

## Fund Factsheet

# VT Argonaut Equity Income Fund

At 30 June 2023

Barry Norris  
Fund Manager



Barry Norris founded Argonaut in 2005 and manages the VT Argonaut Equity Income Fund using his “earnings surprise” investment process. Barry began managing money in 2002 at Neptune, having begun his career at Baillie Gifford. He was educated at Cambridge University and has an MA in History, and an MPhil in International Relations. He also holds the CFA charter.

## Fund aim

The Fund aims to provide an income (net of fees) in excess of the yield of the European market (as represented by the IA Europe ex UK sector) with capital growth over any 5 year calendar period.

## Fund overview

Benchmark	IA Europe ex UK
Launch date	30 December 2016
Dividend Yield*	2020 2019 2018 2017
Fund:	3.79% 7.04% 3.97% 4.97%
IA Europe ex UK:	1.72% 2.17% 1.45% 1.93%
Historic dividend yield <sup>2</sup>	4.92%
Fund size	£3.1m
Share class	Class R
No. of holdings	27
Bloomberg	R (Acc) - FPEIORA LN R (Inc) - FPEIORI LN
Sedol codes	R (Acc) - BDSFH13 R (Inc) - BDSFHG2
ISIN	R (Acc) - GBO0BDSFH138 R (Inc) - GBO0BDSFHG21
Ongoing charge (as at 28/02/23)	R Class Shares - 0.85%
Minimum investment	£500 (R Class Shares)
Minimum top up	£250 (R Class Shares)
Regular savings scheme	Yes (R Class Shares)
ISA option available	Yes (R Class Shares)
XD/Payment dates	01.03/15.04, 01.06/15.07 01.09/15.10, 01.12/15.01

\*Lipper, 30/06/2023: Calculated by subtracting the total return, net of tax, from the capital return.

All information as at 30/06/2023, unless otherwise stated and measured against the fund's benchmark index.

Investor information – This fund may not be appropriate for investors who plan to withdraw their money within 5 years.

## Fund Commentary

### Income Commentary

*“If you look at the data over the last quarter, what you see is stronger than expected growth, a tighter than expected labour market, and higher than expected inflation. So that tells us that although policy is restrictive, it may not be restrictive enough and it has not been restrictive for long enough”.*

### Jerome Powell, Sintra, June 2023

The fund returned -2.39% over June, compared with the IA Europe ex UK sector which returned +0.97% and an Equity Income peer group of +0.79%.

The fund's best performers were oil tube manufacturer Tenaris (+17%) and Italian blue-chip bank Intesa (+11%). This was offset by losses in Norwegian salmon farming stocks, presumably owing to seasonal weakness in spot prices.

Economic data, particularly US labour market activity, was more robust than anticipated. Despite unemployment being a classic lagging economic indicator, with the recession postponed, the market saw the glass as “half-full”. However, whereas the bull case a month ago was that the Fed was finished hiking rates, a further 25bps hike in July and probably also in September now looks likely, with a terminal rate at 5.75% rather than 5.25%.

The term “long and variable lags” used to describe the effects of monetary policy on the economy was first coined by economist Milton Friedman, who went on to use the analogy of the “fool in the shower”, who not waiting for the pipes to warm up, cranks up the hot water, and after a variable lag, scolds themselves, to warn of the dangers of central bank tinkering to achieve immediate economic outcomes.

Bribing the electorate with their own money to stay at home during COVID, central bank money printing and government largesse increased money supply way beyond nominal economic activity, and by doing so

created their own Frankenstein's Inflation Monster. Whilst central banks are now withdrawing money supply through higher interest rates, an inverted yield curve and reducing the size of their balance sheets (QT), governments continue to run huge fiscal deficits, inefficiently stimulating their economies through more spending rather than tax cuts, exacerbating low productivity and meaning that monetary policy must do more to achieve the desired disinflation.

Hawkish Central Bankers may currently be acting like Friedman's “fool in the shower”, but in view of still stimulative fiscal policy, with full employment and wages growing at 5-6%, avoiding a wage price spiral and returning inflation to 2% is unlikely to be achieved by waiting for a soft-landing. Central Banks must now kill the inflationary monster they created by over-tightening, which will cause an economic purging and a hard economic landing. The longer this recession takes, the more monetary policy must tighten and the deeper the recession must result.

There is no historic parallel for an “immaculate deflation”, returning inflation to 2% from above 5% without a deep recession, nor has a soft-landing been previously witnessed with deeply negative real money supply growth or 500bps of hikes in 16 months. This is why investors must be patient before buying risk assets, safe in the knowledge that with interest rates now above 5%, they are at least being paid to wait.

Walter Bagehot once wrote that “John Bull can't stand 2%” on his savings, and without this he is prone to irrational, stupid speculations. Now he is getting 5%, speculation in risk assets should grind to a halt. We therefore believe that the recent revival of animal spirits is at best short-sighted and at worst foolish. We have no appetite to add to risk assets. Consequently, we continue to add to cash, in the knowledge that this John Bull can stand 5%.

