

## Fund Factsheet

# VT Argonaut Equity Income Fund

At 31 March 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	£3.1m
Share class	Class R
No. of holdings	32
Bloomberg	R (Acc) - FPEIORA LN R (Inc) - FPEIORI LN
Sedol codes	R (Acc) - BDSFH3 R (Inc) - BDSFH2
ISIN	R (Acc) - GB00BDSFH38 R (Inc) - GB00BDSFH21
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; 31/03/2024: Calculated by subtracting the total return, net of tax, from the capital return.

All information as at 31/03/2024, 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

*"My sense is still that the Fed has itchy fingers to start cutting rates and I don't fully get it. We've got unemployment if anything below what they think is full capacity. We've got inflation, clearly even in their forecast for the next two years above target. We've got GDP growth rising if anything faster than potential. We have financial conditions, the holistic measure of monetary policy at a very loose level. I don't know why we are in such a hurry to be talking about moving toward the accelerator."*

### Larry Summers, Bloomberg, March 21<sup>st</sup>

The fund returned +3.41% over March, compared with the IA Europe ex UK sector which returned +3.14% and the Income peer group average of +2.64%.

The best performing stocks were again European defence companies: German weaponsmith Rheinmetall (+23%) and Italian helicopter outfit Leonardo (+18%). Norwegian oil rig owner Seadrill (+21%), Spanish bank Caixa (+17%) and Italian cement manufacturer Buzzi (+16%) also performed strongly. The worst performing stock was Dutch semiconductor equipment vendor BE (-15%).

The fund has benefited from the strong performance of its long positions in European defence stocks, an industry which until recently has been in a bear market since the fall of the Berlin Wall in 1989. The Russian invasion of Ukraine has been a *Zeitenwende*<sup>3</sup> moment in European thinking on defence expenditure (along with words of encouragement from across the Atlantic) with European NATO countries all now seemingly accepting that 2% of GDP should be a new floor on annual defence budgets.

NATO allies have to date provided Ukraine with \$108bn of military aid of which the European share has been just \$43bn. This compares to Russian current annual defence spending of \$111bn (6.5% GDP). European countries have donated most of their ammo and useful weaponry to Ukraine and are capacity constrained in ramping up production (hence their non-military aid has been higher).

The entire annual revenues of the quoted European defence industry last year were just \$132bn. If NATO European annual spend increases to 2.8% of GDP and 50%

of this is spent on equipment exclusively sourced within Europe, then industry revenues double. European defence is a new bull market with legs.

It was a busy month for central banks. The Bank of Japan hiked its policy rate for the first time since 2007 (to a 0.1% upper bound); its first positive rate since 2016; also, officially scrapping Yield Curve Control (but not QE). The Swiss National Bank delivered a surprise policy rate cut to 1.5% (from 1.75%). The Fed, the BOE and the ECB were on hold at 5.5%, 5.25% and 4.0% on their headline rates respectively, but all gave the impression they had “itchy fingers” to start cutting. “We’re strongly committed to bringing inflation down to two percent *over time*”, repeated Fed Chairman Powell, leaving it to the market to guess what “over time” meant.

US macro data continues to defy expectations of a slowdown. The March ISM Manufacturing PMI saw its first expansionary reading (above 50) since September 2022. Q4 US GDP was revised up to +3.4%, with the Atlanta Fed GDP Now estimate for Q1 running at +2.8% (consensus was just 1.3% at the beginning of the year).

With measures of inflation still stuck at 3-4%, this means that the US economy is still experiencing a boom, with nominal growth of 6-7% supporting corporate earnings and credit, but at the cost of higher for longer rates. Fed Fund Futures have now gone from pricing in 6 ½ quarter point interest rate cuts starting in March at the start of the year to now just 2 ½ starting in June or July.

The “itchy fingers” of central banks who want to step on the monetary accelerator cannot be easily reconciled with the current observation of booming nominal growth owing to imprudent fiscal stimulus.

