

VT Argonaut Absolute Return



Fund Commentary

“The time has come for policy to adjust. The direction of travel is clear, and the timing and pace of rate cuts will depend on incoming data, the evolving outlook, and the balance of risks.”

Jerome Powell, Jackson Hole, August 23rd, 2024

The Fund returned +0.01% over August compared with the IA Targeted Absolute Return sector which returned +0.5% and the Morningstar Long/Short Europe sector return of +0.2%. The correlation to the market rose to 0.68 (0.10) whilst monthly annualised daily volatility rose to 14% (9%) vs. market 15% (10%).

The Fund returned -1.2% in its long book offset by a gain of +1.2% from its short book. The best performing longs were: Dutch food delivery outfit Just Eat Takeaway (+12%); Anglo-Israeli trading platform Plus500 (+14%); and UK Lloyds reinsurance vehicle Beazley (+10%). This was offset by losses on Western Digital (-14%) and Seadrill (-18%), which were sold.

The best performing shorts were yesterday’s high-flying vaccine manufacturer Moderna (-37%); distressed Car rental firm Hertz (-27%) and server rack reseller Super Micro Computer (-19%). The worst performing short was pet insurance company Trupanion (+20%).

Although August ended benignly, the volatility witnessed highlighted a fragility in financial markets in that they seem currently priced for an immaculate soft landing, leaving little room for error on the direction of corporate profits or the maintenance of global liquidity and the delivery of interest rate relief.

We remain sceptical about the stagflationary impulse from unfettered and unproductive government. Now the slump in the Chinese economy (and its mercantilist as opposed to the profit seeking capitalist model) is again exporting deflation. Over the last few weeks, we have repositioned the Fund for a weaker global economy.

Although US economic datapoints are often contradictory, not much is improving, whilst new home starts, auto sales, the sub-prime consumer and their credit delinquencies are worsening. With the 3-month rolling average unemployment rate having risen 50bps in less than 12 months, according to the Sahm Rule, which we now know has predicted every US recession since 1970, the current US unemployment rate now points to an imminent recession.

The interest futures market is now certain that the Fed will embark on a new rate cutting cycle at its next meeting on September 18th, with 100bps of cuts now forecast in the three meetings before year end.

We have analysed the previous 11 Fed cutting cycles since 1970 (see Fig 1. “Fed Cutting Cycles since 1970”). As might be expected, the average annualised cutting cycle return has been outstanding (+16%). There is, however, a more mixed picture looking at equity returns in the immediate aftermath of the first cut, with an average return of just +1% in the first 3 months. It might be prudent for investors to keep dry powder.

Fig 1. Fed Easing Cycles Since 1970

FED EASING CYCLES SINCE 1970														
Fed Easing Cycles	FOMC Chairman	Start Date	1st Cut (BPS)	pre-3M SPX return	post-3M SPX return	Peak Rate	End Date	Trough	Duration (days)	Cycle Cut (BPS)	Cycle Cut (%)	Nominal GDP (annualised gr.)	Real GDP (gr. av.)	Cycle SPX Return (annualised)
Nixon Boom	Burns	01-09-71	-62	-0.6%	-4.8%	5.75	01-03-72	3.50	182	-225	-39%	4.8%	3.9%	13%
1974 Recession	Burns	03-09-73	-200	-0.7%	-8.0%	11	01-12-76	4.75	1185	-625	-57%	8.9%	6.2%	-8%
Trauma of 1980	Volcker	01-04-80	-850	-5.4%	11.9%	20	06-08-80	9.50	127	-1050	-53%	1.2%	-4.3%	44%
Volcker Disinflation I	Volcker	16-01-81	-400	1.0%	-11.5%	20	29-04-83	8.50	833	-1150	-58%	5.7%	-1.4%	12%
Volcker Disinflation II	Volcker	02-10-84	-175	8.4%	0.7%	11.75	19-05-87	6.50	959	-525	-45%	5.4%	3.6%	24%
1990 Recession	Greenspan	05-06-89	-12	11.0%	9.6%	9.75	03-02-94	3.00	1704	-675	-69%	4.7%	2.2%	9%
Greenspan Soft Landing	Greenspan	06-07-95	-25	8.8%	3.5%	6	25-03-97	5.25	628	-75	-13%	6.3%	3.9%	25%
LTCM/Asia Crisis	Greenspan	29-09-98	-25	-12.2%	21.6%	5.5	29-06-99	4.75	273	-75	-14%	4.2%	4.6%	45%
DotCom/911	Greenspan	31-01-01	-100	-8.1%	-12.1%	6.5	29-06-04	1.00	1245	-550	-85%	4.7%	2.3%	-5%
Subprime	Bernanke	18-09-07	-50	-3.7%	0.5%	5.25	15-12-15	0.25	3010	-500	-95%	2.8%	1.3%	4%
COVID	Powell	31-07-19	-25	-3.8%	1.2%	2.5	18-03-22	0.25	961	-225	-90%	5.8%	3.0%	16%
Average			-175	-0.5%	1%	9		4	1010	-516	-56%	5%	2%	16.3%

