining life of 19.3 years, below the peer group average. Less than 1% of the portfolio by value will be handed back over the next 5 years.

Inflation Linkage: The fund's availability-based revenues are contractually indexed to inflation (either partially or fully), to compensate for increasing costs over the life of the concession. This indexation can be described as "*mechanical*", as inflation in a given year is typically reflected in the next year's cashflow. *For more detail, see our Infrastructure Primer.*

Portfolio Company Balance Sheets: As at 30 September 2023, the share of portfolio company cash attributable to BBGI was £385m (equivalent to 36% of NAV). 55 of 56 assets are not subject to refinancing risk, as borrowing costs are fixed for the life of the concession period, with an average debt maturity of 15.6 years.

	BBGI	Closest Peers Average
Number of Investments	56	128
Investment Concentration^	48.0%	56.9%
Weighted average life (years)	19.3	33.7
Availability-based contracts	100.0%	47.5%
Operational	100.0%	91.5%
Inflation linkage	0.5x	0.7x
Discount rate	7.3%	8.2%
Dividend yield	6.0%	6.5%
Dividend cover	1.40x	1.08x

Source: BBGI, Winterflood Securities, latest available data as at 28 June 2024. We selected HICL Infrastructure (HICL) and International Public Partnerships (INPP) as closest peer comparators for BBGI.
^Note: Investment Concentration is defined as: Top 10 investments as a % of portfolio value

Top 10 Investments (BBGI)	Country	% of Portfolio Value
Golden Ears Bridge	Canada	11.0%
Ohio River Bridge	US	10.0%
Northern Territory Secure Facilities	Australia	4.0%
A7 Motorway	Germany	4.0%
A1/A6 Motorway	Netherlands	4.0%
Victorian Correctional Facilities	Australia	3.0%
Liverpool & Sefton Clinics	UK	3.0%
McGill University Health Centre	Canada	3.0%
M1 Westlink	UK	3.0%
Women's College Hospital	Canada	3.0%
Total		48.0%

Source: BBGI as at 31 December 2023

Portfolio: Sector & Geography

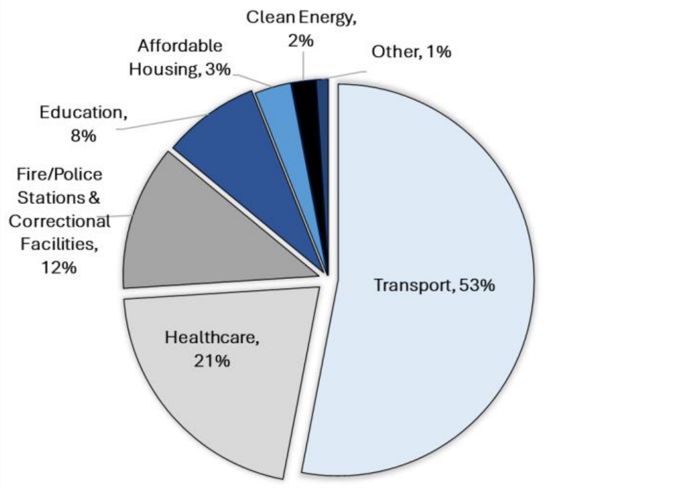
Portfolio assets are diversified across both **Sector** and **Geography**.

Sector Weightings: The fund focuses on operational availability-based assets with secure, public sector-backed contracted revenues. As at 31 December 2023, the largest sector exposures were to Transport (53% of NAV), Healthcare (21%) and Fire/Police Stations & Correctional Facilities (12%). *See the following pages for additional detail on sector risk profiles.*

Country Weightings: All project exposure is to countries with at least an AA credit rating. As at 31 December, the largest country exposures were to Canada (35% of NAV, 16 out of 56 assets) and the UK (33%, 25 assets), with the remainder across Germany (7 assets), Australia (3 assets), the Netherlands (3 assets), Norway (1 asset) and the US (1 asset). Exposure sizes are determined by the historical availability of PPP-style opportunities in each jurisdiction, as well as strategic partnerships such as with AtkinsRéalis (formerly SNC-Lavalin) in Canada.

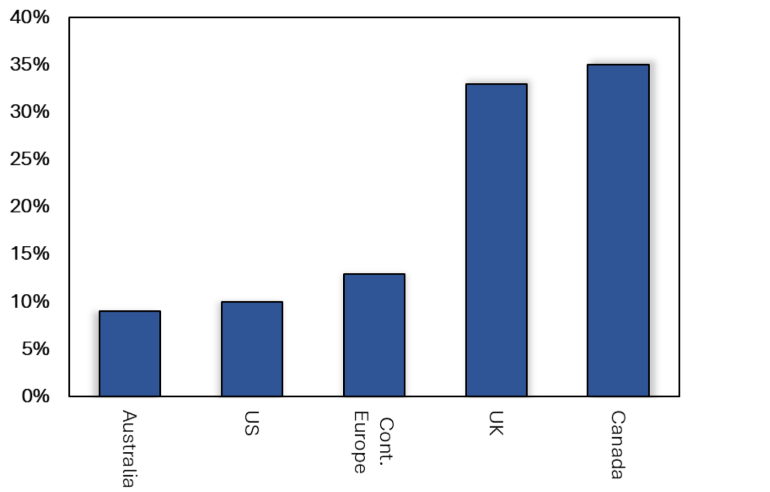
FX Risk: As at 31 December, 67% of portfolio value was denominated in currencies other than Sterling. Partial mitigation of FX risk is provided by currency hedging via forward swaps in place for the next four years of forecast cash flows in Australian, Canadian and US dollars, as well as Norwegian kroner. Euro exposure is unhedged, as euro-denominated fund running costs provide a natural hedge.

Sector Weightings (% of portfolio value)



Source: BBGI as at 31 December 2023

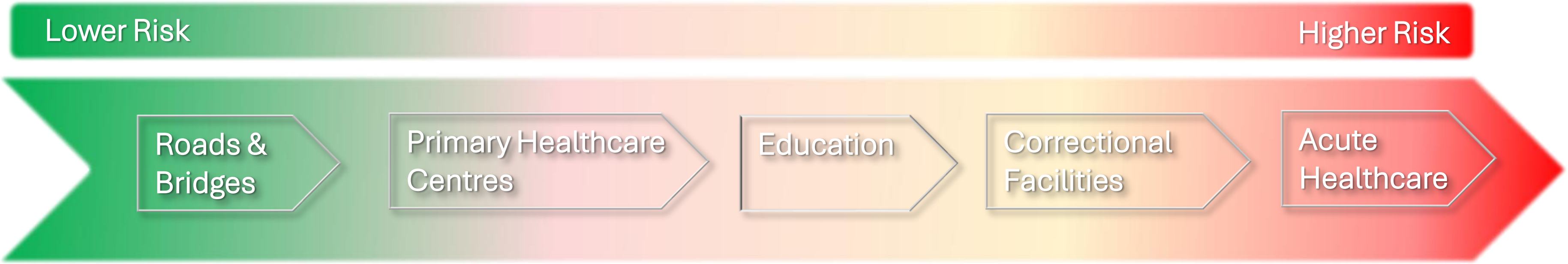
Country Weightings (% of portfolio value)



Source: BBGI as at 31 December 2023

Portfolio: Risk Spectrum

Sector weightings in the portfolio tend to correspond with risk profiles. The following is a generic indication of such risk profiles:



Source: Winterflood Securities, BBGI as at 31 December 2023
Note: this visualisation is illustrative, and cannot be used to determine any project-specific risk

Roads & Bridges: Within the Transport (53% of NAV as at 31 December 2023) sector weighting, the BBGI portfolio includes 19 roads and bridges, which are considered to have a relatively low degree of complexity. In this category, lifecycle costs (c.18% of construction cost over the concession term) and operational costs (c.1% of construction cost p.a.) tend to be relatively low. There are fewer maintenance counterparties involved, requiring limited coordination.

