Fund Factsheet

VT Argonaut Equity Income Fund

At 30 September 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 [2]	7.28%			
Fund size	£2.9m			
Share class	Class R			
No. of holdings	32			
Bloomberg	R (Acc) - FPEIORA LN R (Inc) - FPEIORI LN			
Sedol codes	R (Acc) – BDSFHH3 R (Inc) – BDSFHG2			
ISIN	R (Acc) – GB00BDSFHH38 R (Inc) – GB00BDSFHG21			
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, 30/09/2023: Calculated by subtracting the total return, net of tax, from the capital return.

All information as at 30/09/2023, 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

"The last Carbon Budget process was debated in the House of Commons for just 17 minutes and voted through with barely any consideration given to the hard choices needed to fulfil it."

Rishi Sunak, UK Prime Minister, September 20th, 2023

The fund returned +1.47% over August, compared with the IA Europe ex UK sector which returned -1.66% and an Equity Income peer group of -0.60%.

Our best performing longs were all clean product tankers: Torm (+14%), DIS (+11%) and Hafnia (+11%), reflecting a further tightening of the market with Russia's self-imposed export ban. Fund returns were flattered by GBP£ weakness during the month.

During the month the Federal Reserve kept the Fed Funds Rate (u/b) at 5.5% but reiterated their "higher for longer" interest rate view by removing two of the four implied 25bps cuts in 2024 from the median "dot plot". Having broken above 4% in August for the first time since last October, the yield on the US 10-year Treasury continued to climb and ended the month at 4.6%, the highest since 2007.

In Europe, the ECB raised its key deposit rate by 25bps to 4% but indicated that monetary policy was now "sufficiently restrictive"; whilst the BOE left its base rate on hold at 5.25%. Consequently, the greenback strengthened 2.5% and 3.9% against the Euro and Sterling respectively, with the market concluding that the US economy, which is now showing signs of reacceleration, can tolerate higher interest rates better than its peers.

The current "disinversion" of the US Treasury yield curve – whereby lower longer-term rates of interest rise toward those on shorter-term maturities – has perplexed many market participants given ongoing moderation of headline inflation measures. Our view is that we are witnessing the early stages of a bond market revolt against unfettered government spending at a time of full employment. The Congressional Budget Office has recently estimated that the underlying fiscal year Federal deficit is on track to double from $1.0 trillion in 2022 to $2.0 trillion in 2023 (8% of GDP). Only politicians still believe in magic money trees.

This time last year, President Biden, apparently without a hint of irony, was warning the UK Truss government about the "mistake" of fiscal stimulus at a time when central bankers were tightening monetary policy to combat inflation. When asked about US dollar strength in an ice cream parlour in Portland, Oregon, Biden explained: "The problem is the lack of economic growth and sound policy in other countries".

In fact, the current strength of the greenback reflects speculative capital flows based on loose fiscal policy which requires ever tighter monetary policy. The current $2trillion primary deficit compares with the total amount of Treasury bills, notes, and bonds of $25.5 trillion on which the current interest charge is an annual $800billion (which will rise from a weighted average of 3% toward 5% as it is refinanced).

The Fed which owns $5trillion of US government debt is currently reducing its holdings by $95bn per month ($1.14trillion annualised). Foreigners who own $7.7 trillion (notably Japan with $1.1trillion of Treasury assets and China with $835bn) can no longer be relied upon to recycle their capital into Treasuries. Around $5trillion (20%) of US government debt is currently in bills, maturing over the next 12 months. This means that there is at least a $9 trillion gross, or $4trillion annual net supply imbalance in the US Treasury market which speculative inflows (or overseas repatriation) of private capital must now fill.

This $4trillon funding gap compares to current Institutional Investor ownership (pension funds, banks, mutual funds, insurance companies) of US government debt of just $8.8trillion! In other words, the need to fund the US Treasury deficit can be consistent with greenback strength but must also crowd out investment in all other asset classes: investors must continue to feed the Treasury deficit beast. It has the potential to cause a 1987 style stock market crash.

Reflecting this risk and the now competitive returns on deposits, the fund took its cash weighting near to the 20% limit during the month. Recognising the currently exceptional market circumstances this limit has now been raised to 30%, which given our cautious market view the fund has utilised.

