

Gravis Advisory Limited Voting & Engagement Report

2022

This report is a publication of Gravis Advisory Limited's (GAL) voting and engagement record for the 12 months to 31st December 2022.

Introduction

GAL, a subsidiary of Gravis Capital Management Limited ("Gravis") is adviser to four open ended funds, the VT Gravis UK Infrastructure Income Fund, the VT Gravis Clean Energy Income Fund, the VT Gravis UK Listed Property (PAIF) Fund and the VT Gravis Digital Infrastructure Income Fund. The Investment Manager to these Funds is Valu-Trac Investment Management Ltd ("VTIM").



Gravis are infrastructure and real estate specialists. We believe in a long-term approach to investment and seek to deliver stable, predictable returns by investing in companies with sustainable business models and long dated cashflows. We aim to protect capital and deliver a regular income to our investors, with minimal disruptive volatility.

Our long-term approach enables us to engage with investee companies, on matters relating to Responsible Investment and gives us the opportunity to seek to drive change where appropriate. We believe that integrating active ownership practices into our investment process can help to create more successful and sustainable businesses over the long-term and generate enhanced value for our clients and society at large. We seek to invest in companies that are well-managed and take appropriate account of environmental, social and governance (ESG) risks and opportunities.

To support our long-term approach to investment, we implemented a Voting & Engagement Policy in Q4 2022 to which all of the Funds must adhere.

Summary

Engagement

Gravis believes engagement is essential to achieving the best outcome for our clients. We prioritise our engagement activities based on the materiality of the issue and our exposure to the company.

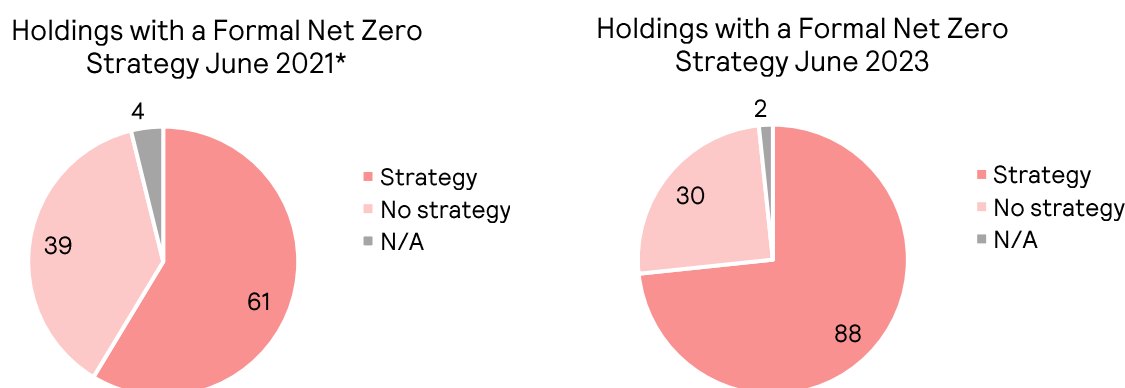
As signatories to the Principles of Responsible Investment (PRI), we seek to engage with the companies in which we invest to understand and provide input into the key areas we see having a material impact on long-term shareholder value creation.

The manner of engagement is designed to encourage a long-term dialogue with the companies rather than single conversations to ensure the engagement is thorough. For further information on this process, please see the [Gravis Voting and Engagement Policy](#).

In line with the Gravis Voting & Engagement Policy, in 2022 the Lead Fund Advisers for each of our four open ended Funds engaged with investee companies on a range of issues. In instances where multiple Funds have exposure to a given company, in order to achieve maximum impact, the Fund Advisers sought to collaborate.

These engagements ranged in topic and included board diversity, board remuneration, environmental performance of assets, commitment to net zero strategies and on the appropriateness of community engagement activities.

Across all of the open ended Funds, over the year we sought to engage with investee companies regarding their net zero commitments and strategy to achieve this. Whilst we cannot presume our engagement to be the sole, or main, driver when a company considers their approach to net zero, we would highlight the increase in investee companies with a net zero strategy in place as at end of June 2023 versus June 2021.



Source: Ethical Screening, company websites, Gravis Advisory Ltd analysis. *This excludes holdings within the VT Gravis Digital Infrastructure Income Fund due to its launch date being 31/05/21.

Many of the investee companies without a specific net zero strategy have stated their support and intend on assisting the UK's move to net zero through the nature of their investments rather than through the governance of their company.

For specific examples of our engagement activity in 2022 by Fund please see below.