Primary Healthcare Centres: Within the Healthcare (21% of NAV) sector weighting, the BBGI portfolio includes several local primary health care centres. These are typically relatively simple 2-3 storey buildings for services such as GP practices and dental surgeries. These tend to only have 'hard' facilities management obligations, relating to the physical structure of the building.

Education: Educational facilities (8% of NAV) typically have 'hard' facilities management obligations as well as 'soft' facilities management obligations (such as cleaning services), and they are required to be operational 5 days a week. Lifecycle costs are estimated at c.43% of construction cost, while operational costs are generally expected to represent c.4% of construction cost p.a.

Correctional Facilities: Part of the Fire/Police Stations & Correctional Facilities (12% of NAV) sector allocation. These are relatively complex due to their 24-hour operational nature and more challenging intervention requirements.

Acute Healthcare Facilities: Within the Healthcare (21% of NAV) sector weighting, there are 2 acute care facilities, representing c.1% of NAV. These are considered more complex, given their 24-hour operational nature, more challenging intervention requirements and corresponding political sensitivity.

Portfolio: ESG

Environmental, Social and Governance (ESG) considerations are integrated in the BBGI business model, with a focus on delivering positive social impact and comprehensive climate risk analysis. This includes the following measures:

- Prospective investments are subject to negative screening, whereby BBGI excludes investments based on ESG grounds, such as fossil fuel exploration, extraction and storage, arms trading, alcohol, tobacco and gambling (see here for detail).
- New investments are also screened for positive factors, guided by the UN Sustainable Development Goals (SDGs) to "*assess, measure, and monitor that the Company can keep investing […] and make a positive contribution to social and environmental outcomes*".
- The due diligence process includes a proprietary survey collecting ESG KPIs, and an ESG assessment is submitted internally ahead of investment decisions. All assets are screened for the impact of climate hazards, which provides the portfolio with a high degree of climate resilience.
- Ongoing stewardship and monitoring aims to ensure that ESG policies are upheld at the portfolio company level, and projects are continuously assessed against a number of ESG-related targets. The fund publishes an annual ESG report, the latest edition can be found here.
- CEO Duncan Ball and CFOO Michael Denny are members of the BBGI's ESG Committee, which meets at least quarterly.

BBGI is an 'Article 8' company under the EU's Sustainable Finance Disclosure Regulation (SFDR) and aligns with several ESG-related frameworks, including the UN Global Compact and Principles for Responsible Investment (PRI), the Financial Stability Board's Task Force on Climate-Related Financial Disclosures (TCFD) and the Net Zero Asset Managers initiative.

Case Study: Framework for assessing SDGs

	Sustainability Indicator	Impact	
SDG 3: Good Health & Well-being	41 healthcare facilities; c.600,000m^2 managed	c.4 million patients	Hospitals, and primary healthcare centres provide access to healthcare delivery for c.4m patients a year
	26 fire stations; c.33,000m^2 managed	c.800,000 people	Fire stations provide c.800,000 people with protection against fire-related injuries and fatalities

Source: BBGI ESG Report 2022

The Managers Say:
"A disciplined approach to ESG is fundamental not only to deliver positive returns and facilitate access to essential infrastructure, but also to ensure the long-term durability of the portfolio [..] we maintain on behalf of the public sector"

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Performance, Dividends & Rating

NAV Sensitivities

For relevant definitions, please see our Infrastructure Primer

The net asset value of BBGI is determined on a discounted cash flow basis. In order to estimate future cash flows, a number of (subjective) assumptions are made to account for a range of factors. The fund publishes the prospective NAV impact of any changes to these assumptions, in order to enhance investor understanding of its valuation sensitivity to these factors. An overview of key NAV sensitivities is provided below.

Discount Rate: A percentage change in the weighted average discount rate applied to the cash flows of the investment portfolio has the largest single impact on the NAV. *See our Infrastructure Primer for additional detail*.

Inflation Rate: Most revenue generated by portfolio companies is contractually linked with inflation. Therefore, inflation expectations are relevant in determining future cashflows, i.e. a lower-than-expected inflation rate next year will result in lower-than-expected revenue and vice versa.

FX: Given that 67% of the portfolio is denominated in currencies other than Sterling, exchange rate movements will impact the value of projected cash flows. Currency hedges in place are structured to limit a 10% FX movement to a 3% NAV impact.

Key NAV sensitivities		
Discount rate +/- 1%	-7.3%	+8.4%
Inflation rate -/+ 1%	-3.9%	+4.3%
Inflation rate +2% for 3 years	0.0%	+2.9%
Inflation rate +2% for 1 year	0.0%	+1.1%
Foreign Exchange +/- 10%	-2.9%	+2.9%
Lifecycle costs +/- 10%	-2.4%	+2.2%
Deposit rate -/+ 1%	-2.1%	+2.0%
Corporate tax rate +/- 1%	-1.2%	+1.1%
Refinancing – senior debt rate + 1%	-0.8%	+0.0%
GDP -/+ 0.5%	0.0%	+0.0%
Combined: -1% inflation, deposit rates, and discount rates	0.0%	+1.9%
Combined: +1% inflation, deposit rates, and discount rates	-1.5%	+0.0%

Source: BBGI as at 31 December 2023

Lifecycle Costs: A significant change in the expected cost of interventions or material replacements over the term of the concession would impact the amount of cash that portfolio companies are able to send back to BBGI. For 36 out of 56 assets in the portfolio, these costs have been contractually passed down to subcontractors and will therefore not impact BBGI revenue.

Deposit Rate: Portfolio companies hold substantial cash deposits, often as a debt covenant requirement. These cash balances are deposited and will therefore generate interest income. A shift in long-term deposit rate expectations will hence affect expected income.

Corporate Tax Rate: The income generated by portfolio companies is subject to corporation tax within their respective jurisdictions.

Refinancing – Senior Debt Rate: While almost all portfolio company debt is fixed (55 out of 56 assets in the portfolio), for the portion that is not fixed, any refinancing requirements will be impacted by interest rate changes over the remaining investment concession term.

Performance

Note: *Past performance is not a reliable indicator of future results*

For relevant definitions, please see our Infrastructure Primer

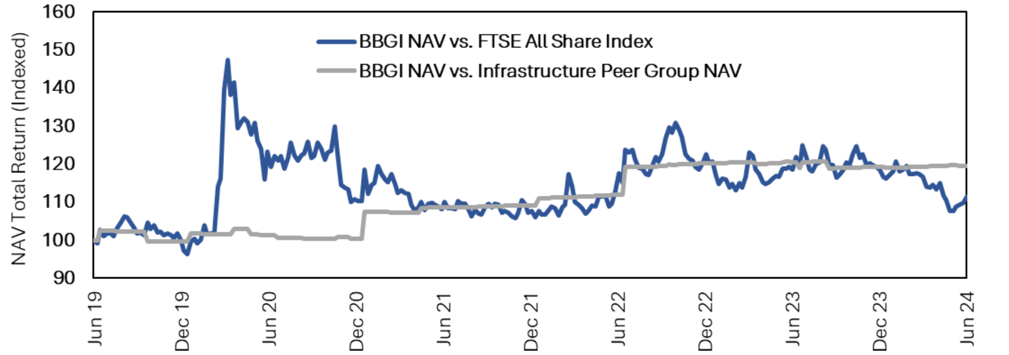
Track Record: Over the five years to 28 June 2024, the fund has delivered a NAV total return of +42% and a share price total return of +11%, compared with +31% for the FTSE All-share index and +21% NAV total return for the Infrastructure investment trust peer group. BBGI's annualised NAV total return per share is 8.6% since IPO to 31 December 2023.

