

VT Argonaut Absolute Return

At 31 January 2024

Fund Commentary

Barry Norris
Fund Manager



Barry Norris founded Argonaut in 2005 and manages the VT Argonaut Absolute Return 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

To provide positive absolute returns in Sterling share class currency over a 3 year rolling period, utilising a variety of asset classes and regardless of market conditions. The fund will not be managed against any formal benchmark. Capital invested in the fund is at risk and there is no guarantee that the investment objective will be met over the 3 year rolling periods or in respect of any other time period. Historically, the fund has delivered lowly correlated returns to European equity markets.

Fund overview

Sector	IA Targeted Absolute Return
Launch date	18 Feb 2009 (GBP A Acc) 28 May 2009 (GBP I Acc) 16 Jul 2012 (GBP R Acc)
Fund size	£132.7m
No. of long holdings	32
No. of short holdings	40
Share class	Class A/Class R/ Class I
Sedol code	A (Acc) – B7MCO9R R (Acc) – B7FT1K7 I (Acc) – B79NKW0
Bloomberg	A (Acc) – IIMEAAG LN R (Acc) – IIMEARAG LN I (Acc) – IIMEAIALN
ISIN	A (Acc) – GB00B7MCO9R0 R (Acc) – GB00B7FT1K78 I (Acc) – GB00B79NKW03
Initial charge	0.0%
Ongoing charge GBP (as at 28/2/23)	A Acc Class Shares –1.56% R Acc Class Shares –0.81% I Acc Class Shares –0.81%
AMC	A Class Shares –1.50% R Class Shares –0.75% I Class Shares –0.75%
Performance fee	20% of anything above the hurdle rate (5% per annum) subject to the price exceeding the high water mark (HWM)
Minimum investment	£500 (A Class Shares)
Minimum top up	£250 (A Class Shares)
Regular savings scheme	Yes (A Class Shares)
ISA option available	Yes (A Class Shares)
XD/Payment dates	01.03/30.04, 01.09/31.10

Any past performance or references to the period prior to 14 July 2012 relate to the Ignis Argonaut unit trusts.
Source: Internal. All information as at 31/01/2024 unless otherwise stated.

Funds performance based on GBP share class, return may increase or decrease as a result of currency fluctuations on each share class.
Investor information – This Fund may not be appropriate for investors who plan to withdraw their money within 5 years.

*"Whether they declare themselves openly communist, or socialist, social democrat, Christian democrat, neo-Keynesian, progressive, populist, nationalist, or globalist. In substance there are no real differences. They all hold that the State should direct all aspects of the lives of individuals. They all defend a model contrary to the one that led humanity to the most spectacular progress in its history."*¹

Javier Milei, President of Argentina, Address at the 54th Annual Meeting of the World Economic Forum

The Fund returned +5.10% over January compared with the IA Targeted Absolute Return sector which returned +0.24% and the Lipper Global Alternative Long/Short Equity Europe sector return of +0.71%. The correlation to the market was 0.25 and the annualised daily volatility 11%.

The Fund made +2% in its long book and +3% from its short book. The best performing longs were product tanker owners Torm (+17%) and Ardmore (+17%); Greek bank Piraeus (+17%); and German tanks and ammo manufacturer Rheinmetall (+11%).

After two consecutive months of a strong cover bid, January was a happier hunting ground for shorts, with top performers Rolex seller Watches of Switzerland (-47%); "The Priory" rehab owner Medical Properties Trust (-37%) and aspiring manufacturer of electric trucks Rivian (-35%).

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".² Fed Fund Futures have gone from pricing in 6 ½ quarter point interest rate cuts starting in March to 5 ½ starting in June.

² Lipper 31/01/2024, I Accumulation share class performance, in GBP with net income reinvested and no initial charges.

³ Correlation compares the hedged GBP I Acc share class daily returns against the Lipper Global Equity Europe.

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 US 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 (BTFP) on March 11th - where collateral value was determined by par rather than market value - and the ending of the "free money" arbitrage for commercial banks on January 25th 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.