Key Performance Numbers

0.0% Monthly performance
6.2% Year-to-date performance
10.6% 5-year CAGR (net of fees)
-0.4 5-year correlation to European equities*

As at 31-Aug-24. *Euro Stoxx NR Index.
Past performance is not a reliable indicator of future results.

Key Fund Details†

GBP I	330.78
GBP A	296.38
GBP R	281.66
USD I	189.97
EUR I	266.58

Fund AUM (£m)	206m
Fund Inception	18 Feb 2009
Fund Type	UCITS Long/Short
Fund Domicile	UK
Base Currency	GBP
Sector	IA Targeted AR
Dealing Frequency	Daily
Prime Broker	UBS

Strategy

Argonaut Absolute Return

A long/short strategy focused on mainly pan European equities dedicated to seeking non-correlated absolute returns via an active, fundamental investment approach and a concentrated portfolio of investments. The fund typically holds 30-50 long positions and 20-50 short positions.

For full details see fund prospectus

Portfolio Manager

Barry Norris, CFA

Barry began managing European equity portfolios at Neptune Investment Management in 2002 having begun his career at Baillie Gifford. He graduated from Cambridge University (MA History & MPhil International Relations) and holds the CFA. Barry founded Argonaut Capital Partners LLP in 2005.

For more information see argonautcapital.co.uk

Sources: Argonaut Capital Partners LLP internal unaudited data and refers to the £1 share class.

†Valu-Trac, Bloomberg & Morningstar, calculation on a NAV basis with net income reinvested. All data shown as at 31 August 2024

These first few months of a new cutting cycle will also see heightened political risk with the US Presidential election on November 5th. Although the mainstream media likes to focus on the personalities of the candidates, it is more useful for investors to study the differences in the economic agenda.

Trump, ironically, is now something of a known quantity with an agenda to reduce corporation tax to 15% for homegrown companies and fund this by raising tariffs on imports (10-20% across the board and 60% on Chinese goods). This was standard Republican economic policy throughout the nineteenth century.

Harris, by contrast remains something of an unknown quantity, having been parachuted in as a last-minute replacement, when after four years of vigorous service, President Biden, following a poor Presidential debate, was suddenly discovered to be senile.

In so far as Harris has been willing to reveal her agenda, she proposes rescinding Trump's 2018 personal tax cuts with additional taxes for those earning more than \$400k; raising the corporate tax rate to 28% and increasing capital gains tax from 20% to 28%; with a 25% minimum tax on those with wealth above \$100m (including unrealised gains). She has also proposed a doubling of the federal minimum wage, quadrupling taxes on share buy backs, banning non-existent "price gouging" and expanding antitrust enforcement.

Whereas Trump supports cheap and reliable energy, Harris will extend "renewable" subsidies. Neither Trump nor Harris sought to appeal to the middle ground by appointing a more conciliatory candidate as their Vice-President. It therefore would be understandable if major business decisions were postponed until the outcome of the election and the full agenda is known.

Excluding the anticipated Reagan landslide in 1984, S&P returns from Labour Day to Election Day since 1972 have been on average negative (-1%) (see Fig 2. S&P Returns from Labour Day to Election Day to Inauguration").

