

VT GRAVIS FUNDS ICVC - VT GRAVIS CLEAN ENERGY INCOME FUND - GBP

INVESTMENT RESEARCH NOTE
FEBRUARY 2024

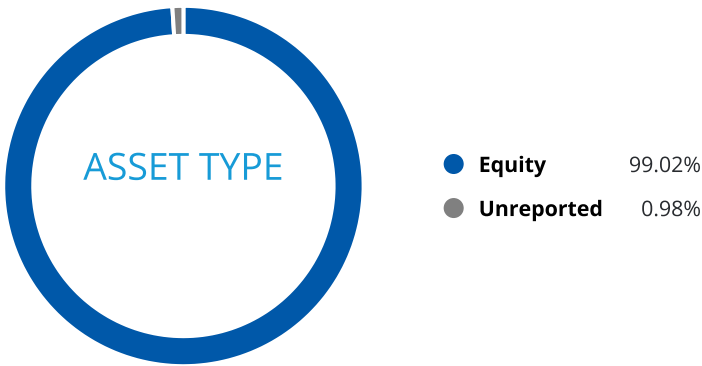
Risk warning: The past is not necessarily a guide to future performance. The value of your investment and the income from it can fall as well as rise and is not guaranteed. You may not get back the full amount invested. Our views are based upon our understanding of current legislation in England. Levels and bases of, and reliefs from, taxation are subject to change and their value to you will depend upon your personal circumstances. You should not act on any of the information without seeking professional advice. clarity Ltd is authorised and regulated by the Financial Conduct Authority (FCA).

SUMMARY

Gravis Capital Management has operated since 2008. Gravis Advisory Ltd (GAL), a subsidiary of GCM, was formed in 2017 to advise the OEIC fund range. As of September 2022, Gravis manages in excess of £3bn split between three listed funds and three open ended funds. GAL advises the VT Gravis Clean Energy Income Fund of c. £585m as of December 2022. The Fund is managed by Valu-Trac Investment Management. Gravis was one of the first large- scale investors in renewable energy, investing since 2011.

Will Argent is Lead Adviser to the Fund. He joined Gravis in 2017, and has 15 years' experience as an analyst and fund manager, in equities and closed-ended companies. He has invested in the listed infrastructure sector since 2006. He is supported by Stephen West; a director of Gravis, and a qualified barrister, with over 20 years' experience in fixed income securities.

The Fund is a bottom-up, conviction-led strategy of 30 holdings, aiming to generate net income of 4.5% and preserve and grow capital. c.90% of the fund invests primarily in closed end trusts and Yield Co equities (A utility business generates cash via an operating entity and pays to investors as dividends) with a primary activity in the clean energy sector. Only c.2% is in direct equities, so liquidity may be a risk therefore. The Fund aims to achieve a low correlation to traditional asset classes, and has a very low turnover. The Fund is subject to Gravis' overall Responsible Investment Statement, but it has no specific ESG remit. It engages a third party firm to provide input on ESG issues, but, beyond that there is little evidence of serious ESG integration. Collidr gives the Fund a score of 2/4 for ESG.



INVESTMENT PROCESS

Gravis has a long term approach to investment. The advisers focus on companies with sustainable business models and dependable cashflows. The Fund is the only UCITS V fund to give income from the global clean energy sector.

A lot of the cash flows in the UK renewables market are underpinned by subsidy mechanisms that provide visibility over future cash flow expectations and are also index linked. New offshore wind capacity (the key focus of new UK renewables capacity) is fully underpinned by a long-term fixed pricing mechanism for the electricity generated. In North America suppliers negotiate long term fixed price purchase agreements with customers, giving the Fund Adviser visibility over the cash flows arising to the portfolio.

