

## Fund Factsheet

# VT Argonaut Equity Income Fund

At 31 January 2024

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 <sup>2</sup>	7.28%
Fund size	£3.0m
Share class	Class R
No. of holdings	29
Bloomberg	R (Acc) – FPEIORLN R (Inc) – FPEIORLN
Sedol codes	R (Acc) – BDSFHH3 R (Inc) – BDSFHG2
ISIN	R (Acc) – GB00BDSFHH38 R (Inc) – GB00BDSFHG21
Ongoing charge (as at 31/12/23)	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; 31/01/2024: Calculated by subtracting the total return, net of tax, from the capital return.

All information as at 31/01/2024, 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 +0.40% over January, compared with the IA Europe ex UK sector which returned -0.40% and the Income peer group average of -0.30%.

The best performing stocks were product tanker outfits Torm (+17%) and Ardmore (+17%); Italian cement company Buzzi (+13%); German tanks and ammo manufacturer Rheinmetall (+11%) and Greek bank NBG (+10%).

The strength of the US economy continues to surprise positively, with first estimates of Q4 GDP of +3.3% (vs. +2.0% expected). January Non-Farm Payrolls saw +353k net new jobs vs. +185k expected (the most in 12 months). The Atlanta Fed Q1 real GDP Nowcast estimate is currently +4.2% (vs. +2% at the start of the year).

The January FOMC saw a hawkish Chairman Powell – presumably having read Argonaut timely warnings of repeating the mistakes of the 1970's through “premature easing” - backtrack from his dovish December inflation victory lap, ruling out a March rate cut from the FOMC “base case”<sup>4</sup>. Fed Fund Futures have gone from pricing in 6 ½ quarter point interest rate cuts starting in March to 5 ½ starting in June.

The Fed statement also deleted references to “additional policy firming” as well as their affirmation that the US commercial banking system was “sound and resilient”. On the same day, the share price of New York Community Bank – which bought the assets of failed Signature Bank from receivership - fell by 40% as it cut its dividend to build regulatory capital and increased loan provisions from \$52m in Q3 to \$552m and charge offs from \$24m in Q3 to \$185m. Subsequently, Japanese bank Aozora also fell by one third owing to higher loan loss charges from its commercial real estate.

Somewhat surprisingly in view of the drawdown in the Fed Reverse Repo Facility – an ongoing source of money market liquidity for Treasury bill issuance - to

just \$500bn from \$2.5trillion at its 2022 year-end peak, Powell said that the Fed will only start talking about the tapering of QT in March.

Moreover, the Fed announced the ending of the generous “lender of last resort” liquidity facility to commercial banks, the Bank Term Funding Program (BTFF) on March 11<sup>th</sup> - where collateral value was determined by par rather than market value - and the ending of the “free money” arbitrage for commercial banks on January 25<sup>th</sup> through raising the lending rate from 4.9% to 5.4% (the same rate as banks receive on their pledged collateral).

January also saw an escalation in geopolitical tension in the Red Sea through Houthi rocket and drone attacks on commercial shipping. Whilst we are sceptical about the effect of this on oil prices, we think this Iranian proxy war is not easily resolved and has the potential to cause sustained disruption to Suez Canal transits, that would increase demand for ton-mileage.

We continue to be amazed that financial markets are so focused on transitory disinflation and remain so sanguine about government fiscal recklessness and the increased power of the state, which has always been an enemy of free enterprise and private capital.

Whilst the last forty years have been an investment “golden age”, it seems that few market participants are contemplating the consequences of regime change as articulated in President Milei's warning.

<sup>4</sup>“I would tell you that I don't think it's likely that the Committee will reach a level of confidence by the time of the March meeting to identify March as the time to do that. But that's to be seen. So I wouldn't call -- you know, when you ask me about in the near term, I'm hearing that as March, I would say that's probably not the most likely case or what we would call the base case”. Powell FOMC Press Conference January 31<sup>st</sup>, 2024. <https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20240131.pdf>

<sup>2</sup> Lipper 31/01/2024, R Accumulation share class performance, in Sterling with net income reinvested

<sup>3</sup> Bloomberg 31/01/2024, 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	0.4	5.2	8.4	5.9	7.1	18.0	-11.2	20.6	64.0
IA Europe ex UK NR	-0.3	13.5	-9.2	15.7	10.7	20.1	-12.4	17.4	62.6
Fund Rank	30/106	104/108	3/98	91/93	66/98	71/101	35/97	14/92	43/82
Quartile Rank	2	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	0.4	5.2	8.4	5.9	7.1	18.0	-11.2	20.6	64.0
IA Europe ex UK income fund average	-0.3	11.1	-3.7	11.7	3.4	15.7	-11.2	15.7	49.2
Rank	4/9	9/9	1/10	10/11	5/14	7/16	6/15	3/13	1/8

Source: Lipper 31/01/2024, 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.

