

VT Argonaut Absolute Return

At 29 February 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	£152.6m
No. of long holdings	30
No. of short holdings	42
Share class	Class A/Class R/ Class I
Sedol code	A (Acc) – B7MC0R9 R (Acc) – B7FT1K7 I (Acc) – B79NKW0
Bloomberg	A (Acc) – IMEAAAG LN R (Acc) – IMEARAG LN I (Acc) – IMEAIAG LN
ISIN	A (Acc) – GB00B7MCR090 R (Acc) – GB00B7FT1K78 I (Acc) – GB00B79NKW03
Initial charge	0.0%
Ongoing charge	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 20/02/2024 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.

"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 +3.95% over February compared with the IA Targeted Absolute Return sector which returned 0.39% and the Lipper Global Alternative Long/Short Equity Europe sector return of -0.06%. The correlation to the market was 0.30 and the annualised daily volatility 8.7%.

The Fund made +6% in its long book and lost 2% from its short book. The best performing longs were German weaponsmith Rheinmetall (+31%), Norwegian missile manufacturer Kongsberg (+25%), and US tech behemoths Meta (+26%) and Uber (+22%). The worst performer was Uranium miner Cameco (-15%).

The best performing shorts were US cable company Charter (-20%) and aspiring electronic truck manufacturer Rivian (-25%), whilst the worst performer was Swedish cable OEM Hexatronic (+44%).

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, 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.

	1 Month	YTD	1 Year	3 Year	5 Year	10 Year	Since Launch	2023	2022	2021	2020	2019
Fund	4.0	9.3	30.8	55.8	108.1	88.5	240.3	14.6	11.3	10.3	16.6	12.8
AR Sector	0.4	0.7	4.4	6.1	13.2	21.4	52.5	4.42	-2.3	3.8	2.9	4.7
Rank	4/85	3/85	1/85	4/82	1/76	2/38	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
L/S Sector	0.8	1.7	4.0	7.8	14.1	17.6	44.4	4.3	-4.3	8.74	1.0	6.1
Rank	8/70	3/70	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	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 29/02/2024, 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 29 February 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 %
Torm PLC	6.9
Hafnia	6.9
Amazon	4.8
Rheinmetall AG	4.8
Uber Technologies	4.1

Exposure	Fund %
Long Exposure	98.9
Short Exposure	-36.8
Net Exposure	62.1
Beta Adjusted Net	0.30
Gross Exposure	135.7

Correlation to the Lipper Global Equity Europe		
Monthly Correlation	0.30	

Market Cap	Fund %	Long	Short
Large Cap €5bn - €20bn	81.9	-18.1	
Mid Cap €1bn - €5bn	13.8	-11.6	
Small Cap <€1bn	3.2	-7.1	

Days to Liquidate	% of Invested Portfolio
Less than 1 day	85.2
1-5 days	14.8
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 29/02/2024, 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.**

Dealing Contact:

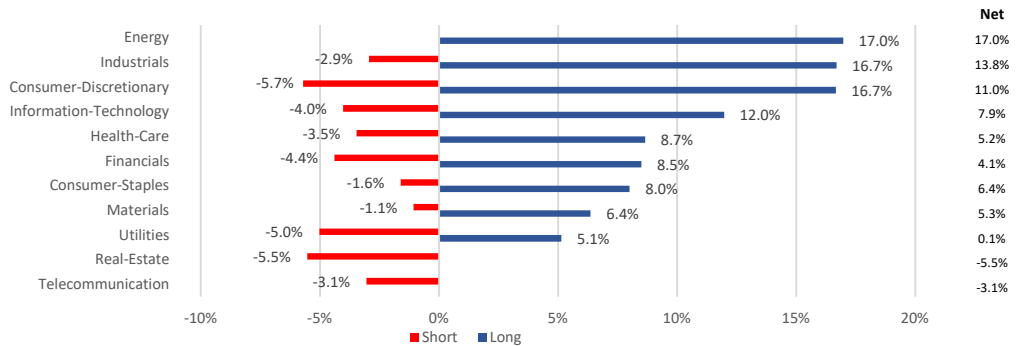
Tel: +44 (0)1343 880 217

Tel: +44 (0)1343 880 344

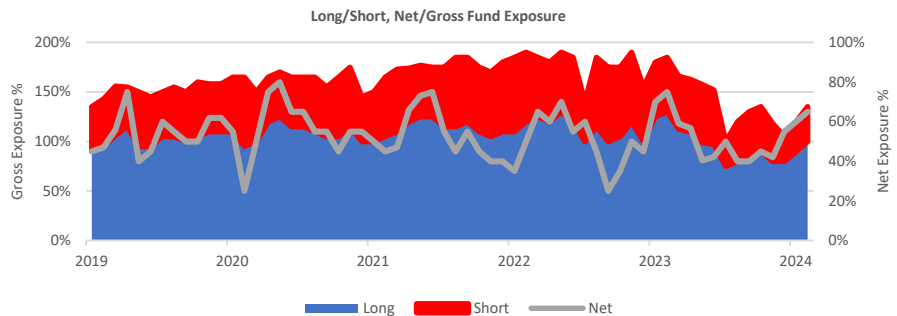
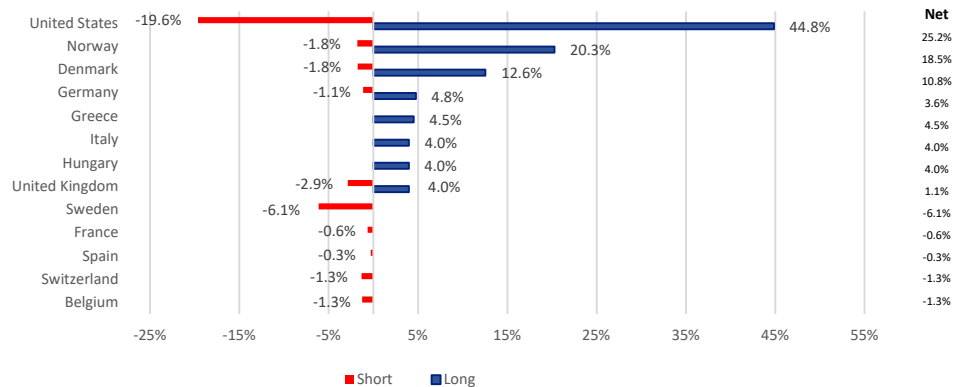
Fax: +44 (0)1343 880 267

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.

Long/Short Positions Sector



Country



**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.

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