FY23 Results: BBGI delivered a NAV total return of +3.9% over calendar year 2023, while net assets (NAV) reduced by -£12m to £1,057m. Key performance drivers over 2023 are outlined below:

Portfolio performance: Unwinding of the discount rate[1] added +£75.2m to NAV, with active management adding a further +£18.5m.

Weighted average discount rate: The fund increased the portfolio weighted average discount rate from 6.9% to 7.3% over the year, reflecting a higher risk premium, reducing NAV by -£41.0m.

5-Year Relative NAV Performance



Source: Winterflood Securities, Morningstar as at 28 June 2024

	Total Return (£)					
	YTD	2023	2022	2021	2020	2019
BBGI (NAV)	2.9%	3.9%	12.3%	7.5%	6.3%	7.5%
BBGI (Share Price)	-3.2%	-4.6%	-6.8%	5.3%	9.0%	11.8%
FTSE All Share Index	7.4%	7.9%	0.3%	18.3%	-9.8%	19.2%
Infrastructure Peer Group (NAV)	2.4%	4.8%	3.8%	4.0%	0.7%	7.8%

Source: Winterflood Securities, Morningstar, Bloomberg as at 28 June 2024

Macroeconomic & regulatory assumptions: An increase in forecast short- and long-term deposit rates contributed +£25.7m to NAV, representing increased interest income from portfolio company cash balances. Changes to inflation forecasts had net positive impact +£4.2m. A final draft of the Canadian 'EIFEL' tax legislation, limiting the tax deductibility of interest and finance expenses, was published in late 2023 and expected to take effect from January 2024. This had a negative NAV impact of -£16.3m, adding to the -£9.8m provision made in 2022 for an earlier draft of this legislation, and is expected to be final.

Foreign exchange: The appreciation of Sterling against all other investment currencies over 2023 resulted in a decrease in NAV of -£23.3m, as the majority of portfolio company revenues are not denominated in Sterling.

[1] Unwinding of the discount rate here refers to the fact that as the portfolio moves closer to forecasted investment distribution dates, the time value of those cash flows increases on a net present value basis. *See our Infrastructure Primer for additional detail.*

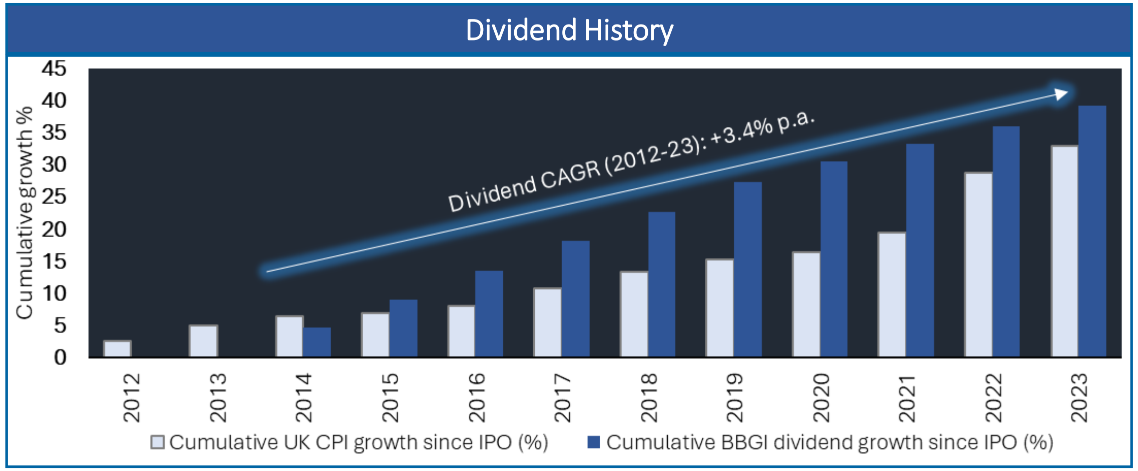
Dividends & Cash Flow

Dividends: Over the ten years to 31 December 2023, BBGI has increased its (semi-annual) dividend at a compound annual growth rate (CAGR) of +3.4%, compared to +1.5% for HICL and +2.8% for INPP[2]. This outpaced UK CPI growth of +2.8% over the same period, providing 'real' dividend growth to its investors. BBGI paid a 7.93p dividend in respect of 2023 (+6.0% year-on-year), which was 1.40x covered by cash flow.

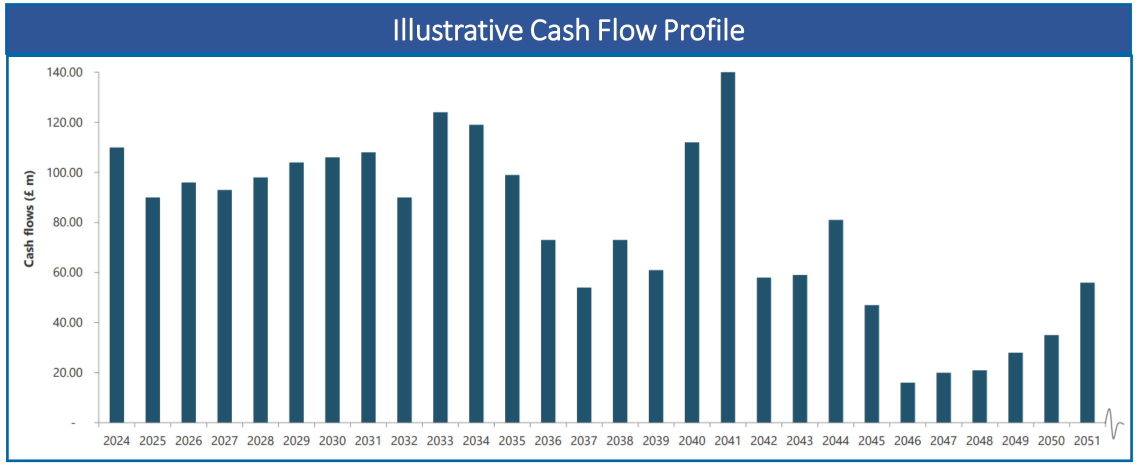
Dividend Outlook: The Board has set 2024 and 2025 dividend targets of 8.40p (+6% year-on-year) and 8.57p (+2%). BBGI has met or exceeded each dividend target set since IPO. As at 28 June 2024, the FY24 dividend target represented a prospective yield of 6.3% on the share price.

Cash Flow Profile: The underlying assets in the portfolio generate consistent and long-term cash flows, extending up to 2051 (*see illustrative cash flow profile on adjacent chart*). The portfolio has a relatively long weighted average life of 19.3 years, with 41% of assets by value having remaining life of over 20 years, supporting the sustainability of cash flows.

Investment replacement: As current portfolio contracts eventually expire, future investment is required to extend the cashflow timeline. However, this is not a near term requirement, as the hand-back of BBGI's contracts represents less than 1% of the portfolio over the next five years, providing time to identify replacement investments. Moreover, even if no further investments are made, the managers believe that existing contract cashflows could support yearly dividend growth of +2% for the next 15 years.