## Fund Factsheet

# VT Argonaut Equity Income Fund

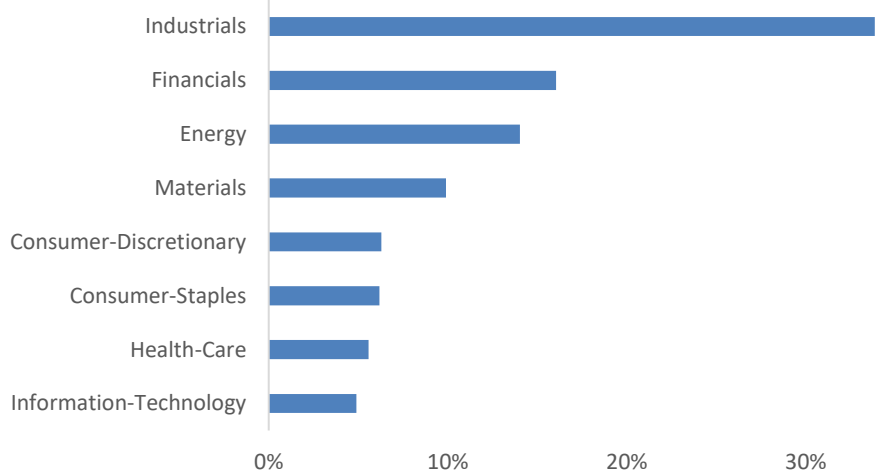
At 31 January 2024

Top Five holdings	Fund %
Hafnia	6.9
Torm	6.6
Be Semiconductor	4.9
Buzzi Spa	4.1
Pandora	4.0

Country Breakdown	Fund %
Norway	33.5
Italy	15.6
Denmark	13.6
Germany	10.0
Netherlands	4.9
Greece	4.6
Hungary	3.8
Sweden	3.5
Other European	10.7

Market Cap	Fund %
Large Cap > €5bn	69.0
Mid Cap €1bn – €5bn	18.9
Small < €1bn	8.9
Cash	3.2

### Sector Weights



Risk Analysis	Since Launch	1 Year
Beta	0.7	0.3
Standard Deviation (%)	13.2	10.3
Tracking Error	10.3	12.1
Jensen's Alpha	1.8	2.3
Sharpe Ratio	0.5	0.3
Information Ratio	-0.0	0.0

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 31/01/2024 these figures are subject to rounding. Figures are based on the VT Argonaut European Income Opportunities GBP R Acc share class.

### Dealing Contact:

**Tel: +44 (0)1343 880 217**

**Tel: +44 (0)1343 880 344**

**Fax: +44 (0)1343 880 267**

Telephone calls may be monitored and/or recorded for the purpose of security, internal training, accurate account operation, internal customer monitoring and to improve quality of service.

### Important Information

Valu-Trac Investment Management Limited is the Authorised Corporate Director (ACD) of VT Argonaut Funds and is authorised and regulated by the Financial Conduct Authority. Registered office: Level 13, Broadgate Tower, 20 Primrose Street, London, EC2A 2EW.

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.

**This communication is for general information purposes only and does not constitute professional advice. Argonaut Capital Partners accepts no responsibility for any loss arising from reliance on the information it contains.**

The value of shares and any income from them can fall as well as rise and is not guaranteed. Exchange rate movements may cause the value of overseas investments to fluctuate.

Issued by Argonaut Capital Partners LLP. Registered in Scotland No. S0300614. Registered office: 4th Floor, 115 George Street, Edinburgh, EH2 4JN. Argonaut Capital Partners LLP is authorised and regulated by the Financial Conduct Authority.

The information contained in this document is believed to be correct at time of writing however no guarantees are made. Information and opinions are subject to change without notice.