Fig 2. S&P Returns from Labour Day to Election Day to Inauguration

ELECTION DATE	WINNER	PARTY	LOSER	SPX LABOUR DAY TO ELECTION	SPX ELECTION TO INAUGURATION
07-11-1972	NIXON	REP	MCGOVERN	2.2%	4.2%
02-11-1976	CARTER	DEM	FORD	-1.2%	-0.1%
04-11-1980	REAGAN	REP	CARTER	5.4%	4.1%
06-11-1984	REAGAN	REP	MONDALE	36.8%	17.8%
08-11-1988	BUSH GH	REP	DUKASIS	3.6%	4.6%
03-11-1992	CLINTON	DEM	BUSH GH	1.4%	2.9%
05-11-1996	CLINTON	DEM	DOLE	8.4%	9.8%
07-11-2000	BUSH GW	REP	GORE	-5.8%	-6.3%
02-11-2004	BUSH GW	REP	KERRY	1.5%	4.8%
04-11-2008	OBAMA	DEM	MCCAIN	-24.7%	-12.0%
06-11-2012	OBAMA	DEM	ROMNEY	0.8%	4.8%
08-11-2016	TRUMP	REP	CLINTON H	-2.2%	6.6%
03-11-2020	BIDEN	DEM	TRUMP	-3.4%	13.8%
AVERAGE				1.8%	4.2%
AVERAGE REP				5.9%	5.1%
AVERAGE DEM				-3.1%	3.2%

When Harris ran unsuccessfully in Democratic Primaries, her views were considered more left-wing than Biden's. We have recently seen in the UK that left-wing politicians can be uncannily silent on their real intentions until after they are elected.

What may be at stake in November's election is American "exceptionalism": its trust in free market enterprise and distrust of big government. So-called Democrat "Progressives" want America to be more like Europe, which with its structurally stagnant GDP per capita, is not something any investor should find compelling.

Moreover, given Trump has said he wants to see a weak currency, and both candidates will likely continue to run big deficits, whomever wins, the outlook for the US dollar is much more uncertain.

We have previously outlined the geopolitical appeal of gold (<https://www.argonautcapital.co.uk/blog/articles/2024/04/22/guns-n-kurtosis-investing-in-the-new-cold-war-era/>) with a reshaping of the global economy into two economic blocks, boosting the appeal of "outside money" with gold – with a market value of \$15trillion – as the most liquid store of value. Geopolitical conflict unlikely to go away, particularly if, as seems likely, Harris is perceived as weak by America's enemies.

Now with real interest rates falling and the greenback weakening, the appeal of gold has increased further. The Fund currently has 12% of NAV in blue-chip gold miners, which despite their ongoing unpopularity, currently not only trade cheaply relative to their history but (according to Argonaut quant models) are displaying the best positive earnings revisions in the stock market. Like George Bernard Shaw, we believe gold is the best hedge against bad government:

"You have to choose between trusting to the natural stability of gold and the natural stability of the honesty and intelligence of the members of the government. And, with due respect to these gentlemen, I advise you, as long as the capitalist system lasts, to vote for gold."

Barry Norris

**Argonaut Capital
September 2024**



VT Argonaut Absolute Return



PERFORMANCE (%)

	1M	3M	1YR	3YR	5YR	YTD	ITD	ITD CAGR
Argonaut AR Fund	0.0	-4.6	18.5	51.9	65.7	6.2	230.8	8.2
EURO STOXX NR	1.5	-0.6	15.1	17.2	53.9	10.2	227.4	8.1
IA Targeted Absolute Return	0.5	1.5	8.6	11.1	22.1	5.0	105.2	4.3

DISCRETE YEARLY PERFORMANCE (%)

	1-year to	31 Aug 20	31 Aug 21	31 Aug 22	31 Aug 23	31 Aug 24
Argonaut AR Fund		22.0	-10.6	21.6	5.4	18.5
EURO STOXX NR		-1.0	32.6	-15.1	19.9	15.1
IA Targeted Absolute Return		2.3	7.2	-0.2	2.0	8.6

KEY STATISTICS SINCE INCEPTION

Annualised Net Return	8.2
Annualised Volatility	12.7
Correlation vs. European equities	-0.1
Annualised Long Alpha	3.5
Annualised Short Alpha	7.7
Best Month	15.0
Worst Month	-10.8
Average ROIC	12.9
Upside Capture	17.8
Downside Capture	-25.3

