Fund Factsheet

VT Argonaut Equity Income Fund

At 30 April 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	£3.3m
Share class	Class R
No. of holdings	36
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, 30/04/2024: Calculated by subtracting the total return, net of tax, from the capital return.

All information as at 30/04/2024, 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

"Inflation is just like alcoholism. In both cases, when you start drinking or when you start printing too much money, the good effects come first, the bad effects only come later."

Milton Friedman[1]

The fund returned +3.18% over April, compared with the IA Europe ex UK sector which returned -1.17% and the Income peer group average of -0.36%.

The best performing stocks were Norwegian car carriers Hoegh Auto (+32%) and Wallenius Wilhelmsen (+27%). Norwegian tanker companies BW LPG (+31%), Avance Gas (+28%) and Hungarian blue chip bank OTP (+10%) also contributed to performance. Italian oil pipe manufacturer Tenaris (-15%) was the biggest detractor.

The share prices of tanker companies Hafnia and Torm – the funds two largest positions– continue to make new highs. Since the Russian invasion of Ukraine in March 2022 they have delivered a total return of +336% and +523% respectively. Putting this in context, over the same period, current US stock darling Nvidia has returned just +254%.

Multiple data points suggest that US inflation is not just "sticky" but is now actually reaccelerating. Consequently, the Treasury yield curve steepened, with the benchmark 10-year yield rising from 4.2% to 4.65% over the month, though this remains below the 5% October 2023 peak. Having forecast 6 ½ ¼ point rate cuts this year at the beginning of 2024, Fed Fund futures now imply only one ¼ point cut in November.

Nevertheless, at the May 1st FOMC, Fed Chairman Powell not only ruled out rate hikes but started the process of tapering balance sheet sales from $65bn of Treasuries per month to just $25bn, with MBS remaining at $35bn, effectively halving the pace of QT, offsetting the liquidity draining of the Reverse Repo Facility (RRP).

Whilst Powell still talks tough on inflation, it is hard to avoid the conclusion that the Fed is just not that committed to bring inflation down to the 2% target. Its "over time" caveat has a similar level of conviction to that of former UK Chancellor Gordon Brown, who was committed to join the European single currency "when the time was right for Britain", in full knowledge that in his opinion that would be never.

We are currently in a new era of unrestrained government spending. We worry about how this will be funded.

During the Eurozone sovereign crisis, President of the ECB, Mario Draghi, famously said his bank would do "whatever it takes to preserve the Euro", through financial market interventions, which ultimately resulted in large scale asset purchases.

In a non-inflationary world, with the ECB backstopping the solvency of Eurozone sovereigns, the distressed government debt of the so-called PIIGS, proved to be a very attractive investment opportunity.

But what would happen today if the Federal Reserve announced it would do "whatever it takes" to get long-term Federal government borrowing costs down through a new asset purchase programme?

With sticky high inflation, it is very likely that after an initial wave of euphoria, the Federal Reserve would soon end up owning nearly the entire Treasury market, as private capital took the opportunity to exit at artificially low yields.

Central bank asset purchases are only an effective tool against deflation – not inflation - through addressing liquidity concerns. But injecting more liquidity into an inflationary regime would be like pouring petrol onto a fire.

QE cannot work as a funder of profligate governments in an inflationary regime, without hyperinflation consequently. Therefore, the confidence that financial markets still display in omnipotent if not omniscient central banks is misplaced.

In fact, any "whatever it takes" commitment to get long-term interest rates down would either involve the retrenchment of the state or raising short-term rates as UK Chancellor Lamont did in 1991 causing unemployment and recession as "the price we have had to pay to get inflation down". There are few governments or independent central banks nowadays prepared to pay this recessionary price.

We are currently in Friedman's beginnings of "alcoholism", experiencing largely the "good effects" of inflation, with full employment, the fastest wage growth since the 1990's and corporate profits buoyed by the nominal boom.

