Fund Factsheet

VT Argonaut Equity Income Fund

At 30 November 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 *	2022	2021	2020	2019
Fund :	6.43%	4.35%	3.79%	7.04%
IA Europe ex UK :	4.66%	3.46%	1.72%	2.17%
Historic dividend yield [2]	7.28%			
Fund size	£2.9m			
Share class	Class R			
No. of holdings	30			
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, 30/11/2023: Calculated by subtracting the total return, net of tax, from the capital return.

All information as at 30/11/2023, 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 fund returned +1.35% over November, compared with the IA Europe ex UK sector which returned +6.62% and an Equity Income peer group of +5.25%.

The best performing stocks were Dutch semiconductor equipment manufacturer BE (+31%), "Diamonds For All" retailer Pandora (+15%); and Greek banks NBG (+15%).

The easing of financial conditions saw lower quality stocks bounce: these are not well represented in the portfolio, which is constructed with a view to avoiding capital losses.

During the month the 10-year US Treasury yield having briefly touched 5% in October for the first time since 2007, fell to 4.32% at the end of the month. This came after the Federal Reserve noted that the previous steepening of the yield curve had already tightened financial conditions and that this might preclude the need to raise Fed Funds further. Fed officials are yet to offer an opinion on whether November's loosening of financial conditions now requires them to reconsider.

Q3 US real GDP growth reaccelerated to +5.2% YOY (previously +4.9%) or +9.0% nominal (previously +8.4%). The market is now expecting five 25bps rate cuts next year with a high probability of the first rate cut in March. We think this is too aggressive, considering the US economy is currently still booming, the fiscal deficit is still forecast to be at least 7% in 2024 (there is an election) and the main refinancing cliff is delayed until 2025.

Moreover, Fed Chairman Powell has persistently warned about repeating the perceived mistake of Arthur Burns in premature easing into President Nixon's 1972 re-election (ignoring the historical fact that the offending rate-cuts were actually made in 1974-5 after Nixon had left office in 1974).

OPEC announced a headline "cut" to production of 2.2m barrels/day for Q1 2024, but since these were either "voluntary" or extensions of those previously announced, the oil market was unimpressed. More significantly, Brazil announced it would be joining OPEC+: another symbol of deglobalisation and surely a wake-up call for President Lula fawning Western media and politicians.

With the best-case scenario of a soft landing in 2024 now anticipated by November's rally, we worry this sets up a disappointing 2024. We find it difficult to envisage that any further bond market easing will be equity friendly, since it would likely reflect slowing nominal growth that would impact profits. More likely growth turns out to be surprisingly resilient and duration – on which recent surveys have shown record bullishness - sells off again. Indeed, we do not rule out a further hike in the Fed Funds rate.

Investors continue to ignore the fiscal recklessness of governments running record peacetime deficits at a time of full-employment and the need for the ownership of the government debt market to change from public to private (thus crowding out all other asset classes). There is also the prospect in 2024 of the Bank of Japan formally exiting Yield Curve Control, accelerating the repatriation of Japanese capital. All of this requires other assets to be sold to fund government, the beast that must be fed.

Government in the UK currently accounts for nearly half of all economic activity, an unprecedented intervention outside of WW2 and COVID. This expansion of the state has occurred without democratic mandate and financial markets have been slow to appreciate its consequences. Indeed, we now have the inglorious phenomenon of politicians allocating capital whilst fund managers try to save the environment and solve social inequality. We would have a better world for our children and higher returns on capital if all concerned stuck to what the late Charlie Munger termed their "Circle of Competence".

[2] Lipper 30/11/2023, R Accumulation share class performance, in Sterling with net income reinvested
[3] Bloomberg 30/11/2023, 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	1.35	1.49	8.4	5.9	7.1	18.0	-11.2	20.6	57.6
IA Europe ex UK NR	6.62	8.1	-9.2	15.7	10.7	20.1	-12.4	17.4	55.3
Fund Rank	108/108	93/108	3/98	91/93	66/98	71/101	35/97	14/92	41/82
Quartile Rank	4	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	1.35	1.49	8.4	5.9	7.1	18.0	-11.2	20.6	57.6
IA Europe ex UK income fund average	5.25	6.61	-3.7	11.7	3.4	15.7	-11.2	15.7	43.6
Rank	4	4	1/10	10/11	5/14	7/16	6/15	3/13	1/8

Source: Lipper 30/11/2023, R Accumulation share class performance, in Sterling with net income reinvested and no initial charges.
*Comprised of 12 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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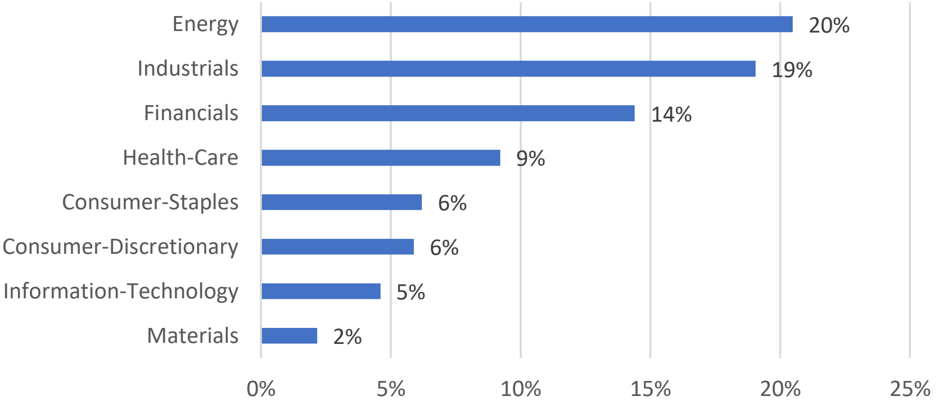
At 30 November 2023

Top Five holdings	Fund %
Novo Nordisk	4.7
BE Semiconductor	4.7
Hafnia	4.2
BW LPG	3.8
Torm PLC	3.7

Country Breakdown	Fund %
Norway	22.0
Denmark	14.5
Italy	12.1
Germany	7.5
Spain	6.5
Netherlands	4.6
Greece	4.3
Switzerland	3.2
Other European	7.3

Market Cap	Fund %
Large Cap > €5bn	55.7
Mid Cap €1bn – €5bn	14.2
Small < €1bn	12.1
Cash	18.0

Sector Weights



Risk Analysis	Since Launch	1 Year
Beta	0.7	0.1
Standard Deviation (%)	13.3	10.4
Tracking Error	10.3	15.2
Jensen's Alpha	1.8	-5.4
Sharpe Ratio	0.5	-0.5
Information Ratio	-0.0	-0.6

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.

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Source: Argonaut Capital Partners, all figures at 30/11/2023 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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