Source: Argonaut Capital Partners & Morningstar

MONTHLY & CALENDAR YEAR PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Correlation*	ROIC+	Std. Deviation	Sharpe
2009					0.9	-0.2	3.4	8.9	0.4	-4.2	-3.4	3.7	9.4	0.7	12.0	15.7	1.2
2010	-1.2	-0.2	0.1	3.4	-2.1	-2.7	-1.8	-2.1	1.2	-0.5	3.8	3.4	1.1	0.2	-3.5	8.1	-0.2
2011	-3.5	-0.4	0.1	4.7	1.7	1.0	1.2	-1.1	1.2	0.4	0.6	0.5	6.4	0.2	41.5	6.6	0.4
2012	-0.1	1.3	-0.2	0.3	-1.0	0.2	0.1	2.1	0.5	1.0	0.3	1.1	5.6	0.4	19.1	2.8	1.1
2013	0.7	3.3	-0.6	3.1	3.1	3.5	2.4	-1.4	2.8	10.0	4.0	3.4	39.7	0.2	50.7	9.9	2.9
2014	1.1	2.9	0.9	-4.8	1.1	0.8	-1.5	-0.7	3.4	-0.3	8.1	2.4	13.6	0.3	27.2	10.8	0.7
2015	5.0	-2.5	2.2	-1.6	1.8	-1.1	3.1	0.6	2.8	-2.6	1.8	1.3	11.0	0.0	15.1	8.3	1.0
2016	-2.5	-5.6	-3.5	-4.4	2.6	-8.5	-1.0	-1.1	0.9	1.1	-3.3	-3.4	-25.6	0.3	-44.9	10.8	-2.7
2017	0.0	-1.3	-2.0	-0.2	4.2	-3.0	2.4	7.4	-3.2	6.1	6.1	0.3	17.3	-0.4	20.4	12.9	2.2
2018	6.9	-1.5	-1.7	-2.4	-3.9	-0.6	1.5	2.1	-0.7	-10.8	-0.4	0.0	-11.7	0.4	-0.3	14.3	-1.0
2019	-2.6	-0.3	1.8	2.6	5.1	4.1	0.6	6.2	-7.5	1.5	-2.5	4.0	12.8	-0.6	4.6	13.5	1.0
2020	4.3	2.2	15.0	-1.5	-3.4	3.4	2.6	3.4	2.5	-3.1	-9.2	0.9	16.6	-0.8	21.8	20.0	1.0
2021	-2.1	0.7	5.8	-0.3	1.9	-7.1	-0.9	0.8	-0.3	4.4	4.3	3.4	10.3	0.4	11.0	12.1	0.6
2022	5.4	3.7	1.4	6.2	4.0	-7.7	-7.8	3.8	-0.4	5.0	-3.2	1.4	11.2	-0.1	13.8	16.8	-0.1
2023	-10.4	6.8	6.0	-0.3	2.5	-5.0	-0.1	4.3	1.6	7.5	2.1	0.0	14.6	-0.7	19.5	17.6	1.0
2024	5.1	4.0	2.4	0.7	-1.1	-1.5	-3.2	0.0					6.2	0.2	-1.4	10.7	0.8
	CAGR Since Inception												8.2	-0.1	12.9	12.7	0.4

Source: Argonaut Capital Partners, Bloomberg & Morningstar as at 31-Aug-24. All performance data above refers to VT Argonaut Absolute Return Fund, uses the GBP I Acc share class and is net of fees. *Correlation calculated in base currency on a monthly basis versus Euro STOXX NR Index. +ROIC calculated as contribution to return over percentage exposure. Standard Deviation calculated by annualising monthly returns in base currency. Correlation, Standard Deviation and Sharpe figures for 2024 YTD are calculated using daily returns. The VT Argonaut Absolute Return Fund's prospectus changed in 2021 from being 'predominantly' to 'mainly' pan European equity exposure. Past performance does not guarantee future results and the value of all investments and the income derived therefrom can decrease as well as increase.

TOP 5 LONG POSITIONS

	% NAV
Hafnia Ltd	6.7%
Torm Plc	6.1%
Just Eat Takeaway	5.3%
Newmont Corp	4.9%
Kongsberg Gruppen ASA	4.9%

MARKET CAP BREAKDOWN

	LONG	SHORT
>\$50bn	29.7%	-9.4%
\$20-50bn	23.5%	-6.3%
\$5-20bn	39.5%	-14.7%
\$1-5bn	22.9%	-18.2%
<\$1bn	0.0%	-2.9%

FUND EXPOSURES

	% NAV
Long Exposure	115.6%
Short Exposure	-51.5%
Gross Exposure	167.1%
Net Exposure	64.1%
Beta Adj. Net Exposure	0.68%

TOP 5 SHORT POSITIONS

	% NAV
Consumer Discretionary	-3.0%
Consumer Staples	-1.9%
Materials	-1.7%
Consumer Discretionary	-1.6%
Real Estate	-1.5%

DAYS TO LIQUIDATE

	% PORTFOLIO
Less than 1 day	79.0%
1-5 days	18.7%
More than 5 days	2.3%

Days to liquidate positions in the portfolio using 20% of the 90-day average daily trading volume.

OTHER

# of long positions	33
# of short positions	59

IMPORTANT INFORMATION

These figures refer to the past. Past performance is not a reliable indicator of future results.