¹ <https://www.americanrhetoric.com/speeches/javiermileiworldeconomicforum54.htm>

² <https://www.federalreserve.gov/mediacenter/files/FOMCpresconf20240131.pdf>

	1 Month	1 Year	3 Year	5 Year	10 Year	Since Launch	2023	2022	2021	2020	2019
Fund	5.10	34.4	50.9	99.5	86.7	227.3	14.6	11.3	10.3	16.6	12.8
AR Sector	0.2	3.6	6.4	12.8	22.1	51.8	4.42	-2.3	3.8	2.9	4.7
Rank	3/85	1/85	4/82	1/75	2/37	1/13	3/85	8/99	13/101	5/111	6/113
Quartile	1	1	1	1	1	1	1	1	1	1	1

	1 Month	1 Year	3 Year	5 Year	10 Year	Since Launch	2023	2022	2021	2020	2019
L/S Sector	0.7	4.1	8.8	13.9	13.9	43.0	4.3	-4.3	8.74	1.0	6.1
Rank	2/70	1/67	3/60	1/53	4/26	2/12	3/67	6/62	19/64	6/82	20/94
Quartile	1	1	1	1	1	1	1	1	2	1	1

	2023	2022	2021	2020	2019	5-year Average	2023	2022	2021	2020	2019	
Correlation	-0.7	-0.2	0.4	-0.8	-0.6	-0.5	Average Long Alpha	-3.0	13.2	-17.0	11.8	0.8
Downside Capture Ratio (%)	-223	-68	-28	-86	-158	-180	Average Short Alpha	24.1	2.4	27.4	12.9	5.7
Standard Deviation (%)	17.6	16.9	12.1	20.0	13.5	15.7	Average Combined Alpha	21.1	15.6	10.4	24.7	6.5
Sharpe Ratio	0.6	0.6	0.9	0.9	0.9	0.8	Average Long ROIC	12.8	3.7	8.1	8.5	26.9
Sortino Ratio	0.5	0.5	0.8	0.8	0.7	0.7	Average Short ROIC	8.3	11.9	2.3	16.2	-20.4

Source: Argonaut Capital Partners & Lipper 31/01/2024, I Accumulation share class performance, in Sterling with net income reinvested and no initial charges. The AR is the IA Targeted Absolute Return NR (TAR) and L/S Sector is Lipper Global Alternative Long/Short Equity Europe, both quoted in local currency. The market's (Lipper Global Equity Europe) performance is quoted in Euros, but the fund's performance is quoted in Sterling, as the fund is currency hedged back to Sterling, so it should be measured relative to local currency (Euros). Standard deviation & Correlation are based on monthly return data. Correlation is measured against the European stock market. 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 Absolute Return

At 31 January 2024

Glossary:

Long position

Positions that will deliver a positive return if the stock goes up in value and a negative return if the stock falls in value

Short position

Positions that will deliver a positive return if the stock falls in value and a negative return if the stock goes up in value

Gross exposure

The overall exposure of the fund - the sum of the value of the long positions and the short positions

Net exposure

The directional market exposure of the fund - the value of the long positions minus the value of the short positions

Top Five Long Positions	Fund %
Hafnia	8.3
Torm PLC	8.1
Builders First Choice	6.1
Pandora	4.6
Cameco	4.2

Exposure	Fund %
Long Exposure	100.5
Short Exposure	-37.5
Net Exposure	63.0
Beta Adjusted Net	0.25
Gross Exposure	138.0

Correlation to the Lipper Global Equity Europe

Monthly Correlation 0.25

Market Cap	Fund %	Long	Short
Large Cap €5bn - €20bn		74.4	-23.2
Mid Cap €1bn - €5bn		21.3	-7.4
Small Cap <€1bn		4.8	-6.9

Days to Liquidate	% of Invested Portfolio
Less than 1 day	86.2
1-5 days	13.8
More than 5 days	0.0

Days to liquidate positions in the portfolio using 20% of the 90 days average trading volume