But all financial assets inhabit the real world, where returns must be measured against inflation and cost of capital.

Capital is uniquely vulnerable to being the victim of the new political regime and long duration capital – whether in bonds or equities – is the fall guy in the new era of reckless fiscal spending and unsound money.

This means that whilst equity investors now enjoy the early stages of alcoholism, the longer-term negative consequence must be lower valuations for all financial assets.

1"Why Inflation is like Alcoholism" April, 1980. https://miltonfriedman.hoover.org/internal/media/dispatcher/215115/full

[2] Lipper 30/04/2024, R Accumulation share class performance, in Sterling with net income reinvested
[3] Bloomberg 30/04/2024, 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	3.2	13.1	5.2	8.4	5.9	7.1	18.0	-11.2	20.6	84.7
IA Europe ex UK NR	-1.2	4.8	13.5	-9.2	15.7	10.7	20.1	-12.4	17.4	70.8
Fund Rank	1/105	2/105	104/108	3/98	91/93	66/98	71/101	35/97	14/92	18/82
Quartile Rank	1	1	4	1	4	3	3	2	1	1

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	3.2	13.1	5.2	8.4	5.9	7.1	18.0	-11.2	20.6	84.7
IA Europe ex UK income fund average	-0.4	4.2	11.1	-3.7	11.7	3.4	15.7	-11.2	15.7	56.2
Rank	1/9	1/9	9/9	1/10	10/11	5/14	7/16	6/15	3/13	1/8

Source: Lipper 30/04/2024, 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

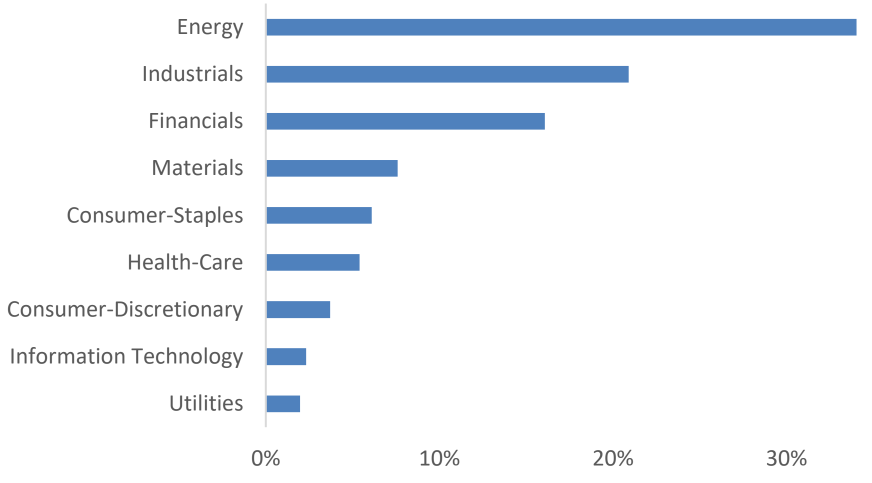
At 30 April 2024

Top Five holdings	Fund %
Rheinmetall AG	6.1
Torm Plc	6.0
Hafnia Ltd	4.7
Kongsberg Gruppen ASA	4.2
TGS ASA	4.0

Country Breakdown	Fund %
Norway	36.8
Italy	14.6
Germany	12.1
Denmark	9.2
France	4.1
Greece	4.0
Hungary	3.7
Switzerland	2.7
Other European	11.0

Market Cap	Fund %
Large Cap > €5bn	58.8
Mid Cap €1bn – €5bn	35.5
Small < €1bn	3.9
Cash	1.8

Sector Weights



Risk Analysis	Since Launch	1 Year
Beta	0.7	0.4
Standard Deviation (%)	13.1	9.0
Tracking Error	10.3	10.6
Jensen's Alpha	3.0	9.2
Sharpe Ratio	0.6	1.2
Information Ratio	0.1	0.7

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 April 2024 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 30/04/2024 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 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.