<sup>2</sup> Lipper 30/06/2023, R Accumulation share class performance, in Sterling with net income reinvested

<sup>3</sup> Bloomberg 30/06/2023, Calculated by the weighted average of the forecast 12-month forward dividend yield of each holding in the portfolio

	Cumulative	1 Month % Growth	YTD	2022 % Growth	2021 % Growth	2020 % Growth	2019 % Growth	2018 % Growth	2017 % Growth	Since Launch % Growth
VT Argonaut Equity Income Fund		-2.39	-3.73	8.4	5.9	7.1	18.0	-11.2	20.6	49.5
IA Europe ex UK NR		0.97	7.19	-9.2	15.7	10.7	20.1	-12.4	17.4	54.0
Fund Rank		101/104	104/104	3/98	91/93	66/98	71/101	35/97	14/92	54/79
Quartile Rank		4	4	1	4	3	3	2	1	3

## Income peer group performance

	Cumulative	1 Month % Growth	YTD % Growth	2022 % Growth	2021 % Growth	2020 % Growth	2019 % Growth	2018 % Growth	2017 % Growth	Since Launch % Growth
VT Argonaut Equity Income Fund		-2.39	-3.73	8.4	5.9	7.1	18.0	-11.2	20.6	49.5
IA Europe ex UK income fund average		0.98	7.2	-3.7	11.7	3.4	15.7	-11.2	15.7	54.0
Rank		9/9	9/9	1/10	10/11	5/14	7/16	6/15	3/13	4/8

Source: Lipper 30/06/2023, R Accumulation share class performance, in Sterling with net income reinvested and no initial charges.  
\*Comprised of 15 funds from the IA Europe excluding UK sector which state that they are income funds.

Past performance is not a guide to future performance. The value of shares and any income from them may fall as well as rise and is not guaranteed.

## Fund Factsheet

# VT Argonaut Equity Income Fund

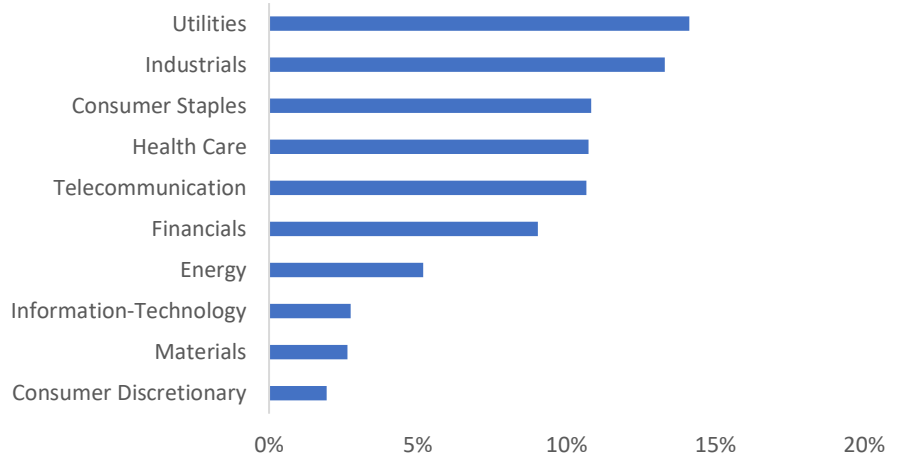
At 30 June 2023

Top Five holdings	Fund %
Enagas SA	5.0
Snam Spa	4.9
Nestle	4.6
Vopak	4.5
Italgas	4.5

Country Breakdown	Fund %
Norway	9.9
Italy	21.0
Switzerland	8.4
France	9.2
Netherlands	7.3
Belgium	6.2
Denmark	6.2
Germany	2.6
Other European	10.5

Market Cap	Fund %
Large Cap > €5bn	59.2
Mid Cap €1bn – €5bn	19.1
Small < €1bn	3.0
Cash	18.7

## Sector Weights



Risk Analysis	Since Launch	1 Year
Beta	0.7	0.3
Standard Deviation (%)	14.35	14.4
Tracking Error	10.4	17.0
Jensen's Alpha	1.1	-4.1
Sharpe Ratio	0.5	0.0
Information Ratio	-0.1	-0.86

Source: Lipper, all figures at 30/09/2022, these figures are subject to rounding. Date from the 12<sup>th</sup> May 2005 – 16<sup>th</sup> July 2012 A class and 16<sup>th</sup> July 2012 – 30<sup>th</sup> September 2022 reflects class R units. Tracking error is calculated ex post.

**Past Performance is not a guide to future performance. The value of shares and any income from them may fall as well as rise and is not guaranteed.**

Source: Argonaut Capital Partners, all figures at 30/06/2023 these figures are subject to rounding. Figures are based on the VT Argonaut European Income Opportunities GBP R Acc share class.

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## Important Information

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Investors should refer to the Key Investor Information Document (KIID) and Supplementary Information Document (SID) before investing. For a copy, please telephone Valu-Trac Investment Management Limited on +44 (0) 1343 880 217 or visit [www.argonautcapital.co.uk](http://www.argonautcapital.co.uk) Alternatively write to Valu-Trac Investment Management Limited - Argonaut, Orton, Moray, Scotland, IV32 7QE.

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