

VT GRAVIS UK INFRASTRUCTURE INCOME FUND - GBP

INVESTMENT RESEARCH NOTE
FEBRUARY 2024

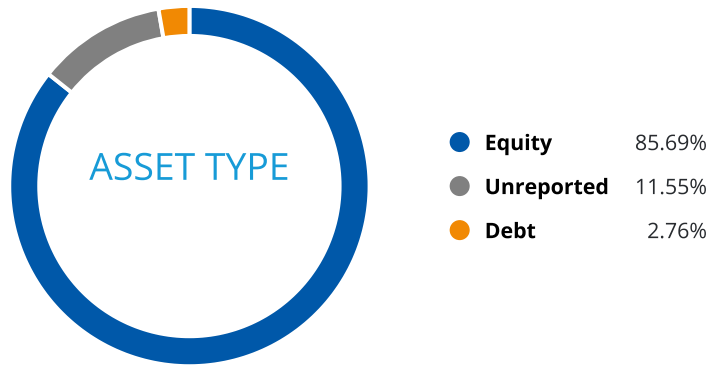
Risk warning: The past is not necessarily a guide to future performance. The value of your investment and the income from it can fall as well as rise and is not guaranteed. You may not get back the full amount invested. Our views are based upon our understanding of current legislation in England. Levels 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 was formed as a partnership in 2008 and established the first UK listed fund investing in UK infrastructure in 2010, GCP Infrastructure. Gravis launched the OEIC version, UK Infrastructure Income, in 2016 as the current fund, being the first fund to offer investors access to the UK listed infrastructure sector through an open-ended structure.

The Fund Manager Will Argent, joined about 2 years ago from Tilney and was at Ashcourt before that as an analyst. He has covered UK closed end funds for a decade now including UK infrastructure closed end funds and is supported by a wider team of infrastructure specialists across the Group and also external consultants.

This is a UK Infrastructure focused strategy with a Fund of Fund ("FOF") structure. It does direct investments across the entire spectrum of infrastructure sub-sectors, i.e. social infrastructure (PFI, housing, hospitals, GP surgeries), renewable (windfarms, solar), private (toll roads, ports, airports), contractors, debt. There is a target income yield of 5% pa net. The fund also offer inflation protection by virtue of the project contracts as well as capital growth. It is a concentrated portfolio of c20 positions with a maximum holding size of 9.5%. A minimum of 75% of the Fund is supported by UK Government backed cash or regulated cash flows (as at 03/19). It has 0% exposure to open ended investment companies (OEICS) but with a maximum exposure level of upto 10%. Turnover is low at 20% pa and the Fund has exposure to more than 1200 underlying separate projects with the majority of cash flows linked to inflation.



INVESTMENT PROCESS

The investment philosophy focuses on Income and capital preservation by investing in infrastructure projects with long term contracts and stable cash flows. The investment approach is long term in nature, investing in assets required by the UK for many years to come (hospitals, schools, student accommodation). The focus for the Fund is also to deliver cash generative, limited volatility and low correlations to other asset classes.

The Fund is exposed to a broad range of GBP denominated, listed infrastructure investments with a focus on the stability and security of quarterly distributions. The FM and the wide support within Gravis cover the entire infra sector and use their combined knowledge to find ideas. It is worth noting that ideas don't seem to change too much over time and the same holdings have been in place since previous funds were launched nearly a decade ago.

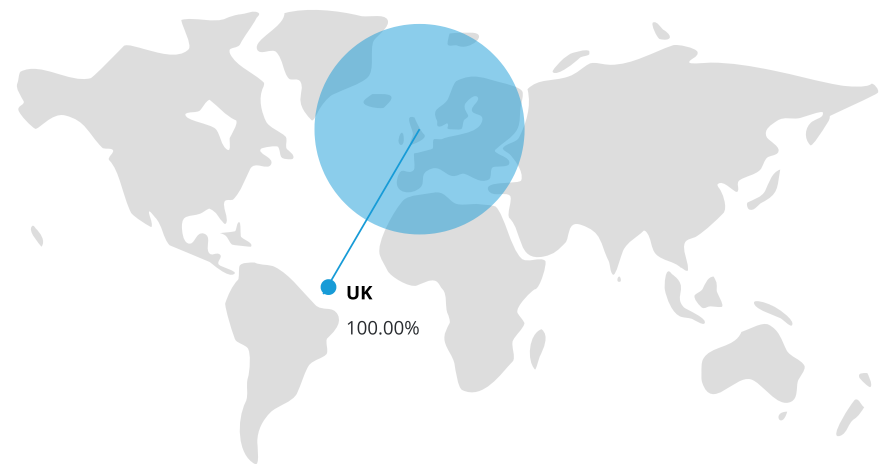
The key attractions of infrastructure investing are: dependable income, uncorrelated returns, inflation-linkage and long-dated returns. The process actively manages position sizing based on volatility of securities by ensuring diversification across all infrastructure sectors. Gravis's wider research team source ideas with company visits a key mantra of the process to assess management quality and business strategies.