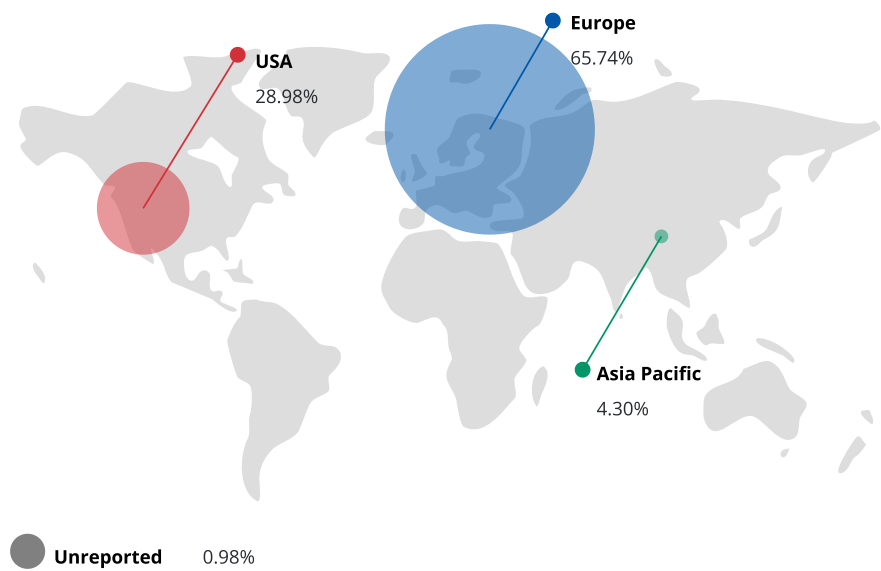
The Fund is actively managed but turnover is low (c.5% per annum since launch). Generally the equities in the portfolio contribute the greatest level of volatility, and it is these holdings that are the most actively traded. A holding is reduced or sold if, in the Advisers' analysis, it looks over-valued, if dividends are under pressure, or if external factors are likely to impact the performance. Currency forwards may be used to mitigate FX-driven volatility. The maximum cash permitted is 20%, though the typical level is 1-2%.

Sector research together with company specific research is both generated internally and purchased externally. In the wider Gravis group, there are specialist financial analysts in Wind, Solar and Hydro and technical asset managers with significant experience of analysing installed assets. These analysts are available to support the manager of the Fund. The Fund Adviser regularly attends conferences and company meetings and uses both quantitative and qualitative analyses in the decision-making process, particularly when focusing on sub-sectors. This includes analysis of premiums/discounts and discounted cash flow analyses. The Fund is a significant shareholder on the register of many of the investment companies owned and as such, is typically able to engage with management when required.

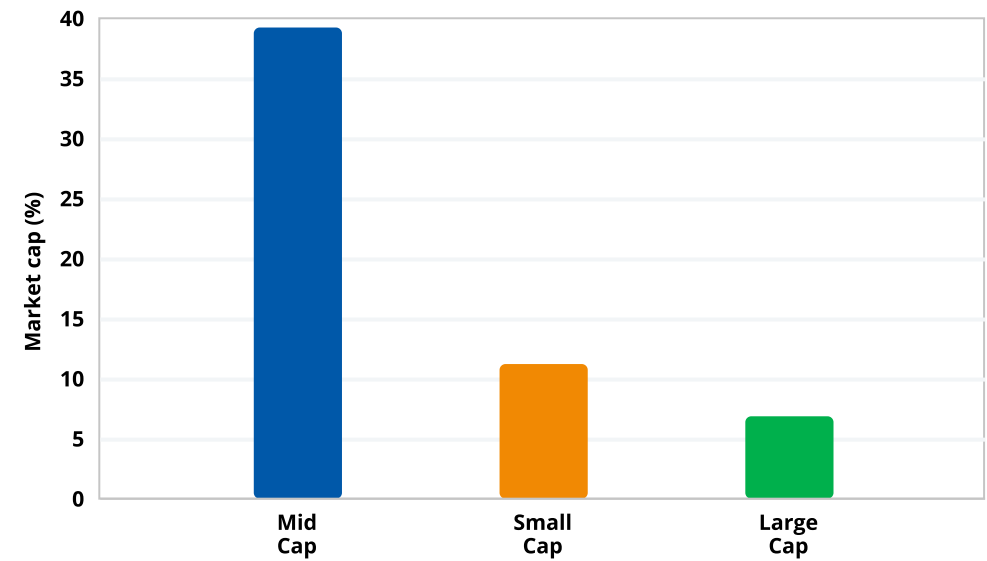
The Fund Adviser manages risk through careful portfolio construction taking into consideration volatility, liquidity, sustainability of dividends, rate expectations and political risk which may affect the performance of every holding in the portfolio. Daily liquidity reports are produced, using assumptions that are more conservative than normal market conditions. A diverse range of fund holders helps to mitigate against liquidity problems arising from large redemptions. Currency hedging is permitted, but not generally undertaken.