Source: BBGI, Winterflood Securities as at 31 December 2023
Note: *Past performance is not a reliable indicator of future results*



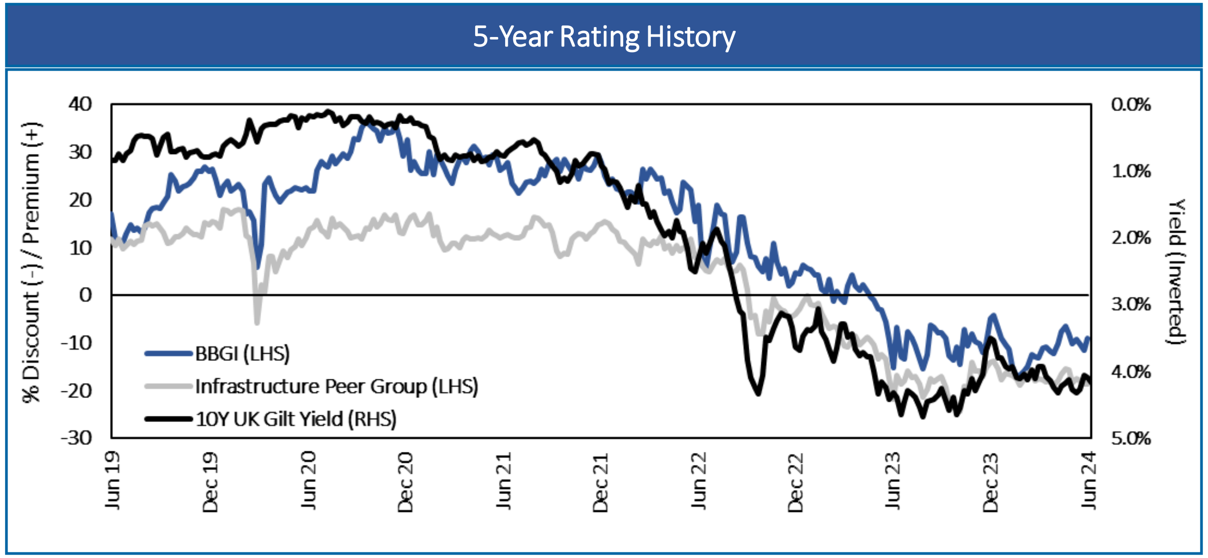
Source: BBGI as at 31 December 2023
Note: *This chart is hypothetical, is not a forecast and many factors are not incorporated*

[2] We selected HICL Infrastructure (HICL) and International Public Partnerships (INPP) as closest peer comparators for BBGI.

Rating

Rating: BBGI shares traded on a 10.3% discount to 31 December 2023 NAV as at 28 June 2024, compared with a 1-year average discount of 10.6% and a 5-year average premium of 13.5%. This compared to a weighted average discount of 16.6% for the Infrastructure peer group. As can be seen in the chart below, BBGI's rating, as well as the rating of the broader Infrastructure peer group, has been closely correlated to UK Gilt yields, especially in the rising interest rate environment seen since 2022. Higher interest rates have led to a deterioration in sentiment towards Infrastructure investment trusts, corresponding with a widening of discounts. This can be attributed to the expected negative impact on underlying asset valuations via the discount rate used in discounted cash flow valuations, as well as rising Gilt yields making the yields offered by these funds comparatively less attractive.

Discount control: BBGI has authority to buy back its shares or conduct tender offers in order to control its discount, although this has not been utilised materially to date; 2-yearly continuation votes, with next at April 2025 AGM.



Source: Winterflood Securities, Morningstar, Bloomberg as at 28 June 2024

Peer Group

Peer Group: Composition

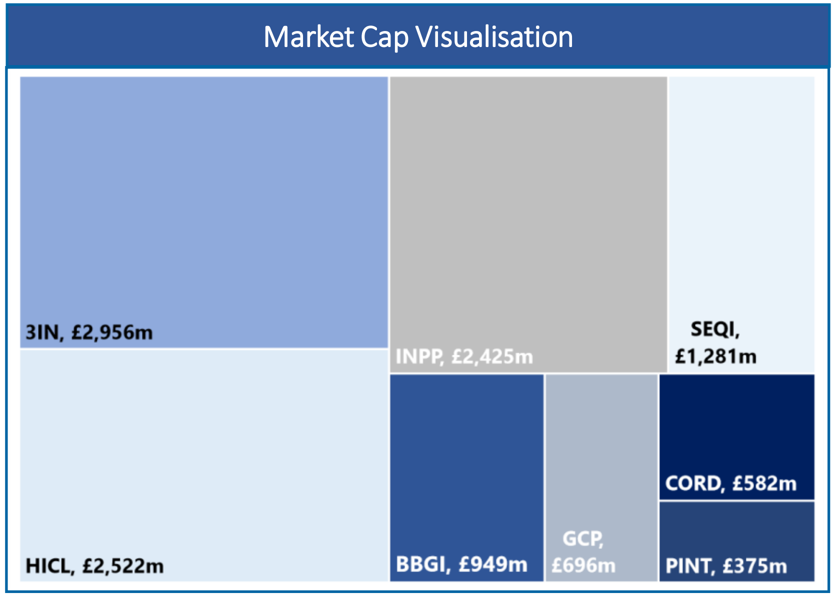
In addition to BBGI, the Infrastructure peer group consists of funds with the following investment objectives (*excluding funds in managed-wind down*):

3i Infrastructure (3IN): Invest responsibly in infrastructure, delivering long-term sustainable returns to shareholders and having a positive influence on the portfolio companies and their stakeholders.

Cordiant Digital Infrastructure (CORD): Generate attractive long-term total returns by owning and operating digital infrastructure assets in the UK, the EEA and North America.

GCP Infrastructure Investments (GCP): Provide regular, sustained, long-term dividends and preserve the capital value of its investment assets over the long term. The focus is on infrastructure projects with pre-determined, long-term, public sector, backed revenues, with investment primarily through debt exposure.

HICL Infrastructure (HICL): Deliver sustainable income and capital growth from a diversified portfolio of investments in core infrastructure.



Source: Winterflood Securities, Morningstar as at 28 June 2024

International Public Partnerships (INPP): Invest responsibly in social and public infrastructure to provide investors with stable, long-term, inflation-linked returns, based on growing dividends and the potential for capital appreciation.

Pantheon Infrastructure (PINT): Provide exposure to a global, diversified portfolio of high-quality infrastructure assets; it is targeting an annual NAV total return of 8-10%.

Sequoia Economic Infrastructure Income (SEQI): Generate attractive and sustainable returns through investment in a portfolio of economic infrastructure private loans and bonds across a range of industries.

We view HICL and INPP as BBGI's closest peers, due to their focus on social infrastructure.

Peer Group: Performance

NAV Total Return: As at 28 June 2024, BBGI's NAV total return over the last 12 months (+4%) was slightly below the weighted average (+5%) return for the Infrastructure peer group. This is also the case over the last 3 years (+26% vs +27%) while it was in line with peer group average over 5 years (+42% vs +42%). However, it is the best performer in the Social Infrastructure sub-sector over the last 12 months (+4% vs HICL +1%, INPP -3%), 3 years (+26% vs HICL +21%, INPP +16%) and 5 years (+42% vs HICL +32%, INPP +25%).

Share Price Total Return: As at 28 June, BBGI's share price total return has lagged the peer group weighted average over the last 12 months and 3 years, but it is the second-best performer over the last 5 years.