Source: Argonaut Capital Partners, all figures at 31/01/2024, these figures are subject to rounding. 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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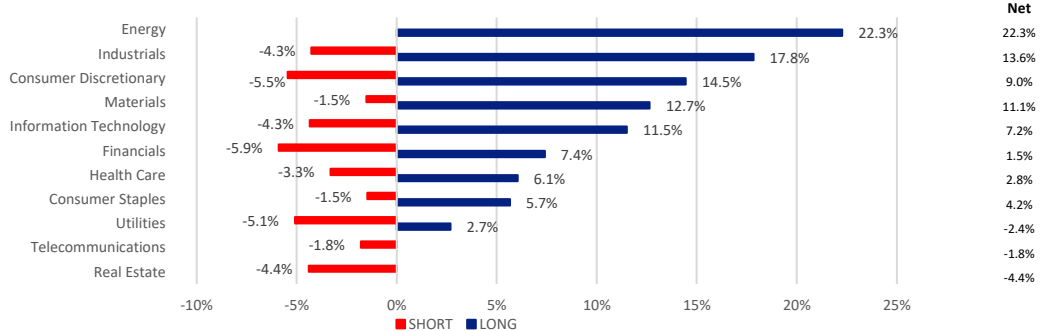
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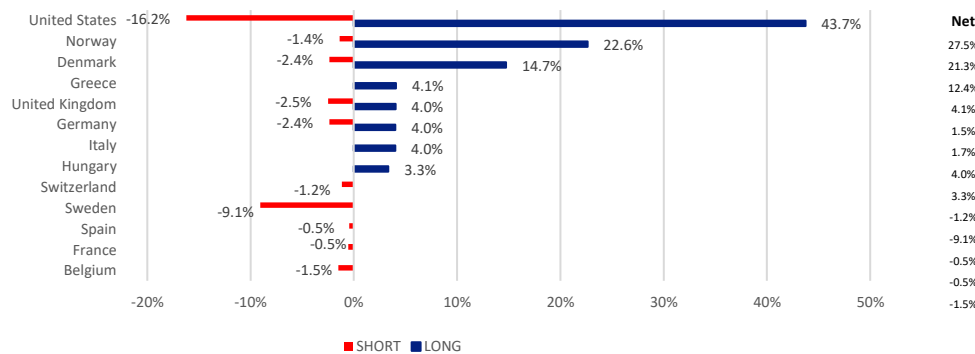
Telephone calls may be monitored and/or recorded for the purpose of security, internal training, accurate account operation, internal customer monitoring and to improve quality of service.

Long/Short Positions

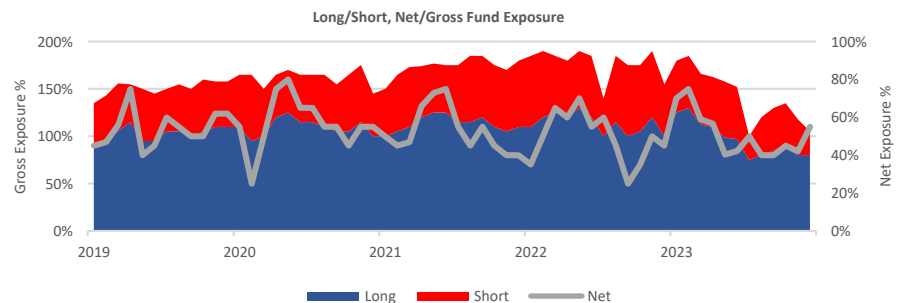
Sector



Country



Overall Fund Exposure



**Lipper Global Equity Europe quoted in € and the VT Argonaut Absolute Return GBP I Acc quoted in £ as the fund is currency hedged back to Sterling, so it should be measured relative to local currency (Euros).

Important Information

The fund takes long and short positions based on the fund manager's views of the market direction. This means the fund's performance is unlikely to track the performance of broader equity markets. While this creates the opportunity for the fund to deliver positive returns in falling markets, it also means the fund could deliver negative returns in rising markets. The use of independent ratings is not a recommendation to buy and is not a guide to future returns. This Fund is marketed to professional investors and eligible counterparties. Retail investors should seek further advice before investing. 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 01343 880 217 or visit www.argonautcapital.co.uk Alternatively write to Valu-Trac Investment Management Limited- Argonaut, Orton, Moray, Scotland, IV32 7QE. The prospectus, KIIDS, the articles, the annual and semi-annual reports of the Fund may be obtained free of charge from the ACD. 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.

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