Fund Factsheet

VT Argonaut Equity Income Fund

At 30 September 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 *	2023	2022	2021	2020
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]	6.03%
Fund size	£3.6m
Share class	Class R
No. of holdings	30
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

*Morningstar, 30/09/2024: Calculated by subtracting the total return, net of tax, from the capital return.

All information as at 30/09/2024, 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

"If Europe cannot become more productive, we will be forced to choose. We will not be able to become, at once, a leader in new technologies, a beacon of climate responsibility and an independent player on the world stage. We will not be able to finance our social model. We will have to scale back some, if not all, of our ambitions. This is an existential challenge."
Mario Draghi, "The futureof European competitiveness", September 2024

"We have grown so used to the idea that the Crucifixion is the supreme symbol of Christianity, that it is a shock to realise how late in the history of Christian art its power was recognised…The simple fact is that the early Church needed converts, and from this point of view the Crucifixion was not an encouraging subject. So early Christian art is concerned with miracles, healings, and with hopeful aspects of the faith like the Ascension and the Resurrection."
Kenneth Clarke, "Civilisation", 1969

The fund returned -2.7% over September, compared with the IA Europe ex UK sector which returned -0.8% and the Income peer group average of -1.4%.

The best performing longs were: Grieg Seafood (+14%), Tenaris (+6%) and Spotify (+5%). The worst was Hafnia (-9%) and Torm (-9%).

There have been several notable developments. First, the Federal Reserve declared victory on inflation with an aggressive 50bps rate cut at a time where although unemployment is rising from a low level, GDPNow is running at a robust +2.5%-3.0%. The yield curve has subsequently steepened which threatens to disappoint expectations that the new easing cycle should reflate the US housing and commercial property markets or make refinancing debt easier for marginal assets. This may mean expectations of a long cutting cycle are either misplaced or irrelevant.

Second, the PBOC surprised the market with what the commentariat has been quick to term a policy "bazooka". But the sum of the stimulus measures so far announced are just 1.5% GDP with a further 2.4% GDP rumoured, which is more like a "pop gun" relative to the 13% GDP announced in 2008 and 9% GDP in 2015-16. Moreover, whilst the PBOC swap facility for domestic financial institutions has engineered a short squeeze in Chinese equities in time for the 75th birthday celebrations of Communist control, it is unlikely to have sufficient multiplier effects to overcome the structural balance sheet recession and over-supply of over-valued and over-leveraged property.

China's geopolitical ambition for the Renminbi (Yuan) to achieve reserve status would seem at odds with the obvious reflationary solution to devalue its currency and deploy large-scale QE. It seeks to revive its stock market but continues a policy of hostility to its entrepreneurs and fails to provide international capital the ability to carry out reasonable due diligence or give adequate confidence in property rights. China demonstrates how since capital is always and everywhere allocated less efficiently by the state relative to the "invisible hand" of Adam Smiths' market economy, it is now stuck in the same economic malaise which ultimately saw the downfall of the Soviet Union forty years earlier.

Third, Draghi's report into the Euro sclerosis correctly diagnoses many of the problems: high energy prices, over-regulation, lack of productivity and entrepreneurialism. But just as the CCP is constrained by the dogma of "communist" political control, Draghi must offer solutions consistent with the religion of climate change alarmism (and the increase in authority of the EU) hence the risible solution that the EU spend €800bn (4.6% GDP) annually, largely on picking winners in "green technology".

It is beyond Draghi's intellectual hinterland to ask whether the dogma of "energy transition" is the cause of - not the solution to - economic decline or understand that governments are even worse than fund managers at "picking winners". As the great Ronald Reagan once put it *"the nine most terrifying words in the English language are: "I'm from the Government and I'm here to help.""*

Just like early converts to Christianity were seduced by the promise of miracle healings and life-after-death, converts to the "green" energy transition have been promised the environmental atonement of mankind and the salvation of the polar bear. Just as the early Church thought the crucifixion an unpromising recruiting sergeant, the climate change religion lies about the economic costs of the energy transition, repeating the catechism that expensive renewable energy is cheap and that the costs of its intermittency can be easily overcome.

