Fund Factsheet

VT Argonaut Equity Income Fund

At 29 February 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 [2]	7.28%			
Fund size	£3.1m			
Share class	Class R			
No. of holdings	29			
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 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, 29/02/2024: Calculated by subtracting the total return, net of tax, from the capital return.

All information as at 29/02/2024, 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 point is, ladies and gentlemen, greed is good. Greed works, greed is right. Greed clarifies, cuts through, and captures the essence of the evolutionary spirit. Greed in all its forms, greed for life, money, love, knowledge, has marked the upward surge of mankind".

Gordon Gekko, "Wall St." 1987

The fund returned 4.7% over February, compared with the IA Europe ex UK sector which returned 2.3% and the Income peer group average of 1.4%.

The best performing longs were German weaponsmith Rheinmetall (+31%), Norwegian missile manufacturer Kongsberg (+25%), whilst Leonardo (+22%) and SAAB (+22%), Italian and Swedish defence contractors respectively, were also strong performers, based on the market anticipating European governments raising their military spending above the NATO target of 2% of GDP and directing incremental budget to indigenous OEM's.

Although it was a quiet month for macro data with an absence of central bank meetings, January Non-Farm Payrolls saw +353k net new jobs vs. +185k expected (the most in 12 months). US inflation is also proving stickier than forecast with January CPI +3.1% (vs. +2.9% est.), Core CPI +3.9% (vs. +3.7% est.) and Core PPI +2.0% (vs. +1.6% est.), though this was shrugged off by the market as owing to one-off "January effects".

Fed Fund Futures have now gone from pricing in 6 ½ quarter point interest rate cuts starting in March to 3 ½ starting in June. All of this suggests that the nominal growth boom supporting corporate earnings and credit can endure but at the cost of higher for longer rates.

The stock market, particularly in the US, remains enticed by the prospect of Artificial Intelligence, even though like the children following the Pied Piper of Hamelin, most enthusiasts seem more confident about the journey rather than the destination. Whilst anyone – even covertly China via third parties - can purchase an Nvidia GPU, the current order frenzy will inevitably lead to a future glut. Longer-term winners will likely be those companies with proprietary large-scale data.

Recently there has been a lot of attention on the performance of the so-called "Magnificent 7" stocks: Microsoft, Apple, Alphabet, Amazon, Nvidia, Meta and Tesla. These companies together now have a market value of $13trillion, which is one quarter of the US market, and roughly the same size as all European stock markets including the UK combined.

It might be easy to dismiss the share price performance of "The Magnificent 7" as an "investment bubble" until we consider that they are forecast to make over a combined $400bn of net profit this year (up from $85bn a decade ago). The average share price return from "The Magnificent 7" of 2686% (27x) (in $ terms) over the same period is predominantly explained by the average earnings per share growth (they've also bought back a lot of shares) of 1769% (18x) since 2014.

American companies dominate because they have been generally laser focused on profit. Some will of course argue that America simply has a bigger technology industry than Europe but there is nothing pre-ordained about this. "The Magnificent 7" companies were on average founded just 30 years ago (1994) with Tesla (2003) and Meta (2004) founded this century.

Much of Europe is turning its back on capitalism. ESG has spawned a bull market in mindless bureaucracy. Given the onerous imposition of reporting requirements on publicly traded companies (as well as investment funds) and the necessity to appease all stakeholders and special interest groups, how European management ever gets round to thinking about generating a profit is not clear.

As Milton Friedman pointed out, the responsibility of business is to make as much money as possible within the rules of society. Those rules should be set by a democratic parliament, not unaccountable gnomes in Brussels or Blackrock, or any other unproductive, parasitical green grifters.

We have forgotten that profit has been the greatest motivation known to mankind to allocate finite resources productively; that capitalism is inherently meritocratic because its survival instincts require the best talent and optimal resources; and that no society can have sustainable economic growth without profit growth that increases the capital base of the economy for future productive reinvestment. It is a return to the pursuit of profit, to paraphrase Gekko, that will save not only our stock markets, but that other malfunctioning corporation called Europe.

[2] Lipper 29/02/2024, R Accumulation share class performance, in Sterling with net income reinvested
[3] Bloomberg 29/02/2024, 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	4.7	5.0	5.2	8.4	5.9	7.1	18.0	-11.2	20.6	77.0
IA Europe ex UK NR	2.3	1.9	13.5	-9.2	15.7	10.7	20.1	-12.4	17.4	71.4
Fund Rank	8/106	10/106	104/108	3/98	91/93	66/98	71/101	35/97	14/92	37/82
Quartile Rank	1	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	4.7	5.0	5.2	8.4	5.9	7.1	18.0	-11.2	20.6	77.0
IA Europe ex UK income fund average	1.4	0.9	11.1	-3.7	11.7	3.4	15.7	-11.2	15.7	56.2
Rank	2/9	2/9	9/9	1/10	10/11	5/14	7/16	6/15	3/13	1/8

Source: Lipper 29/02/2024, 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.

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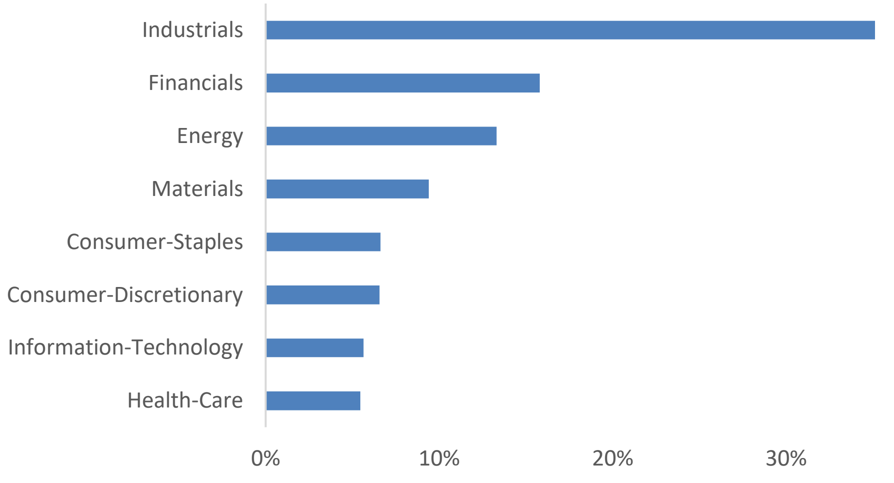
Top Five holdings	Fund %
Hafnia	6.7
Torm	6.2
Be Semiconductor	5.6
Rheinmetal	4.8
Pandora	4.2

Country Breakdown	Fund %
Norway	32.9
Italy	16.0
Denmark	13.5
Germany	10.7
Netherlands	5.6
Greece	4.6
Sweden	4.1
Hungary	3.7
Other European	8.9

Market Cap	Fund %
Large Cap > €5bn	71.5
Mid Cap €1bn – €5bn	17.8
Small < €1bn	7.4
Cash	3.3

Sector Weights



Risk Analysis	Since Launch	1 Year
Beta	0.7	0.4
Standard Deviation (%)	17.0	11.0
Tracking Error	10.3	10.4
Jensen's Alpha	2.2	-1.0
Sharpe Ratio	0.6	0.1
Information Ratio	-0.0	-0.4

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 29/02/2024 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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