			NAV Performance (Total Return)						Price Performance (Total Return)					
Ticker	Name	Sub-Sector	1M	3M	6M	1Y	3Y	5Y	1M	3M	6M	1Y	3Y	5Y
3IN	3i Infrastructure	Infrastructure: Economic	0%	1%	5%	11%	50%	86%	-4%	0%	2%	6%	19%	27%
BBGI	BBGI Global Infrastructure*	Infrastructure: Social	1%	1%	3%	4%	26%	42%	-1%	2%	-3%	2%	-12%	11%
CORD	Cordiant Digital Infrastructure	Infrastructure: Economic	0%	1%	10%	12%	35%	n/a	10%	22%	2%	-5%	-18%	n/a
GCP	GCP Infrastructure Investments	Infrastructure: Debt	1%	2%	1%	2%	29%	33%	2%	14%	17%	13%	0%	-10%
HICL	HICL Infrastructure	Infrastructure: Social	0%	1%	2%	1%	21%	32%	0%	0%	-7%	-1%	-11%	1%
INPP	International Public Partnerships	Infrastructure: Social	1%	1%	-3%	-3%	16%	25%	2%	6%	-4%	5%	-10%	10%
PINT	Pantheon Infrastructure	Infrastructure: Economic	0%	1%	6%	14%	n/a	n/a	0%	9%	-2%	5%	n/a	n/a
SEQI	Sequoia Economic Infrastructure Income	Infrastructure: Debt	2%	3%	5%	8%	13%	26%	0%	1%	-2%	13%	-10%	-2%
	Average		**1%**	**1%**	**4%**	**6%**	**27%**	**41%**	**1%**	**7%**	**0%**	**5%**	**-6%**	**6%**
	Weighted Average		**1%**	**1%**	**3%**	**5%**	**27%**	**42%**	**0%**	**4%**	**-1%**	**5%**	**-3%**	**9%**
	FTSE All-Share Index		-1%	4%	7%	13%	24%	31%	-1%	4%	7%	13%	24%	31%

Source: Winterflood Securities, Morningstar as at 28 June 2024. Excludes funds in managed wind-down

Note: *Past performance is not a reliable indicator of future results*

* Denotes a corporate client of Winterflood Securities

Peer Group: Metrics

Rating: As at 28 June 2024, BBGI was trading at the second tightest discount in the peer group (-11%).

Yield: The fund's dividend yield of 6.0% is broadly in line with the Infrastructure peer group's simple average (6.3%) and weighted average (6.0%).

Net Issuance[3]: Some of the Infrastructure peer group have repurchased shares over the twelve months to 28 June 2024. BBGI has repurchased 1.1m shares for £1.6m over the last 12 months, related to an administrative matter.

Cost: BBGI's ongoing charges ratio (excluding performance-related fees) is equal to 0.93% of net assets, which is the lowest in the peer group, helped by its internally managed structure. If one were to include performance-related fees, ongoing charges for the financial year to 31 December 2023 were 1.04%. *Please note that shareholders do not pay these costs directly.*

Ticker	Name	Sub-Sector	Premium (+) / Discount (-) (NAV)	Average Premium (+) / Discount (-) 12m	Z-Score 12m	Market Capitalisation (£m)	Dividend Yield 12m	Gearing (+) / Net Cash (-) %NAV	Net Issuance 12m	Ongoing Charges %NAV
3IN	3i Infrastructure	Infrastructure: Economic	-10.8%	-8.7%	-0.8	2,956	3.7%	14.2%	0.0%	2.4%
BBGI	BBGI Global Infrastructure*	Infrastructure: Social	-10.3%	-10.6%	0.1	949	6.0%	0.8%	-0.1%	0.9%
CORD	Cordiant Digital Infrastructure	Infrastructure: Economic	-37.2%	-38.0%	0.1	582	5.5%	56.8%	-0.8%	1.1%
GCP	GCP Infrastructure Investments	Infrastructure: Debt	-25.4%	-34.2%	2.1	696	8.7%	9.2%	-1.1%	1.2%
HICL	HICL Infrastructure	Infrastructure: Social	-21.3%	-21.0%	-0.1	2,522	6.6%	10.5%	-0.2%	1.2%
INPP	International Public Partnerships	Infrastructure: Social	-12.7%	-15.4%	0.8	2,425	6.4%	-2.4%	-0.5%	1.3%
PINT	Pantheon Infrastructure	Infrastructure: Economic	-27.3%	-24.6%	-0.8	375	5.0%	15.6%	-1.8%	n/a
SEQI	Sequoia Economic Infrastructure Income	Infrastructure: Debt	-15.7%	-13.4%	-0.9	1,281	8.6%	3.8%	-6.3%	1.0%
	Average		-20.1%	-20.7%	0.1	1,473	6.3%	13.5%	-1.4%	1.3%
	Weighted Average		-16.6%	-16.8%	0.0		6.0%	9.6%	-1.0%	1.4%

Source: Winterflood Securities, Morningstar as at 28 June 2024. Excludes funds in managed wind-down

* Denotes a corporate client of Winterflood Securities

[3] Net share issuance (net share buybacks if negative) over the last 12 months as a percentage of current market capitalisation. Excludes issuance/buybacks resulting from IPOs, Tenders, Redemptions, Share Conversions, Consideration Shares and Treasury Share cancellations

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Outlook & Insight

Managers' Outlook

Macro Backdrop: The managers observe that the increased appeal of the bond market has driven a de-rating across the investment trust infrastructure sector. The same does not apply to private markets, where institutional investors continue to regard infrastructure assets as a prudent hedge against inflation and economic stress. However, transaction volumes for infrastructure assets have been subdued across the board, partly driven by macro-economic uncertainty, and partly because there are few forced sellers in the market, as assets have generally performed well.

Emerging Opportunities: The managers anticipate that current economic uncertainty will lead to eventual investment opportunities, driven by structural trends such as digitalisation, decarbonisation and infrastructure upgrading across advanced economies. They expect to be able to take advantage, given the net cash position and unused credit facility. As government spending is subject to fiscal constraints, the managers note that private capital is required to fulfil unmet global infrastructure expenditure needs, estimated at up to $15tn by 2040. Any new opportunities will be expected to align with established criteria, including predictable long-term cash flows and inflation linkage. While new investments might be made under a concession framework, as is the current norm, the managers would also consider outright ownership if appropriate.

Regional Outlook:

Australia: Supported by a AUD120bn pipeline of government infrastructure spending, there has been a range of public-private collaboration efforts made over the preceding decade, including PPPs, and the managers continue to monitor opportunities.

Canada: The 'Investing in Canada' plan pledged over CAD180bn to infrastructure projects by 2035, with CAD144bn already disbursed across more than 94,000 projects, further supported by the Canadian Infrastructure Bank. Availability of 'traditional' PPP structures has decreased but the managers believe that BBGI is well positioned to take advantage of other opportunities, given the portfolio and reputation the fund has built. The retrospective change to the tax-deductibility of interest was a setback, and the managers highlight that other jurisdictions such as the UK decided against subjecting PPP-style projects to such tax changes, maintaining the predictability of long-term project cash flows.

European Union: While the EU 'Green Deal' and Global Gateway strategy provide policy support, EU PPP deal flow has been inconsistent. Nonetheless, BBGI continues to monitor opportunities and has native team members on the ground in Germany and the Netherlands.

United Kingdom: The managers cite a £63bn funding gap for UK transport and social infrastructure by 2033. While PFI structures were discontinued in 2018, alternative models are emerging, and the managers are actively seeking to expand the fund's UK footprint.