Voting

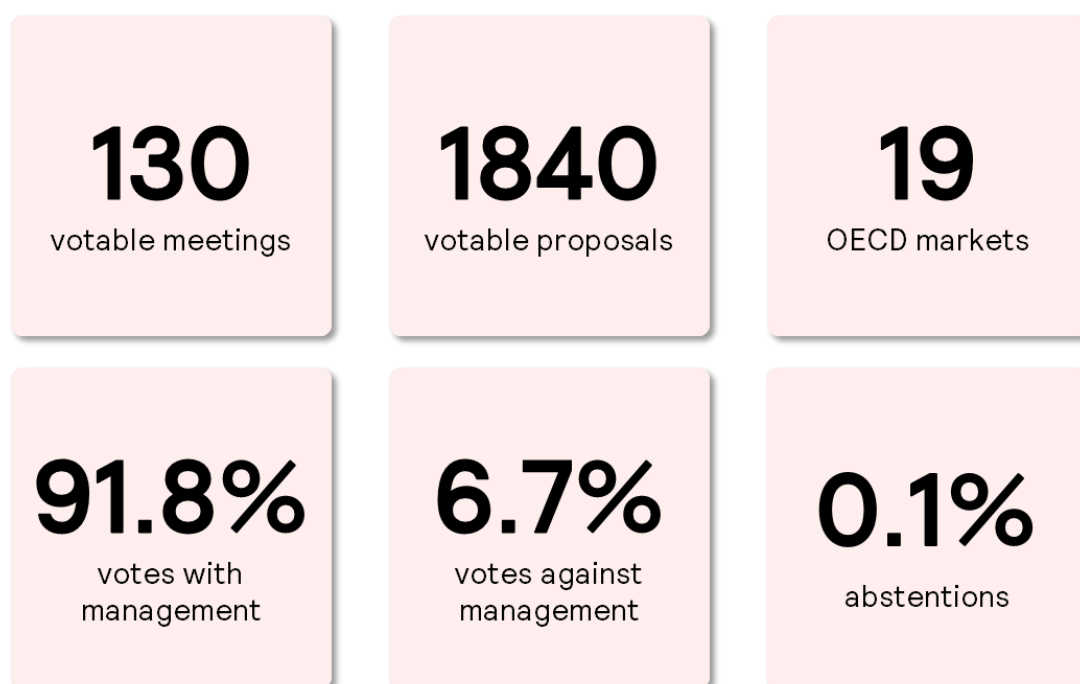
Voting forms an important part of our investment strategy demonstrated by our commitment to the PRI and adherence to the principles of the UK Stewardship Code 2020. In line with the recommendations of the PRI we believe that voting and engagement practices are interlinked.

Our primary aim with all voting decisions is in the long-term interests of our clients, this includes ensuring fair and honest corporate governance and the adoption of socially responsible practices.

Voting is undertaken by the Investment Manager, VTIM, following consultation with the Fund Adviser, which will, in turn, utilise the research and recommendations of ISS to inform their voting recommendation. We vote systematically, utilising ISS voting research in line with their Sustainability Proxy Voting Guidelines.

Whilst generally we will vote in line with the ISS Sustainability Proxy Voting Guidelines, we retain the right to assess all voting decisions on a case-by-case basis and where our view of best practice for an individual company diverges from that of ISS we will vote in line with our views. For more information on our voting process please see the [Gravis Voting and Engagement Policy](#).

In line with our Voting & Engagement Policy, we aim to vote systematically, for all investee companies, on all resolutions, at all meetings – in 2022 we achieved this goal.¹



During the year we voted on 1840 votable proposals, in the majority of instances votes were in line with ISS Sustainability Proxy Voting Guidelines.

We do note that diversity quotas can be problematic, particularly in circumstances where companies, often investment trusts, have a small number of board members. In some instances these boards are domiciled in the Channel Islands, where demographical diversity in the immediate workforce is simply not at a level that allows quantitative quotas typically expected from UK boards to be achieved. As such during the year, following a lengthy engagement with ISS, we took the decision to vote in line with the ISS Benchmark Proxy Voting Guidelines (and not in line with ISS Sustainability Proxy Voting Guidelines) in relation to resolutions around ethnic diversity, which excludes investment trusts from this diversity requirement. We continue to vote in line with the ISS Sustainability Proxy Voting Guidelines with regards to gender diversity. This decision

¹Excluding those which included at least one shareblocking ballot. In 2022, a 'do not vote' instruction was issued in the instance of one meeting due to shareblocking.

resulted in a vote in line with the ISS Benchmark Proxy Voting Guidelines in 12 instances during the year.

Where possible, we encourage investment trust boards of directors to strive towards a greater degree of ethnic diversity and expect at least 33% of the board to be from an underrepresented gender identity. The relationship here between voting and engagement is key and we will vote against or withhold from the chair of the nominating committee if the board lacks 33% representation of an underrepresented gender identity. This is discussed further in relation to the VT Gravis Clean Energy Income Fund.