The European car industry is now in its death throes, sacrificed on the altar of Net Zero. It is not currently - and may never be - possible for the European car industry to profitably produce a desirable mass market EV. Meanwhile, Chinese OEMs who claim to have a battery technology edge but are also backstopped by government subsidies, take market share. Without meddling government, EU OEMs would continue to satisfy consumer demands by profitably producing internal combustion engine (ICE) cars, but the EU operates an increasingly penal tax credit and debit system, meaning that its auto manufacturers are coerced into producing fewer ICE cars. The logical consequence is that the EU car industry – like the UK industry historically- will cease to be mass market, resulting in the hollowing out of the European industrial base.

Following month end, Iran's ballistic missile attack on Tel Aviv represents a significant escalation that highlights the future dangers of the Mullah state acquiring a nuclear warhead. We see the probability that the conflict continues to escalate, leading to an impairment of Iranian oil exports, offset by increased Saudi production, for which the Fund is pre-emptively positioned.

We want to thank our unitholders for supporting the recent Fund merger proposal and look forward in anticipated reverie to the launch of the new Argonaut Flexible Fund this month.

Barry Norris
Argonaut Capital
October 2024

[2] Morningstar 30/09/2024, R Accumulation share class performance, in Sterling with net income reinvested
[3] Bloomberg 30/09/2024, 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	-2.7	6.9	5.2	8.4	5.9	7.1	18.0	-11.2	20.6	74.7
IA Europe ex UK NR	-0.8	6.2	13.5	-9.2	15.7	10.7	20.1	-12.4	17.4	75.2
Fund Rank	104/107	40/107	104/108	3/98	91/93	66/98	71/101	35/97	14/92	50/87
Quartile Rank	4	2	4	1	4	3	3	2	1	3

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	-2.7	6.9	5.2	8.4	5.9	7.1	18.0	-11.2	20.6	74.7
Europe ex UK income fund average	-1.4	4.4	11.1	-3.7	11.7	3.4	15.7	-11.2	15.7	56.3
Rank	9/9	1/9	9/9	1/10	10/11	5/14	7/16	6/15	3/13	1/8

Source: Morningstar 30/09/2024, R Accumulation share class performance, in Sterling with net income reinvested and no initial charges.
*Comprised of the 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

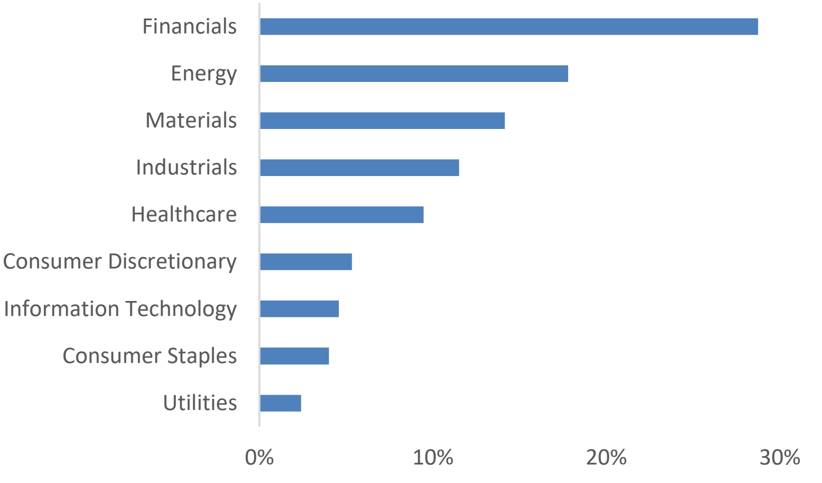
At 30 September 2024

Top Five holdings	Fund %
Just Eat Takeaway	5.3
Spotify Technology	4.6
AerCap Holdings NV	4.6
Intesa Sanpaolo	4.5
OTP Bank	4.4

Country Breakdown	Fund %
Norway	21.2
Germany	12.2
Netherlands	11.1
Italy	8.6
Greece	8.0
Switzerland	6.7
Finland	5.3
France	4.9
Other	20.4

Market Cap	Fund %
Large Cap > €5bn	65.3
Mid Cap €1bn – €5bn	28.3
Small < €1bn	4.8
Cash	1.6

Sector Weights



Risk Analysis	Since Launch	1 Year
Beta	0.7	0.6
Standard Deviation (%)	13.3	12.4
Tracking Error	18.1	11.3
Jensen's Alpha	2.1	5.8
Sharpe Ratio	0.5	1.3
Information Ratio	0.0	-0.2

Source: Morningstar, 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 30/09/2024 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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