United States: Substantial government infrastructure expenditures, including the $1.2tn 'Infrastructure Bill' is a tailwind, alongside the drive for energy security and re-shoring of supply chains. The managers expect a pipeline of PPP opportunities at all levels of government, as well as under alternative procurement models or private-led initiatives.

The Managers Say:
"We remain poised to seize the right investment opportunities that are value-accretive, with long-term predictable and inflation-linked revenues"

Our Insight

Challenges:

A lot higher for a lot longer: The difference between Gilt yields and Infrastructure investment trust dividend yields has driven share price discounts in recent years. If benchmark interest rates were to remain high for substantially longer than expected, or even increase, this may reduce the demand for BBGI shares. This could also reduce portfolio valuation based on higher discount rates, which we note is a subjective measure.

FX risk: Currency hedges provide only partial protection against substantial movements in Canadian, Australian or US dollars or Norwegian kroner versus Sterling.

Political risk: If public-private partnership frameworks are less frequently used, this reduces the potential investment pipeline. Further, BBGI is exposed to legal changes, such as the Canadian tax deduction change, even if its diversification reduces country-specific risk.

Counterparty risk: If a subcontractor underperforms or faces insolvency, this could result in a temporary loss of revenues while onboarding a replacement contractor.

Contract life: Current portfolio contracts will eventually expire, thus future investment is required to extend the fund's cashflow timeline. However, this is not a near-term requirement, as less than 1% of portfolio projects (by value) will expire over the next five years.

Advantages:

Higher quality & lower risk assets: The portfolio consists of fully operational assets, and therefore currently has no construction risk. Its PPP income streams are contracted with government(-backed) counterparties located in countries with at least an AA credit rating. Further, over half of BBGI's investments are in roads and bridges, which are low-complexity infrastructure assets, typically at the lower end of the risk spectrum. The portfolio is more geographically diversified than its closest peers, and the project pipeline benefits from a global surge of planned infrastructure spending.

Growing & contractual income: The availability-based nature of portfolio projects provides corresponding reliability of income. Furthermore, the 'mechanical' nature of BBGI's inflation linkage has facilitated +3.4% p.a. compound dividend growth since IPO, while each published dividend target has been met or exceeded.

Alignment & low cost: BBGI is the only internally-managed Infrastructure investment trust, and its resulting lower overhead costs contribute to the ongoing charges being the lowest among its peers. The fee structure is not based on NAV, aligning with shareholder interests by disincentivising 'asset gathering'. The managers have 'skin in the game', with a requirement to hold at least 200% of salary in shares, and salaries include a performance-based component.

Our Insight:

Combining bond like characteristics with growth: As a result of its availability-based income streams, the BBGI portfolio is not dependent on economic growth, offering resilience in a downturn, while portfolio company cash reserves reduce interest rate sensitivity. Moreover, the fund benefits from contractual inflation linkage supporting real cash flow growth, with progressive dividends expected for the next 15 years even if no further investment was made. The long life of its assets and its defensive nature puts BBGI in a strong position to outperform should interest rates decline.

Disciplined approach to capital allocation: BBGI's internally-managed team has consistently shown a disciplined approach to capital allocation. No acquisitions have been made over the past 18 months, as the managers prioritised deleveraging, attaining a net cash position. This contrasts with its peers, some of which were forced to dispose of assets to reduce gearing levels amid the higher interest environment.

Shift in market pricing: BBGI shares have been trading at a discount to NAV over the last 12 months, having traded at an average premium of 14.5% over the last 10 years. This is despite the portfolio discount rate having been increased to 7.3% to reflect the increased cost of capital. Hence, value investors may view the current rating as an opportunity.

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Appendix: Infrastructure Primer

Infrastructure Primer

What are 'core' Infrastructure investments?

Core Infrastructure encompasses '**real assets**'; physical assets, networks and systems performing essential functions such as roads, bridges, airports, water utilities or (renewable) power generation, often exhibiting monopolistic characteristics. These assets are typically considered non-cyclical investments, independent of the economic cycle, offering stable and predictable income over long time periods.

What are some key defining characteristics of the asset class?

Defining characteristics of Infrastructure as an asset class include:

✓ Consistent and predictable cash flows, often deriving from contracted and/or regulated revenue models

✓ Non-cyclical nature of assets, with extensive utilisation irrespective of macro-economic conditions

✓ Often viewed as a hedge against inflation, due to 'real asset' characteristics and potential for contractual inflation protection on earnings

✓ Limited marginal costs per use (i.e. a bridge has low daily variable costs)

✓ Higher leverage may be used, given the lower-risk nature of the assets and predictable stream of income

Why do private investors allocate to Infrastructure?

Due to the typical stability of long-term income and limited correlation of returns with the wider economy, Infrastructure investment has proliferated across private markets, particularly during the last several decades, offering an attractive alternative to investing in low or negative yielding sovereign bonds. For investors with a particularly long investment horizon (such as pension funds or large asset managers), Infrastructure investments are often made to improve portfolio diversification, add macro-economic resilience and limit portfolio volatility over the longer term.

On the following pages, we provide further detail on:

✓ **Discount Rates**

✓ **Public-Private Partnerships**

✓ **Inflation Linkage**

For more, please refer to the Corporate Finance Institute (CFI) Infrastructure resource page

Note: **Highlighted** terms are defined in the Glossary

Infrastructure Primer

How does a Discount Rate impact valuation?

BBGI's portfolio is valued using a discounted cashflow (DCF) model. This requires forecasting future cash flows, and then determining the present value of future cash. Assuming £1 today is more valuable than £1 next year (as the money could be invested and/or earn interest in the meanwhile), to arrive at an accurate valuation estimate, future income streams must be 'discounted' to account for the '**time value**' of money. This is achieved by using a discount rate. The higher the estimated time value of money, for example representing high prevailing **bank deposit rates**, the lower the present value of future cash inflows.

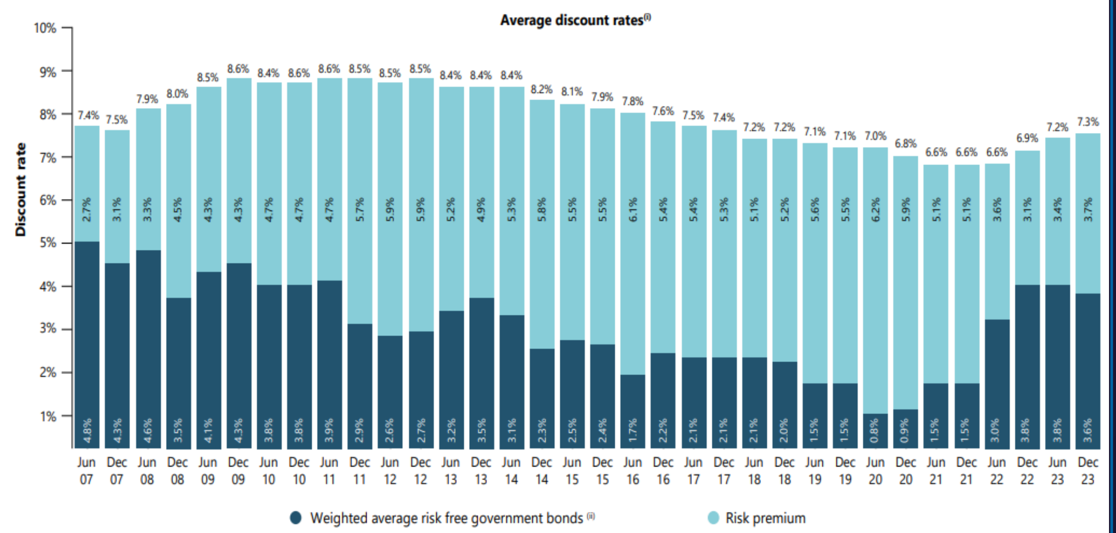
How are Discount Rates calculated?