Analysis by Fund

1. VT Gravis UK Infrastructure Income Fund

The Fund invests in a diversified portfolio of securities listed in the UK which provide exposure to UK listed infrastructure sector.

Example Engagement

In May 2022 first contact was made with a healthcare Real Estate Investment Trust (REIT) holding within the portfolio, via email, discussing a potential appropriate social initiative. Following precedent from other UK listed REITs, it was proposed that the company considers allocating 1% of their profits, or equivalent, to benefiting positive social actions. Examples from other REITs include office REITs donating 1% profit equivalent in office space to local universities as study space or a student accommodation REIT donating 1% of its [annual] profits to fund accommodation bursaries for university students who have left the care system.

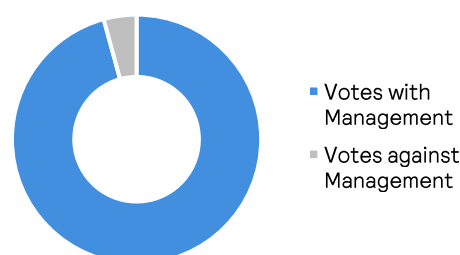
A company's social contribution is often overlooked as there are no standardised metrics for measuring a company's success in this area. Environmental impact can be measured through carbon or greenhouse gas emissions and commitments to net zero pathways. Governance issues can be measured by looking at the executive/managerial makeup of a company, yet social is far less corporeal. We believe that targeted activity, in line with a company's expertise, is an efficient way to benefit society and the communities in which the company's operate.

In the case of this healthcare REIT, following an email exchange with the Financial Director and the Managing Partner, the company agreed to review and consider new social initiatives. This resulted in the creation of an academic scholarship to support lifelong learning for care home professionals. Further email conversations are underway about how these initiatives can be continually improved and adapted.

The Lead Advisers collaborated on this engagement, as this REIT is held within two of the Funds. Collaboration is encouraged to maximise impact.

Voting record

	# of votes	%
Votes with Management	472	95.7%
Votes against Management	21	4.3%
Abstain	0	0.0%
Withhold	0	0.0%
Do Not Vote	0	0.0%
	493	



2. VT Gravis Clean Energy Income Fund

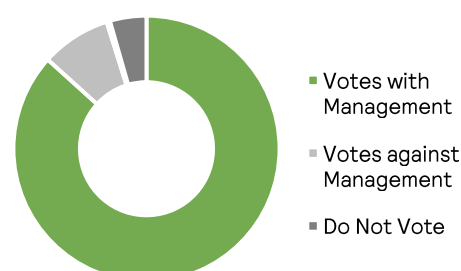
The Fund invests in a portfolio of OECD listed securities that have a significant involvement in clean energy, by the ownership of renewable energy assets and the generation of clean energy; direct linkage to renewable energy through funding, construction, and the supply chain; improving energy generation, supply, and usage (including increasing efficiency and reducing pollutants). Through investing in companies which focus on these themes, the Fund furthers the energy transitions, supporting the objectives of Sustainable Development Goal 7 - ensure access to affordable, reliable, sustainable and modern energy for all - and progress towards net zero.

Example Engagement

The Lead Adviser to the Fund engaged with the chair of a renewable infrastructure trust holding regarding the lack of ethnic diversity on their board of directors. Our view aligns with many in that we believe a diverse composition of a board of directors not only correlates with stronger financial performance but also encourages equality in the workplace. Whilst we appreciate there are instances where demographic limitations make this difficult to achieve, we seek to encourage all boards of directors to demonstrate a suitable degree of ethnic diversity. Whilst the trust made no immediate change to the board composition, awareness of the need for ethnic diversity at a board level was increased. We will continue to monitor the evolution of the Board composition and we will look to engage further if this requirement is not addressed in the future.

Voting record

	# of votes	%
Votes with Management	430	86.7%
Votes against Management	42	8.5%
Abstain	0	0.0%
Withhold	2	0.4%
Do Not Vote ²	22	4.4%
	496	



² Do not vote instruction issued with the inclusion of at least one shareblocking ballot. In 2022, a 'do not vote' instruction was issued in the instance of one meeting, with 22 resolutions.

3. VT Gravis UK Listed Property (PAIF) Fund

The Fund selects investments in UK listed real estate securities that benefit from and support four demographic and socio-economic trends: Ageing population, Digitalisation, Urbanisation and Generation Rent. Through investing in companies focused on these themes the Fund benefits society by providing key real estate, predominantly supporting the objectives of Sustainable Development Goal 11, making cities and human settlements inclusive, safe, resilient and sustainable.

Example Engagement

The Lead Adviser to the Fund engaged with a REIT holding regarding proposed changes to their remuneration policy. The Lead Adviser felt that the proposals, although broadly suitable, lacked the ambition of, and alignment to, the annual company growth targets, which we believe better align the interests of investors with management. With client interest in mind, the Lead Adviser engaged with the REIT to advocate to maintain the existing annual targets to promote consistent growth.