September also witnessed UK PM Sunak backtracking from some of the more egregious government arm-twisting on "Net Zero", also calling for an "honest" political debate on its pace, if not at this stage the end goal. Nevertheless, we believe this – along with similar announcements elsewhere in Europe – marks a watershed moment in breaking the economically masochistic political consensus. Once politicians realise "Net Zero" is not the vote winner they previously believed, a democratic debate involving accountability for decisions based on cost/benefit analysis should lead to more rational outcomes.

Everywhere and always the "Energy Transition" seeks to replace an economically superior with an inferior product. Consequently, it requires an unholy trinity of free capital (from zero interest rates and ESG), government subsidies and command economy coercion to sustain it, without which the wisdom of the "invisible hand" of markets would have already consigned it to the dustbin of human folly.

In the absence of central bank quantitative easing there is no longer unlimited capital to fund multiple misallocations, Biden's pork barrel spending must take precedence, resulting in the "crowding out" other parasites. We are about to see which investments are truly "sustainable".

[2] Lipper 31/09/2023, R Accumulation share class performance, in Sterling with net income reinvested
[3] Bloomberg 31/09/2023, 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	1.5	0.1	8.4	5.9	7.1	18.0	-11.2	20.6	55.2
IA Europe ex UK NR	-1.7	5.1	-9.2	15.7	10.7	20.1	-12.4	17.4	51.0
Fund Rank	3/104	90/104	3/98	91/93	66/98	71/101	35/97	14/92	31/78
Quartile Rank	1	4	1	4	3	3	2	1	2

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	1.5	0.1	8.4	5.9	7.1	18.0	-11.2	20.6	55.4
IA Europe ex UK income fund average	-0.6	4.4	-3.7	11.7	3.4	15.7	-11.2	15.7	51.0
Rank	10/10	9/9	1/10	10/11	5/14	7/16	6/15	3/13	1/8

Source: Lipper 30/09/2023, 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.

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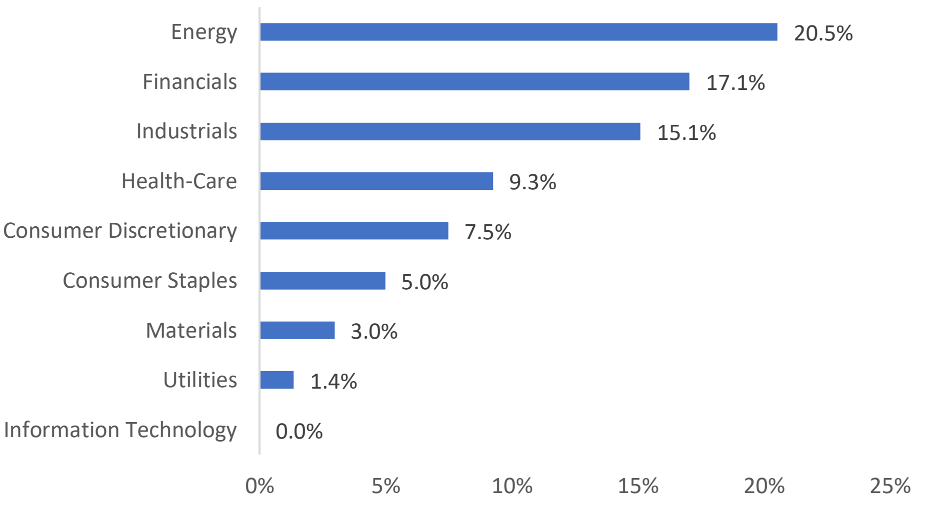
Top Five holdings	Fund %
Hafnia	5.2
Novo Nordisk	5.1
Torm PLC	5.0
Repsol	4.6
Greek Football Prognostics	4.5

Country Breakdown	Fund %
Norway	18.8
Denmark	15.1
Italy	14.7
Greece	7.8
Spain	7.8
Switzerland	4.3
Germany	3.0
France	3.0
Other European	5.2

Market Cap	Fund %
Large Cap > €5bn	50.0
Mid Cap €1bn – €5bn	16.1
Small < €1bn	13.6
Cash	20.4

Sector Weights



Risk Analysis	Since Launch	1 Year
Beta	0.7	0.3
Standard Deviation (%)	13.7	12.0
Tracking Error	10.3	14.6
Jensen's Alpha	1.9	-1.5
Sharpe Ratio	0.5	0.2
Information Ratio	-0.0	-0.8

Source: Lipper, all figures at 30/09/2022, these figures are subject to rounding. Date from the 12th May 2005 – 16th July 2012 A class and 16th July 2012 – 30th 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 30/09/2023 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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