There are several methods for calculating a discount rate, and we note that this is essentially a subjective exercise. Commonly, a discount rate consists of two components: a '**risk free rate**' (representing the return offered for investments with minimal risk, i.e. 10-year sovereign bonds yields) and a '**risk premium**' (an estimate of the additional return required to cover the risk profile of the relevant investment). These components may be determined from assumptions, forecasts, or stem from market observations (i.e. if the value of a recent market transaction for a similar asset is known, this can form the basis of the risk premium calculation).

How does this apply to BBGI?

The BBGI managers note that their "*determination of appropriate discount rates involves judgement based on market knowledge, insights from investment and bidding activities, benchmark analysis with comparable companies and sectors, discussions with advisers and publicly available information*", complemented by '**CAPM'** analysis where limited real-world data is available. The managers forecast long-term cash flows, making assumptions for key variables such as inflation. A fair value is then deduced by applying a discount rate. The adjacent chart shows the composite risk free rate and risk premia used by BBGI over time. The increasing risk free rate in recent years (moving from 0.5% in June 2020 to 3.6% in December 2023) reflects the rising interest rate environment. The risk premium is based on market transaction data, among other factors, such as country- and asset-specific risks. The managers note that the current risk premium of 3.7% is "*within historic ranges*", and accounts for "*the heightened macroeconomic volatility observed*" in recent periods.

BBGI Discount Rates Over Time



(i) Sector average from listed peers for the period from Dec-2007 until Dec-2010 and the BBGI discount rate from Dec-2011.
(ii) Based on the weighted geographical breakdown of BBGI portfolio as at each valuation period; considering the following securities yield rates: Canadian Government Debt – 20 Years, UK Government Debt – 20 Years, Australian Government Debt – 15 Years, US Treasury Bond – 30 Years, German Government – 20 Years, Norway Swap Rate - 10 Years and Netherlands Government Debt – 20 Years.

Source: BBGI

Note: **Highlighted** terms are defined in the Glossary

Infrastructure Primer

What are Public-Private Partnerships?

BBGI invests primarily under public-private procurement frameworks, whereby local or state governments involve private companies to bid for the right to a **concession** of public infrastructure, such as roads, bridges or hospitals. This approach mobilises private capital to construct and/or maintain public assets, reducing construction costs borne by government in exchange for the revenue generated from the concession, often over a pre-defined period. Regulatory frameworks vary by jurisdiction, but notable examples of such frameworks include Public Private Partnerships (PPP) in Europe and Australia and Project Finance Initiatives (PFI) in the UK.

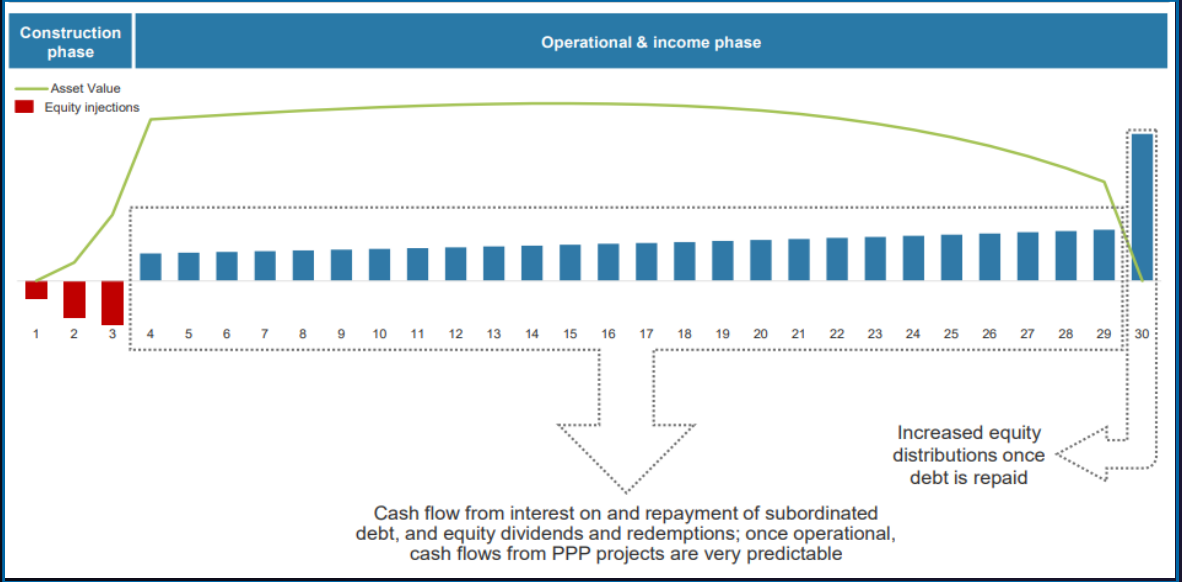
Typical lifecycle characteristics are:

Construction Phase: A state or local government decides to build a core infrastructure asset (such as a school, a bridge or a hospital) and sets a budget. Usually, a competitive tender process is held, where a consortia of private companies bid for the right to construct and/or maintain the asset. Usually, BBGI will not act as a developer, instead either purchasing a previously completed asset, or tendering alongside a construction company for the project and assume management upon completion. Typically, a special purpose vehicle or portfolio company is formed to govern the asset.

Operational & Income Phase: Once operational, BBGI becomes the long-run custodian of the asset, typically over a period of 25 to 30 years, and assume responsibility for the provision and/or maintenance of the infrastructure. Concession contracts usually have a fixed lifespan, with predictable cashflows several decades into the future and zero terminal value. PPP-style structures generally allow the operator to pass down unavailability and performance risks to subcontractors.

Lock Ups: To ensure financial stability of the project, PPP-style structures typically have contractual restrictions preventing income distribution to the operator in the event of financial stress, ensuring sufficient cash is available for project (re)investment. Since inception, no BBGI projects have experienced lock-ups or material defaults.

Illustrative PPP Cash Flow Projection



Source: BBGI

Hand Back: At the end of the concession life, the private partner transfers control and management of the project back to the public sector. Scheduled hand-back of contracts represents less than 1% of the BBGI portfolio over the next five years, providing the fund with considerable time to identify replacement investments

Note: **Highlighted** terms are defined in the Glossary

Infrastructure Primer

What is Inflation Linkage?

Revenues earned by BBGI under concession frameworks are usually linked to inflation ('**indexed**'). This implies that contractual payments to BBGI are adjusted upward if inflation rises. The degree of indexation varies per project/contract. Indexation helps to offset rising input costs and protect the 'real' value of the long-term cash flows earned from these projects. The characteristics of inflation linkage mechanisms differ across different types of Infrastructure assets. We provide an overview below of the types of assets and mechanisms prevalent in the portfolios of BBGI and its closest peers.