AGGREGATED NET EXPOSURE

REGIONAL EXPOSURE



EQUITY MARKET CAP (%)



BOND
MATURITIES

Not Applicable



BOND
RATINGS

Not Applicable

OVERALL PERFORMANCE

● VT Gravis Clean Energy Income C GBP ● S&P Global Infrastructure ● S&P Global Clean Energy TR USD

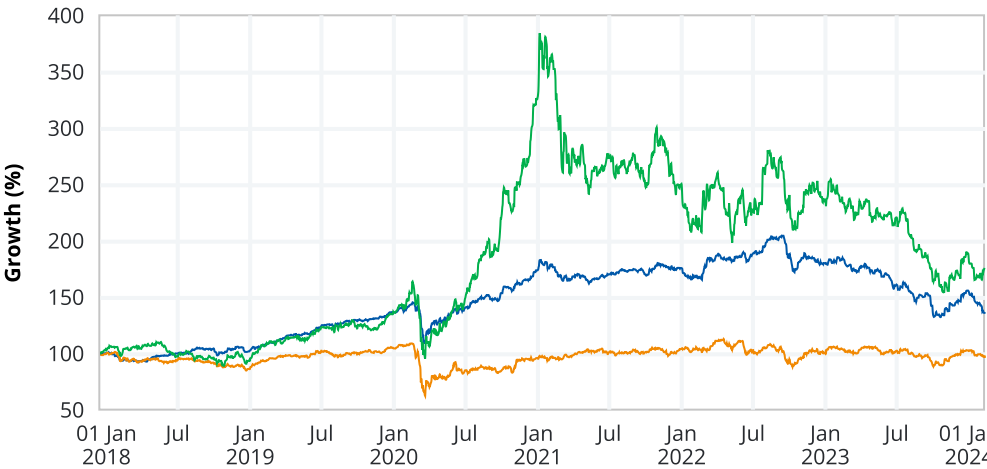
GROWTH (%) - OVER 1 YEAR

14 Feb 2023 - 13 Feb 2024



GROWTH (%) - FROM INCEPTION

19 Dec 2017 - 13 Feb 2024



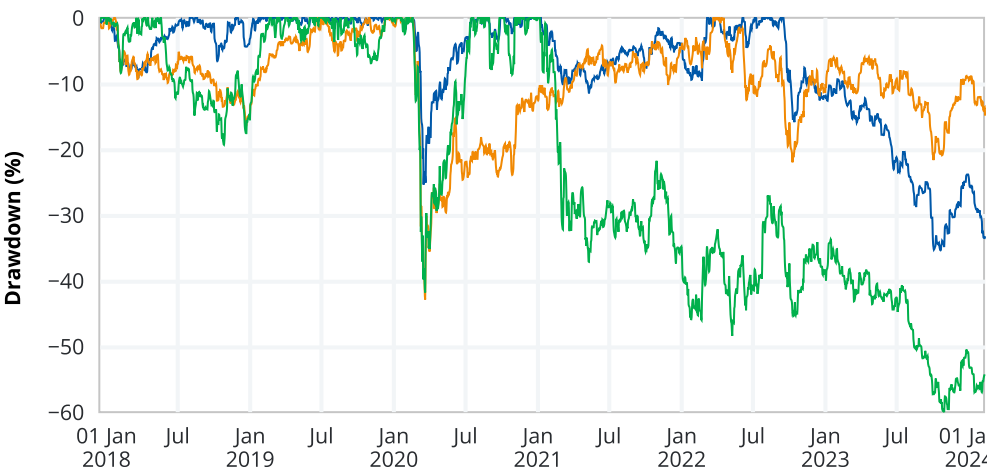
DRAWDOWN (%) - OVER 1 YEAR

14 Feb 2023 - 13 Feb 2024



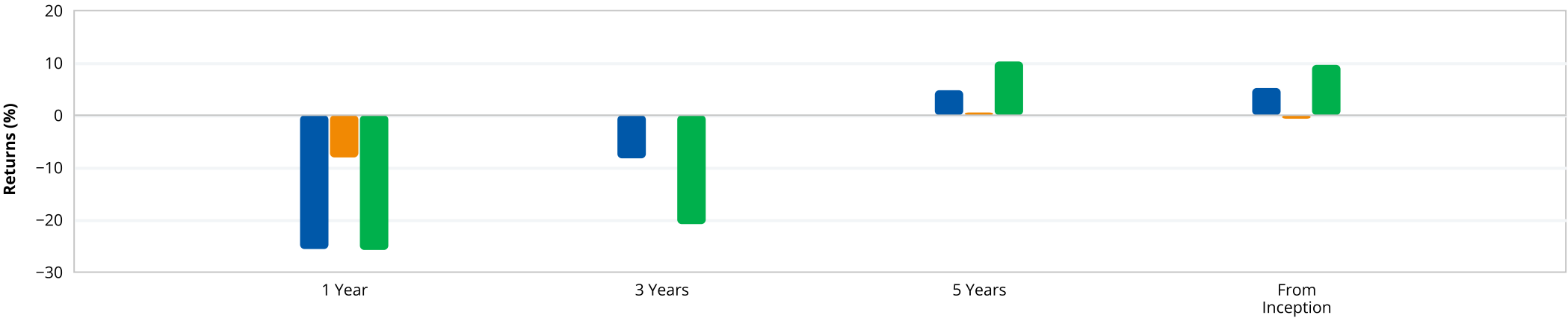
DRAWDOWN (%) - FROM INCEPTION

19 Dec 2017 - 13 Feb 2024



RETURNS

VT Gravis Clean Energy Income C GBP S&P Global Infrastructure S&P Global Clean Energy TR USD



MONTHLY BREAKDOWN AND YEARLY TOTALS (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2024	-7.71	-5.02											-12.34
2023	0.38	-2.01	-0.84	-1.08	-3.34	-4.91	-0.70	-4.09	-6.44	-5.59	7.85	7.46	-13.55
2022	-5.30	3.49	7.96	-0.90	1.20	-0.02	4.58	3.61	-8.26	-2.09	1.64	-2.33	2.50
2021	1.37	-3.80	-1.26	0.51	-0.99	2.36	1.70	0.44	-1.27	3.57	-0.61	-0.57	1.24