Investments are weighted in the Fund based upon the aggregation of a number of key factors, the most significant being: yield sustainability, inflation hedging characteristics, sustainable valuation, size/liquidity and low relative volatility. Also, the fund is subjects to UCITS rules i.e. 5/10/40 rules as well as the following soft targets:

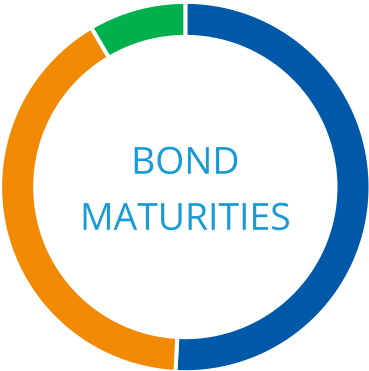
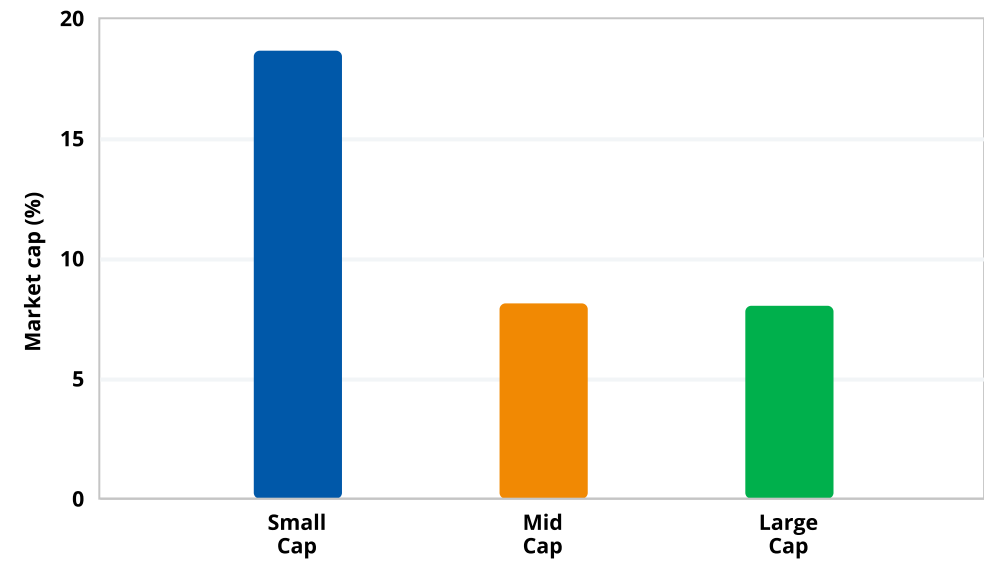
- Minimum of 75% of the portfolio is supported by UK Government backed cash or regulated cash flows.
- 0% exposure to open ended investment companies (OEICS). Maximum allowable 10%.
- Minimum of 80% of portfolio invested in completed/operational assets.
- 100% allocation to sterling denominated securities.
- Minimum 80% 'availability' based (rather than 'demand' based) projects. 'Demand' based projects, such as toll roads generate revenues per user. 'Availability' based assets, such as hospitals, generate revenue based upon a statutory and often UK Government backed cashflow.

AGGREGATED NET EXPOSURE

REGIONAL EXPOSURE



EQUITY MARKET CAP (%)



Short Term (1-3 yr)	50.85%
Intermediate Term (3-10 yr)	40.67%
Long Term (>10 yr)	8.48%



Speculative Grade/High Yield	66.03%
Investment Grade	24.96%
Unreported	9.01%

OVERALL PERFORMANCE

● VT Gravis UK Infrastructure Income C Acc ● FTSE Global Core Infrastructure Net Total Return GBP

