

# GRAVIS

## UK LISTED PROPERTY

# MONTHLY FACTSHEET

## 31 AUGUST 2020

1

### OVERVIEW

The VT Gravis UK Listed Property Fund (the "Fund") is a Non UCITs Retail Scheme (NURS) Open Ended Investment Company (OEIC) with Property Alternative Investment Fund (PAIF) status.

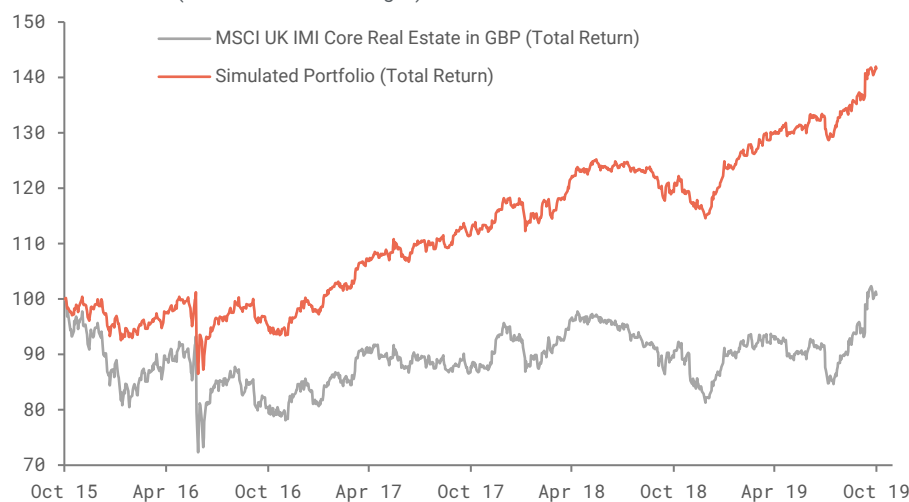
The Fund invests primarily in UK Real Estate Investment Trusts, is unconstrained, and currently excludes exposure to retail property companies. The Fund is advised by Gravis Advisory Limited who also advise the VT Gravis UK Infrastructure Income Fund and the VT Gravis Clean Energy Income Fund.

### FUND OBJECTIVES

- To achieve capital growth through market cycles\*
- To invest in a diversified portfolio of London Stock Exchange listed securities, consisting primarily of Real Estate Investment Trusts and potentially some bonds and closed ended funds.
- Avoid exposure to retail property companies at launch
- Aims to deliver a regular income expected to be 4% per annum after charges.

### PERFORMANCE CHART

Simulated Portfolio (Total Return after charges) 31/10/2015 – 31/10/2019



Hypothetical past performance is not necessarily indicative of future results.

Simulated performance after charges

### Company overview

<b>Name</b>	VT Gravis UK Listed Property (PAIF) Fund
<b>Regulatory Status</b>	FCA Authorised NURS OEIC with PAIF Status
<b>Sector</b>	IA Property Other
<b>Launch Date</b>	31 October 2019
<b>Fund Size</b>	£27.74m
<b>Net Asset Value per share as at 31 August 2020</b>	A Acc (£): 97.78p A Inc (£): 95.11p F Acc (£): 98.34p F Inc (£): 95.68p
<b>Share Classes</b>	Income and Accumulation (£, \$, €)
<b>Min. Investment</b>	£100
<b>Capped fund operating charges</b>	0.7% (AMC & OCF)
<b>Dividends</b>	Quarterly
<b>Objectives</b>	4% dividend yield Capital growth Inflation protection
<b>Classification</b>	Non-complex
<b>Liquidity</b>	Daily dealing
<b>ISINs</b>	A Acc (£): GB00BK8VW755 A Inc (£): GB00BK8VW532 A Acc (\$): GB00BK8VYN55 A Inc (\$): GB00BK8VMH57 A Acc (€): GB00BK8VW862 A Inc (€): GB00BK8VW649
<b>Feeder ISINs</b>	F Acc (£): GB00BKDZ8Y17 F Inc (£): GB00BKDZ8V85 F Acc (\$): GB00BKDZ9049 F Inc (\$): GB00BKDZ8X00 F Acc (€): GB00BKDZ8Z24 F Inc (€): GB00BKDZ8W92

### RETURNS

#### DISCREET ANNUAL RETURNS

	RETURN*	VOLATILITY	CORRELATION	2015 <sup>1</sup>	2016	2017	2018	2019 <sup>2</sup>
Simulated Portfolio (Total Return)	41.65%	10.88%	-	-1.27%	0.81%	18.76%	-2.40%	22.78%
MSCI UK IMI Core Real Estate GBP (TR)	0.79%	17.66%	0.93	-6.03%	-9.42%	12.43%	-14.04%	22.52%

\*Returns from 31/10/2015 – 31/10/2019

<sup>1</sup>Part period from 31/10/2015 – 31/12/2015

<sup>2</sup>Part period from 01/01/2019 – 31/10/2019

\*We expect this to be a period of 7 years

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## UK LISTED PROPERTY

### FUND ADVISER'S REPORT

The focus of the Fund is reliable income not unreliable yield.