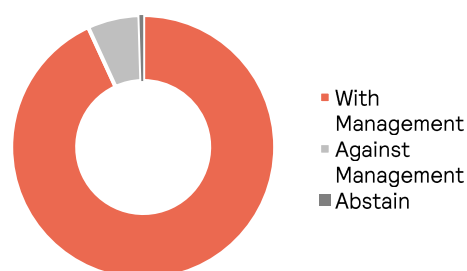
The Lead Adviser believed that for multiple elements of executive compensation (base salary, discretionary bonus, performance share plans etc.) it would be more appropriate to retain a 15% earnings per share growth and a total shareholder return target for awarding 100% of the performance share plan, as opposed to reduce the target for 100%.

In escalating the issue, the Lead Adviser utilised guidance from ISS regarding whether from the Sustainability Guidelines perspective this amendment to the remuneration policy exemplified best practice. Consistent engagement is key – whilst there was little tangible immediate effect from this engagement, the sentiment has improved.

The Lead Advisers collaborated on this engagement, as this REIT is held within two of the Funds. Collaboration is encouraged to maximise impact.

Voting record

	# of votes	%
Votes with Management	408	93.1%
Votes against Management	26	6.4%
Abstain	2	0.5%
Withhold	0	0.0%
Do Not Vote	0	0.0%
436		



4. VT Gravis Digital Infrastructure Income Fund

The Fund selects investments in OECD listed securities that own the vital physical assets supporting the digital world. Through investing in companies focused on this theme the Fund benefits society by providing crucial infrastructure, predominantly supporting the objectives of Sustainable Development Goal 9 'Industry, innovation and infrastructure'

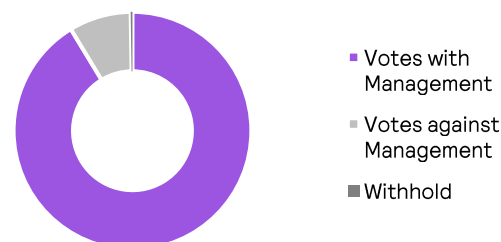
which targets building resilient infrastructure, promoting inclusive and sustainable infrastructure and fostering innovation.

Example Engagement

The Fund Advisers engaged with an investment trust holding regarding their potential use of diesel fuel for power generation, which would not align with our views regarding power generation from fossil fuels. This holding features within three of the four open ended Funds, making this engagement material. The Fund Advisers brought the issue to the attention of the managing director of the investment company. The company confirmed that diesel powered generators have never been used, with these generators existing purely as a back-up and last resort to protect the returns of the assets in the event an extreme situation arises. Whilst a satisfactory conclusion was reached, a consistent email dialogue is maintained between both Fund Advisers and the investment trust to ensure continuation of this approach.

Voting record

	# of votes	%
Votes with Management	379	91.3%
Votes against Management	35	8.4%
Abstain	0	0.0%
Withhold	1	0.2%
Do Not Vote	0	0.0%
	415	



Conclusion

We believe that integrating active ownership practices into our investment process can help to create more successful and sustainable businesses over the long-term and generate enhanced value for our clients and society at large. We seek to invest in companies that are well-managed and take appropriate account of ESG risks and opportunities.

Whilst we believe we have made progress in developing and implementing our Voting & Engagement Policy in 2022 we believe there is more to be done and we seek to improve and define this more clearly in 2023.

Prior to 2022 our voting activity was sporadic. This has come a long way in 2022 with votes being cast at all meetings predominantly utilising the ISS Sustainability Proxy Voting Guidelines. We do however note the continued limited opportunities to vote on environmental and social issues. Over time, as we refine our Voting and Engagement Policy, and with increased expectations from corporates, we aim to increase engagement on environmental and social issues.

2022 % of votes by ESG pillar	E	S	E/S	G
	0.16%	0.75%	0.16%	98.96%

Looking to the future

During 2023, we will seek to develop our ESG engagement approach and better monitor progress against engagement objectives, and therefore improve our stakeholder reporting. We aim to:

- Identify potential engagement targets and specific topics;
- Prioritise the most material engagement targets and create a list of priorities;
- Engage with the company to drive change;
- Monitor progress of engagement activities and amend investment position or escalate if needed;
- Report on our progress on an annual basis,

Additionally, whilst in 2022 the Lead Advisers collaborated, where relevant, when engaging with investee companies, Gravis recognises that in some cases collaborative engagement activity with external shareholders may be more effective and beneficial than acting alone, thus far we have not taken collaborative action. As such, in the coming year, where appropriate, we may look to garner support for engagement with other significant external shareholders sharing a similar perspective, to encourage improvements, where appropriate.