2020	1.34	-0.33	-12.53	8.70	3.97	1.97	4.75	4.23	0.11	2.68	5.89	5.06	27.11
2019	4.27	3.24	3.69	2.66	0.52	4.66	2.59	1.63	1.10	0.02	2.62	2.95	34.29

Capped to 6 years.

ANNUALISED ROLLING RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
VT Gravis Clean Energy Income C GBP	-25.58	-8.24	4.78	5.20
S&P Global Infrastructure	-8.07	0.04	0.53	-0.67
S&P Global Clean Energy TR USD	-25.76	-20.82	10.28	9.64

CUMULATIVE RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
VT Gravis Clean Energy Income C GBP	-25.49	-22.64	26.18	36.46
S&P Global Infrastructure	-8.04	0.12	2.65	-4.03
S&P Global Clean Energy TR USD	-25.59	-50.13	62.67	75.70

VT Gravis Clean Energy Income C GBP S&P Global Infrastructure S&P Global Clean Energy TR USD

PERFORMANCE - OVER 1 YEAR

14 Feb 2023 - 13 Feb 2024

RETURNS (%)	-25.58	-8.07	-25.76
VOLATILITY (%)	13.80	11.72	22.40
ALPHA	-0.78 *		-1.65 *
BETA	0.55 *	1.00	1.12 *
CORRELATION	0.64 *	1.00	0.61 *
SHARPE RATIO	-2.13	-1.06	-1.31
SORTINO RATIO	-2.83	-1.41	-1.83
MAX DRAWDOWN (%)	-28.55	-16.67	-35.70

*Calculated over a 3 year period where history permits.