Over the course of August 2020 the NAV of the Fund increased by 2.13% (A Acc GBP), the fifth consecutive month of positive performance and a reflection of the continued recovery that is taking place for specialist REITs. Since inception the Fund has declined by 2.22%, outperforming both the UK real estate<sup>1</sup> index, which has declined by 17.25%, and the global real estate index<sup>2</sup> which has declined by 11.0%.

At the end of the month the Fund declared a dividend of 1.0303p (A Inc GBP), this is the fourth and highest dividend payment since inception.

In a world of near zero bond yields, real estate stocks provide investors with a much-needed source of income. To maintain their general tax-exempt status, UK REITs are required to distribute 90% of rental profits. Over the past decade this has created a significant compounding benefit for investors. While the appreciation in UK real estate share prices<sup>3</sup> has delivered 4.0% compound annual return, this almost doubles to 7.7% p.a. through the reinvestment of dividends and eclipses the 5.5% average annual total returns generated by the broader UK stock market<sup>4</sup>.

Recognising the importance of income, the Fund has a 4% yield objective. Striving to achieve this income objective is balanced against disproportionately increasing portfolio risk and maintaining a lookout for dividend yield traps, those seemingly high yielding companies that are in fact struggling. For example, in the summer of 2018 Intu, at the time the largest shopping centre owner in Britain, declared its interim dividend for 2018. At that time, on an annualised basis, the REIT was trading on a superficially attractive yield of 6.5%. However, this dividend turned out to be unsustainable, it was Intu's last ever dividend payment and two years later all value for shareholders was erased when the company entered administration. This example serves as a reminder as to why the Fund continues to avoid retail real estate.

The message is clear, high yield can act as a warning sign to investors. Research conducted by Gravis reinforces the potential danger of chasing dividend yield stocks. Over the past decade investors who bought the highest yielding quintile of UK real estate companies and rebalanced this theoretical portfolio semi-annually would have underperformed a portfolio of the lowest yielding REITs. This proprietary research highlights how it can be in the best long-term interests of investors to avoid the highest yielding stocks and instead focus on those REITs that offer both yield and sustainable growth.

Over the fullness of time, real estate exposed to the favourable socio-economic mega trends shaping the country (e.g. ageing population, digitalisation and generation rent) should remain in high demand by rent paying tenants. On this basis it is reasonable to assume that specialist REITs owning high quality real estate, including those that have temporarily suspended their dividends in response to the business effects of the coronavirus, are likely to resume dividend growth strategies as the economy recovers.

Dividends will continue to play an important part in shareholder returns. However, given the risks associated with the highest yielding REITs the Fund will continue to resist the temptation of chasing yield, instead maintaining an investment preference for reliable income not unreliable yield.

*Additional note: this factsheet sees the inaugural publication of the ESG credentials of the holdings within the portfolio.*

**Matthew Norris, CFA**  
Fund Adviser  
Gravis Advisory Ltd  
matthew.norris@graviscapital.com

#### Investment Adviser

Gravis Advisory Limited is owned and managed by Gravis Capital Management Ltd ("Gravis").

Gravis was established in May 2008 as a specialist investor in property and infrastructure and now manages c.£3.3bn of assets in these sectors in the UK.

Gravis Advisory Limited is Investment Adviser to the c.£650m VT Gravis UK Infrastructure Income Fund, which is one of the only OEICs focusing on investment in the UK's infrastructure sector.

#### Fund Advisers

**Matthew Norris, CFA** is the lead adviser to the VT Gravis UK Listed Property Fund.

Matthew has more than two decades investment management experience and has a specialist focus on real estate securities.

He served as an Executive Director of Grosvenor Europe where he was responsible for global real estate securities strategies. He joined Grosvenor following roles managing equity funds at Fulcrum Asset Management and Buttonwood Capital Partners.

Matthew holds a BA (Hons) degree in Economics & Politics from the University of York, the Investment Management Certificate and is a CFA charterholder.

He also provides expert input to research projects run by EPRA, which focus on the importance of emergent real estate sectors.

**Nick Barker** is the strategic adviser to the fund. Nick is the lead manager of the c.£900m GCP Student Living REIT.

He is a qualified member of RICS and headed up the Alternative Property division at Schroders.

Nick joined Gravis in 2016 and has accumulated over 16 years of investment experience in the property sector.