GROWTH (%) - OVER 1 YEAR

14 Feb 2023 - 13 Feb 2024



GROWTH (%) - FROM INCEPTION

26 Jan 2016 - 13 Feb 2024



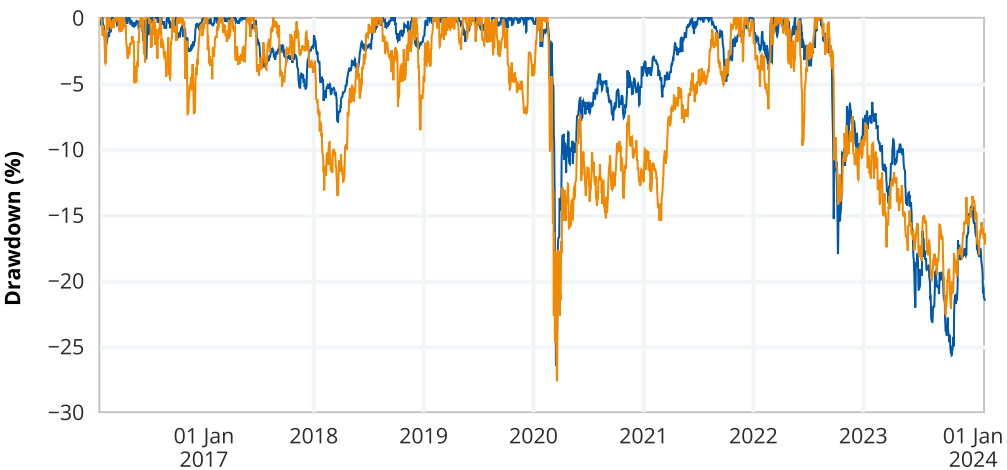
DRAWDOWN (%) - OVER 1 YEAR

14 Feb 2023 - 13 Feb 2024



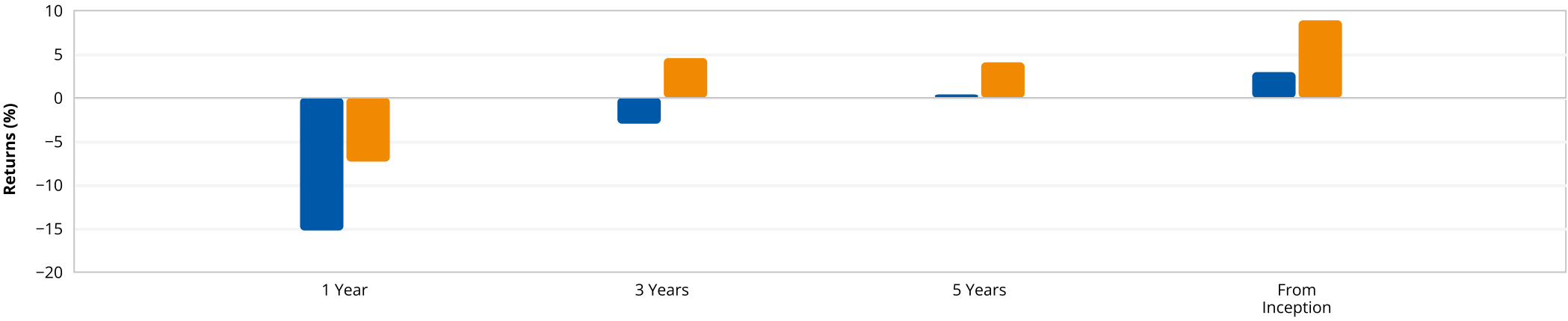
DRAWDOWN (%) - FROM INCEPTION

26 Jan 2016 - 13 Feb 2024



RETURNS

VT Gravis UK Infrastructure Income C Acc FTSE Global Core Infrastructure Net Total Return GBP



MONTHLY BREAKDOWN AND YEARLY TOTALS (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2024	-4.56	-4.00											-8.37
2023	1.17	-1.66	-3.62	3.11	-4.65	-5.22	0.48	-1.27	-2.39	-3.72	8.39	4.35	-5.77
2022	-1.18	-0.18	3.91	1.89	-0.73	-1.83	1.95	0.49	-10.24	0.65	3.09	-0.68	-3.54
2021	0.09	0.20	-0.32	1.95	1.91	0.23	3.57	1.29	-3.05	2.26	0.16	2.38	11.04
2020	-0.85	-3.15	-9.27	5.85	1.41	0.87	1.25	0.66	-1.94	-0.96	2.04	1.40	-3.36
2019	3.83	1.62	0.73	2.39	-0.29	1.27	0.67	1.79	0.46	1.62	1.37	2.42	19.35

Capped to 6 years.

ANNUALISED ROLLING RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
VT Gravis UK Infrastructure Income C Acc	-15.22	-2.97	0.39	2.95
FTSE Global Core Infrastructure Net Total Return GBP	-7.32	4.56	4.07	8.89

CUMULATIVE RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
VT Gravis UK Infrastructure Income C Acc	-15.17	-8.60	1.97	26.25
FTSE Global Core Infrastructure Net Total Return GBP	-7.29	14.23	21.94	98.04

● VT Gravis UK Infrastructure Income C Acc ● FTSE Global Core Infrastructure Net Total Return GBP

PERFORMANCE - OVER 1 YEAR

14 Feb 2023 - 13 Feb 2024

	VT Gravis UK Infrastructure Income C Acc	FTSE Global Core Infrastructure Net Total Return GBP
RETURNS (%)	-15.22	-7.32
VOLATILITY (%)	12.32	12.68
ALPHA	-0.52 *	
BETA	0.57 *	1.00
CORRELATION	0.62 *	1.00
SHARPE RATIO	-1.55	-0.84
SORTINO RATIO	-2.21	-1.15
MAX DRAWDOWN (%)	-19.85	-13.76

*Calculated over a 3 year period where history permits.

PERFORMANCE - FROM INCEPTION

26 Jan 2016 - 13 Feb 2024

	VT Gravis UK Infrastructure Income C Acc	FTSE Global Core Infrastructure Net Total Return GBP
RETURNS (%)	2.95	8.90
VOLATILITY (%)	9.95	15.65
ALPHA	-0.09	
BETA	0.40	1.00
CORRELATION	0.54	1.00
SHARPE RATIO	0.18	0.50
SORTINO RATIO	0.24	0.70
MAX DRAWDOWN (%)	-26.46	-27.65

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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