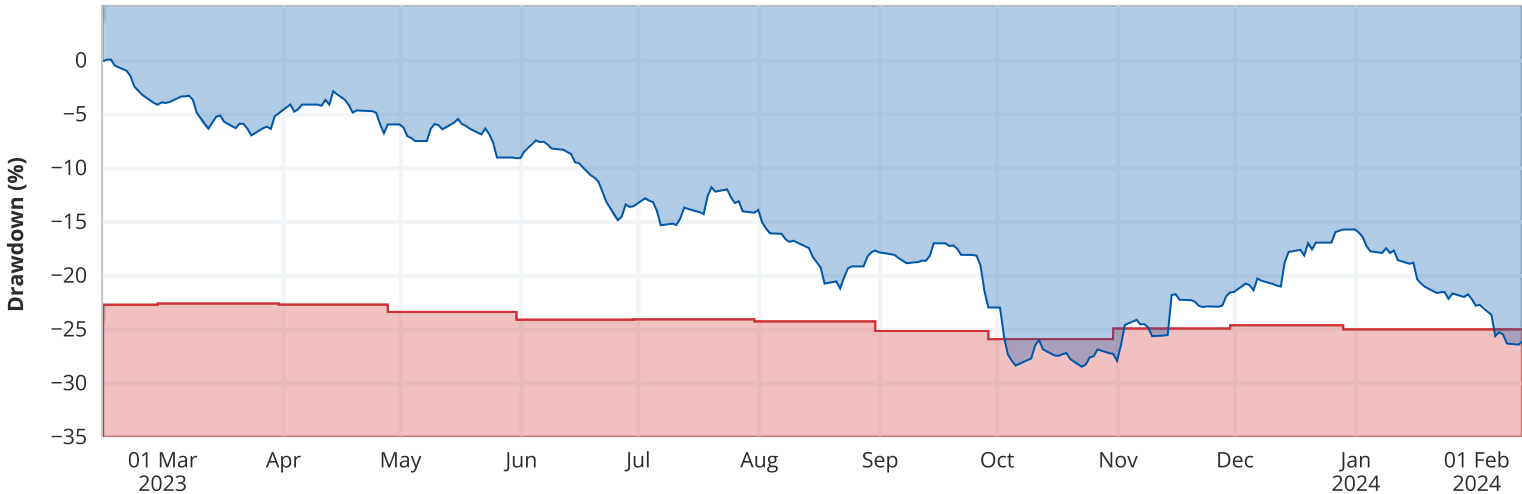
PERFORMANCE - FROM INCEPTION

19 Dec 2017 - 13 Feb 2024

RETURNS (%)	5.20	-0.67	9.64
VOLATILITY (%)	11.73	17.28	27.31
ALPHA	0.41		1.03
BETA	0.53	1.00	1.08
CORRELATION	0.69	1.00	0.63
SHARPE RATIO	0.31	-0.16	0.27
SORTINO RATIO	0.43	-0.21	0.39
MAX DRAWDOWN (%)	-35.38	-42.86	-60.00

SIMPLE STRESS TEST DRAWDOWN (%)

14 Feb 2023 - 13 Feb 2024



Stress test notes

The chart shows the calculated drawdown over the last year. The Review Point is the fund intervention point. Any drawdown above this line indicates a typical drawdown in a normal market cycle. Should the drawdown hit the review point, then this indicates that market conditions may be abnormal. This is the point that we would consider taking immediate action for an extreme market event.

DISCLAIMER

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