<sup>1</sup> MSCI UK IMI Core Real Estate Net Total Return Local index. <sup>2</sup> MSCI World Real Estate Net Total Return Local index. <sup>3</sup> EPRA UK Index. <sup>4</sup> MSCI UK All Cap Equity Total Return index

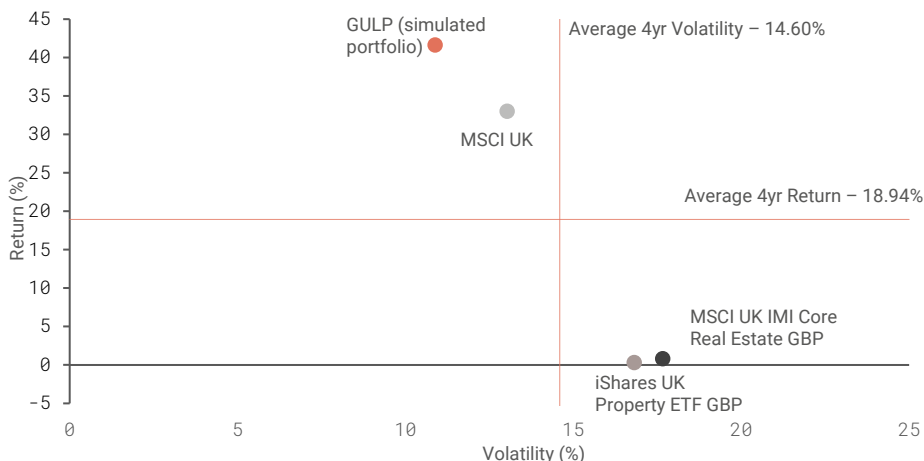
### REITS BRIEFING<sup>1</sup>

- A UK Real Estate Investment Trust (REIT) is a London Stock Exchange listed closed ended publicly traded company that provides investors with tax efficient exposure to property assets.
- A REIT can invest in a wide variety of property.
- REIT Shares can be traded daily without the liquidity risk often experienced by open ended funds which own direct property.
- UK REIT status exempts the company from corporation tax on profits and gains from UK qualifying property rental businesses.
- A UK REIT must distribute at least 90% of its taxable income to investors. Distributions are treated as property rental income rather than dividends. Taxation of income from property is moved from the corporate level to the investor level, benefitting ISA, SIPP and Bond investors.

<sup>1</sup>www.londonstockexchange.com/specialist-issuers/reits/reits.html

### RISK & REWARD – 4 YEARS

Returns and volatility – 31/10/2015 – 31/10/2019



Simulated portfolio vs MSCI UK GBP vs MSCI UK IMI Core Real Estate GBP vs iShares UK Property ETF GBP  
Hypothetical past performance is not necessarily indicative of future results. Simulated performance after charges

	4YR TOTAL RETURN	4YR VOLATILITY	12 MONTH YIELD
Simulated Portfolio	41.65%	10.88%	3.73%
MSCI UK GBP	33.01%	13.03%	4.43%
iShares UK Property ETF GBP	0.31%	16.81%	3.02%
MSCI UK IMI Core Real Estate GBP	0.79%	17.66%	3.64%

#### Platforms

Aegon	Interactive Investor
AJ Bell	James Hay
Allfunds	Novia
Ascentric	Nucleus
Aviva	Old Mutual
Barclays SmartInvestor	Pershing
CoFunds	Raymond James
Fidelity	Sanlam
Funds Network	Standard Life
FNZ	Standard Life Elevate
Hargreaves Lansdown	Transact
Hubwise	Zurich

#### Sales Contacts

Cameron Gardner	07835 142763	cameron.gardner@graviscapital.com
Ollie Matthews	07787 415151	ollie.matthews@graviscapital.com
Robin Shepherd	07971 836433	robin.shepherd@graviscapital.com
Nick Winder	07548 614184	nick.winder@graviscapital.com
William MacLeod	07836 695442	william.macleod@graviscapital.com

#### Dealing

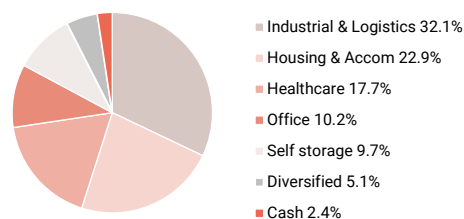
Valu-Trac	01343 880344
Gulp@valu-trac.com	

### HOLDINGS (As at 31 August 2020)

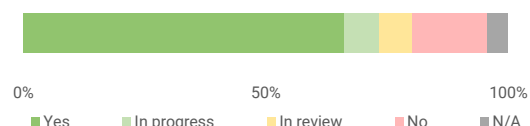
#### COMPANY

Segro Plc	8.59%
Grainger Plc	7.83%
Unite Group Plc	7.51%
Tritax Big Box REIT Plc	7.48%
Assura Plc	7.07%
GCP Student Living Plc	5.26%
Safestore Holdings Plc	5.25%
Primary Health Properties Plc	5.24%
Londonmetric Property Plc	5.03%
Big Yellow Group Plc	4.93%

#### Sector Breakdown



#### Portfolio weight by ESG metric



Data as at end of July 2020. Holdings ranked by size. Graphics show proportion of 'Yes', 'No', 'In progress', 'In review', 'No' and 'N/A' by holding weight.

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