Fund Factsheet

VT Argonaut Equity Income Fund

At 31 December 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	£3.0m			
Share class	Class R			
No. of holdings	31			
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, 31/12/2023: Calculated by subtracting the total return, net of tax, from the capital return.

All information as at 31/12/2023, 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

"Restoring price stability will likely require maintaining a restrictive policy stance for some time. The historical record cautions strongly against prematurely loosening policy."

Federal Reserve Chairman Powell, Jackson Hole, August 26th, 2022

The fund returned +3.63% over December, compared with the IA Europe ex UK sector which returned +4.97% and the Income peer group average of +4.20%.

The best performing stock was Spanish blood plasma outfit Grifols (+19%) which rose strongly followed the disposal of a stake in a Chinese asset that helped sooth balance sheet concerns. Swedish defence conglomerate SAAB (+16%) and product tanker company Hafnia (+11%) also performed strongly on rising geopolitical tensions. The worst performer was Spanish bank Caixa (-9%) on fears that lower global interest rates would mean peaking profitability for banks in general.

During the month the 10-year US Treasury yield having briefly touched 5% in October for the first time since 2007, fell to 3.87%. This came after a curious FOMC press conference during which Chairman Powell failed to repeat his previous warnings of "high for longer" interest rates or "vigilance" around inflation, and instead appeared to endorse the market view that the battle against inflation had been won without the need for a recession.

Whilst Q3 US real GDP growth was revised back to +4.9% (or +8.4% nominal), Q4 GDP (as estimated by the AtlantaFed NowCast) has seen steady upwards revisions from just over 1% in October and is now running at +2.5%. With the same institution forecasting Q4 PCE inflation of +2.9%, if correct, Q4 would still see nominal growth of 5%. The US economy also currently has full employment with wage increases averaging +5.2% (down from +6.8% in the summer of 2022 but still double the average of the last decade). This is a "no landing" slowdown, not an economy that currently needs stimulus.

Yet US Federal deficit spending is still estimated to be at least 7% during the fiscal year to September 2024, which aside from the previous year's absurd 8%, would still represent the biggest fiscal stimulus outside World War, Great Financial Crisis and COVID. Now encouraged by the FOMC, US interest rate futures are factoring in seven 25bps interest rate cuts next year, beginning in March, with monetary stimulus already front-loaded by the loosening of financial conditions that has already taken place in anticipation, adding monetary stimulus to reckless fiscal spending.

Despite having persistently warned about repeating the perceived mistake of Arthur Burns in premature easing into President Nixon's 1972 re-election, it was almost as if the Chairman's "volte face" at the December FOMC could only be explained by Jerome Powell having been discretely deposed, displaced by a dastardly Democratically determined Doppelganger.

"The word went out that 1972, by God, was going to be a very good year" confessed a US Treasury official, according to legend. It is now even more likely that 2024 will be a surprisingly good year for the US economy. Whilst this should lend support to cyclical areas of the market, it is likely that duration – on which recent surveys have shown record bullishness - sells off again. A good year for Main St. can still be an ill portent for Wall St.

Over 2023 the Fund returned +5.2% compared with the IA Europe ex UK sector which returned +13.5%. The best performers over the year were Dutch semiconductor equipment manufacturer BESI (+111%); product tanker outfits Hafnia (+54%) and DIS (+54%); and Belgian cable company Telenet (+35%) which was subject to a takeover bid. In general, however, the Fund was too cautiously positioned and too value orientated, given the (eventual) strong annual market performance led by growth stocks.

[2] Lipper 31/12/2023, R Accumulation share class performance, in Sterling with net income reinvested
[3] Bloomberg 31/12/2023, Calculated by the weighted average of the forecast 12-month forward dividend yield of each holding in the portfolio

Cumulative	1 Month % Growth	2023 % Growth	2022 % Growth	2021 % Growth	2020 % Growth	2019 % Growth	2018 % Growth	2017 % Growth	Since Launch % Growth
VT Argonaut Equity Income Fund	3.6	5.2	8.4	5.9	7.1	18.0	-11.2	20.6	63.4
IA Europe ex UK NR	5.0	13.5	-9.2	15.7	10.7	20.1	-12.4	17.4	63
Fund Rank	101/108	104/108	3/98	91/93	66/98	71/101	35/97	14/92	43/82
Quartile Rank	4	4	1	4	3	3	2	1	3

Income peer group performance

Cumulative	1 Month % Growth	2023 % Growth	2022 % Growth	2021 % Growth	2020 % Growth	2019 % Growth	2018 % Growth	2017 % Growth	Since Launch % Growth
VT Argonaut Equity Income Fund	3.6	1.49	8.4	5.9	7.1	18.0	-11.2	20.6	63.4
IA Europe ex UK income fund average	5.25	4.2	-3.7	11.7	3.4	15.7	-11.2	15.7	49.6
Rank	4	3	1/10	10/11	5/14	7/16	6/15	3/13	2/8

Source: Lipper 31/12/2023, 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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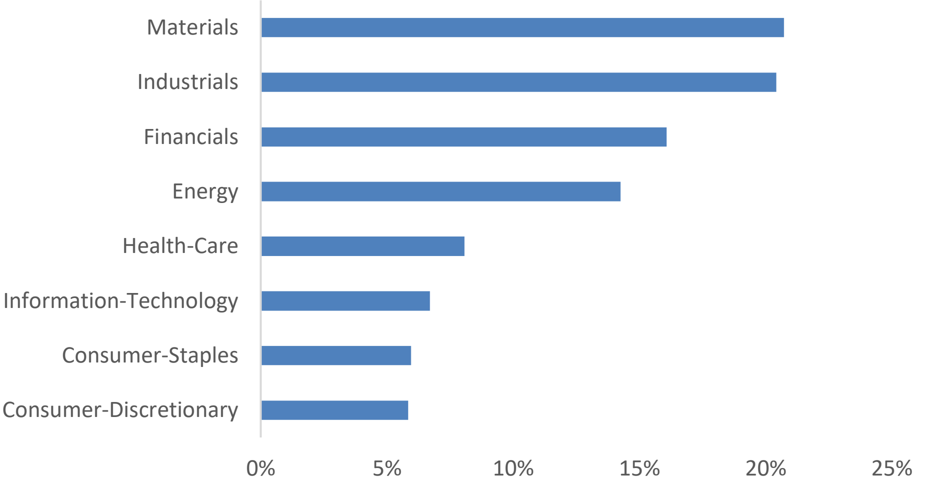
Top Five holdings	Fund %
Torm	5.5
Hafnia	5.4
Buzzi Spa	4.8
OTP Bank	4.8
Be Semiconductor	4.7

Country Breakdown	Fund %
Norway	25.6
Italy	14.6
Denmark	11.9
Germany	10.1
Spain	8.1
Switzerland	4.9
Hungary	4.8
Netherlands	4.7
Other European	15.3

Market Cap	Fund %
Large Cap > €5bn	67.0
Mid Cap €1bn – €5bn	22.5
Small < €1bn	8.5
Cash	2.0

Sector Weights



Risk Analysis	Since Launch	1 Year
Beta	0.7	0.1
Standard Deviation (%)	13.3	10.7
Tracking Error	10.3	15.1
Jensen's Alpha	1.8	-0.4
Sharpe Ratio	0.5	0.1
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 31/12/2023 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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