Availability-based assets: BBGI's portfolio consists entirely of availability-based projects. An 'availability-based' asset refers to a concession where the operator is paid by a government entity, based on the availability of the asset, instead of asset usage or other parameters. For instance, BBGI receives recurring payments as long as a particular highway is available for use and meets certain pre-agreed conditions, rather than receiving payment as a function of traffic volumes on the road (as would be the case for a toll road). Revenues for such assets are usually (either partially or fully) contractually indexed to inflation, to compensate for increasing costs over the life of the concession. This indexation is commonly described as "*mechanical"*, as high inflation is typically reflected in the following years' contract payments.

Regulated assets: For 'regulated' assets, government agencies predetermine contract pricing, which are paid out by government entities. For example, regulators may set pricing on a five-yearly cycle, with the aim of providing an agreed return on equity that is constant in 'real' terms, with reference to an inflation index over that period. Above-forecast costs can be subsequently recovered, but are subject to a regulatory review process which is not 'mechanical', and therefore the operator has no guarantee of full cost recovery. This can lead to a prolonged delay between the period in which high inflation occurs and when portfolio cash flows are rebased, although we note that delayed revenue will be captured in cash flow forecasts and therefore is reflected in the NAV.

Demand-based assets: These assets generate revenues based on usage, typically featuring a contractual ability to reset user fees on an annual basis. The operator receives payments from users directly, as is the case for the toll road example. While this mechanism offers the possibility of annually passing on inflation to consumers of the assets, there may be delays in the feasibility of passing through costs. In addition, demand (and therefore revenues) may fall in response to charging higher prices. This is particularly relevant following a steep rise in inflation, as the quality of inflation linkage or pass-through is effectively determined by the price elasticity of demand for the asset, and demand may additionally be impacted by wider macro-economic conditions.

Portfolio Comparison

	BBGI	INPP	HICL
Availability-based assets	100%	30%	65%
Regulated assets	0%	48%	21%
Demand-based assets	0%	22%	14%
Inflation linkage	0.5x	0.7x	0.7x

Source: BBGI, HICL Infrastructure (HICL), International Public Partnerships (INPP). We have selected HICL and INPP as the closest peer comparators for BBGI. BBGI & INPP as at 31 December 2023. HICL as at 31 March 2024.

Note: **Highlighted** terms are defined in the Glossary

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Glossary & Disclaimer

Glossary

Investment Trust Terminology:

- ✓ **Continuation Vote:** A shareholder vote at an (annual) general meeting of shareholders, proposing the (dis)continuation of the investment trust. If shareholders vote against continuation, typically, the investment trust Board is obliged to publish wind-down proposals within six months of the vote.
- ✓ **Discount/Premium to NAV:** The percentage difference between the share price of an investment trust and its NAV per share. A positive difference is a Premium to NAV, while a negative difference is a Discount to NAV.
- ✓ **Dividend Yield:** Dividend Yield is the ratio of forecast dividend per share to the current share price.
- ✓ **Gearing:** The debts of a fund, used as leverage to increase exposure, expressed as a percentage of portfolio value. Acc...
- ✓ **NAV:** Net Asset Value, the difference between a fund's assets and liabilities.
- ✓ **Net Issuance:** In the context of this report, the term Net Issuance is used to indicate net share issuance (net share buybacks if negative) over the last 12 months as a percentage of current Market Capitalisation. Excludes issuance/buybacks resulting from IPOs, Tenders, Redemptions, Share Conversions, Consideration Shares and Treasury Share cancellations.
- ✓ **Ongoing Charges:** Annual percentage reduction in shareholder returns as a result of a fund's recurring operational expenses, assuming markets remain static and the portfolio is not traded.

  We note that this does not constitute a direct payment from shareholders. In contrast to open-ended funds, investment trust shareholders only pay the cost of acquiring its shares on the stock market. As is the case for all listed companies, any costs incurred by the investment trust (including the payment of management fees) will reduce underlying net asset value, but this is not necessarily reflected in the share price at any given time.
- ✓ **Progressive Dividend Policy:** Term used to describe an aim to growth the dividend paid to shareholders each year.
- ✓ **Total Return:** Investment returns over a given period, assuming any dividends paid over this period have been reinvested.
- ✓ **Z Score:** Statistical indicator of current Discount/Premium deviation from 12-month average.

For more, please refer to the Association of Investment Companies (AIC) Glossary page

Glossary

Winterflood

Infrastructure Terminology:

- **CAPM:** The capital asset pricing model (CAPM) is used to derive an appropriate expected rate of return for an asset. Inputs are based on the expected return of the market, the expected 'risk-free' return, and the asset's sensitivity to market movements.
- **Concession:** A contractual arrangement in which a government grants a company exclusive rights to operate a public utility for a given period of time. The company typically receives a fee charged to the users of the utility. In exchange, the company constructs and/or invests in and/or maintains the asset.
- **Discount Rate:** The rate used to discount future cash flows to arrive at their present value, in order to account for the time value of money.
- **Facilities Management:** The delivery of services to ensure the functionality, safety and efficiency of infrastructure and real estate assets. 'Hard' facilities management deals with physical assets (including plumbing, elevators and heating), while 'soft' facilities management relates to ongoing tasks performed by individuals, such as lease management, cleaning and security.
- **Inflation Indexation:** In contracts, indexation refers to the periodic (typically annual) adjustment of contractual payments, rebased on a chosen price index.
- **Lifecycle Costs:** Cost pertaining to the replacement of material parts of an asset over its life, involving larger items that are not covered by routine maintenance. For a building, this would include the replacement of boilers, carpets and doors once they reach the end of their useful economic life.
- **Non-Recourse Debt:** Loans for which the lender may only recover the assets pledged as collateral in case of default, often used in real estate transactions.
- **Real Assets:** Tangible investments with intrinsic value due to their substance and physical properties; including commodities, real estate, and infrastructure.
- **Risk Free Rate:** The interest rate an investor expects to earn on an investment that carries minimal risk. The risk-free rate is generally assumed to be equal to long-term sovereign bond yields, as these are generally considered the lowest-risk assets available.
- **Risk Premium:** The additional return above the risk-free rate required by an investor to compensate for the risk profile of the relevant investment.
- **Time Value of Money:** The concept that a sum of money in the present is worth more than an identical sum of money to be received in the future, due to factors such as its investment return potential and the impact of inflation.

For more, please refer to the Corporate Finance Institute (CFI) Infrastructure resource page

Disclaimer

Important Information

Please read this information to help you understand what this material is and how you should use it

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- Prices of the investments referred to in this document (if any) and the income from them are indicative only and **may go down as well as up** and you may realise losses on them.
- Investments denominated in foreign currencies are **exposed to changes in exchange rates** which may have a negative as well as a positive effect on their value.
- Past performance is **not indicative** of future results.
- Levels and bases of **taxation** may change.
- In the case of investments for which there is no recognised market, it may be **difficult for you to sell your investments** or to obtain reliable information about their value or the extent of the risk to which they are exposed.
- **Consult your own investment advisers** before you make any investment referred to in this document about suitability for you. **Make sure you** understand the risks and that statements regarding future prospects may not be realised.
- **Look at the Key Links** (see panel on right) for further information of the risks and explanation of key terms.
- **Investment trusts** can use **gearing** which can offer the chance to boost the trust's profit but also **increases the risk**.

Key Links

- → Glossary of Key Terms
- → AIC Guide to Investment Trusts
- → Key Information Document (BBGI)
- → Prospectus (BBGI)
- → Factsheet (BBGI)
- → Homepage (BBGI)

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- Winterflood has a trading division which generates profits by buying and selling the security both for its own account and on behalf of other investors (such as wealth or asset managers). Furthermore, Winterflood’s affiliates and/or their officers, directors and employees may have positions in any securities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such securities (or investment).
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