As declared by German Chancellor Olaf Scholz, a watershed moment marking the end of the post-cold war period of peace dividend.

<sup>3</sup> As declared by German Chancellor Olaf Scholz, a watershed moment marking the end of the post-cold war period of peace dividend.

<sup>2</sup> Lipper 31/03/2024, R Accumulation share class performance, in Sterling with net income reinvested

<sup>3</sup> Bloomberg 31/03/2024, Calculated by the weighted average of the forecast 12-month forward dividend yield of each holding in the portfolio

Cumulative	1 Month % Growth	YTD % 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	9.6	5.2	8.4	5.9	7.1	18.0	-11.2	20.6	79.0
IA Europe ex UK NR	3.3	6.1	13.5	-9.2	15.7	10.7	20.1	-12.4	17.4	72.9
Fund Rank	39/105	9/105	104/108	3/98	91/93	66/98	71/101	35/97	14/92	38/82
Quartile Rank	2	1	4	1	4	3	3	2	1	2

## Income peer group performance

Cumulative	1 Month % Growth	YTD % 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	9.6	5.2	8.4	5.9	7.1	18.0	-11.2	20.6	79.0
IA Europe ex UK income fund average	2.8	4.5	11.1	-3.7	11.7	3.4	15.7	-11.2	15.7	56.7
Rank	2/9	1/9	9/9	1/10	10/11	5/14	7/16	6/15	3/13	1/8

Source: Lipper 31/03/2024, 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

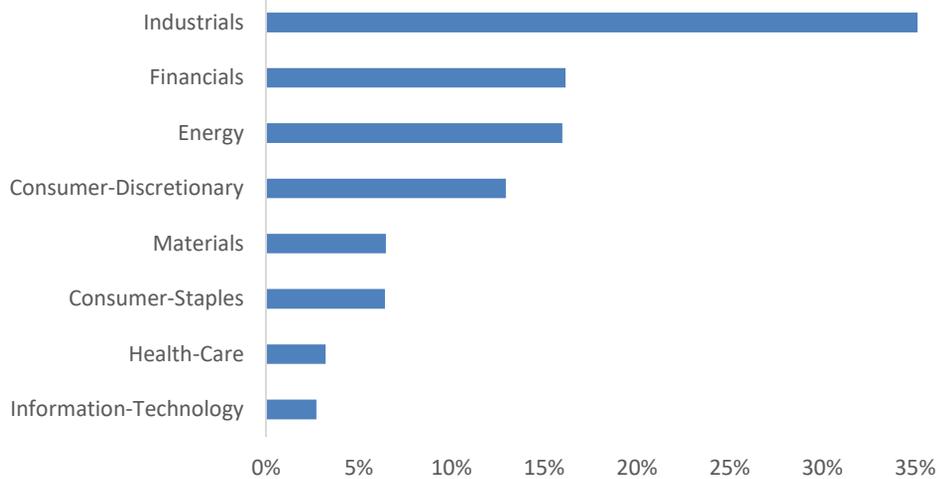
**At 31 March 2024**

Top Five holdings	Fund %
Rheinmetal	6.4
Hafnia	6.0
Torm	6.0
Buzzi	4.5
Leonardo	4.5

Country Breakdown	Fund %
Norway	29.6
Italy	17.9
Denmark	13.3
Germany	13.0
Greece	6.4
Hungary	3.5
Sweden	3.4
Switzerland	3.3
Other European	9.6

Market Cap	Fund %
Large Cap > €5bn	74.9
Mid Cap €1bn – €5bn	17.8
Small < €1bn	6.5
Cash	0.8

## Sector Weights



Risk Analysis	Since Launch	1 Year
Beta	0.7	0.4
Standard Deviation (%)	13.2	8.8
Tracking Error	10.2	9.7
Jensen's Alpha	2.3	3.7
Sharpe Ratio	0.6	0.8
Information Ratio	0.0	-0.1

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 31/03/2024 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

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.

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