This document is a marketing communication. Before subscribing, please read the prospectus and the KIID, available at argonautcapital.co.uk. Any past performance or references to the period prior to 14 July 2012 relate to the Ignis Argonaut unit trusts. The performance calculation shown is based on the GBP I share class. If the past performance is shown in a currency which differs from the currency of the country in which you reside, then you should be aware that your performance may increase or decrease as a result of currency fluctuations.

PORTFOLIO MANAGER & CONTACT DETAILS

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EQUITY EXPOSURE BY GEOGRAPHY (%)

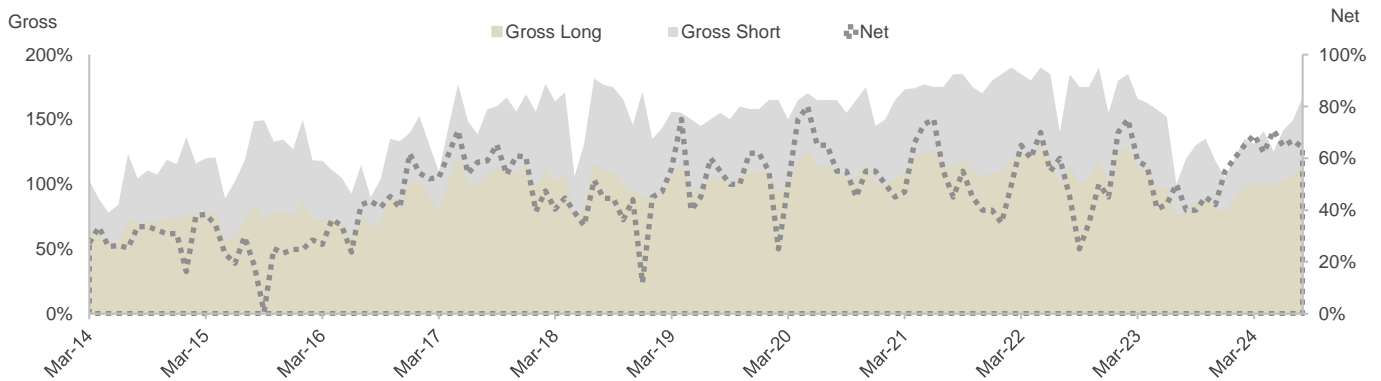
Country	Long	Short	Gross	Net
United States	53.7	-27.5	81.2	26.2
Norway	15.4	-1.8	17.2	13.6
United Kingdom	14.3	-4.4	18.7	9.9
Greece	7.7	0.0	7.7	7.7
Denmark	6.1	-2.6	8.7	3.5
Netherlands	5.3	0.0	5.3	5.3
Germany	4.6	-2.4	7.0	2.2
Hungary	4.4	0.0	4.4	4.4
Other	4.1	-12.8	16.9	-8.7
Total	115.6	-51.5	167.1	64.1

Source: Argonaut Capital & Bloomberg. Equity sector exposure as classified by GICS.

EQUITY EXPOSURE BY SECTOR (%)

Industry	Long	Short	Gross	Net
Financials	33.0	-4.4	37.4	28.6
Information Technology	13.4	-4.4	17.8	9.0
Materials	12.9	-9.0	21.9	3.9
Energy	12.8	0.0	12.8	12.8
Utilities	12.3	-4.6	16.9	7.7
Consumer Discretionary	11.5	-13.8	25.3	-2.3
Industrials	9.4	-3.8	13.2	5.6
Healthcare	6.2	-2.7	8.9	3.5
Other	4.1	-8.8	12.9	-4.7
Total	115.6	-51.5	167.1	64.1

GROSS & NET EQUITY EXPOSURE OVER TIME



Note: Allocation figures are taken at close of business whereas Fund performance is taken at 12pm. Equity exposure includes all equity related instruments. All sources, unless otherwise stated, are Argonaut Capital & Bloomberg. All data shown as at 31 August 2024.

SHARE CLASS INFORMATION

Share Class	GBP A	GBP R	GBP I	USD I	EUR I
SEDOL	B7MC0R9	B7FT1K7	B79NKW0	BH36TH3	B779CH9
ISIN	GB00B7MC0R90	GB00B7FT1K78	GB00B79NKW03	GB00BH36TH37	GB00B779CH97
Bloomberg	IMEAAG LN	IMEARAG LN	IMEAIAG LN	IMEAIAU LN	IMEAIAE LN
Front End Fee	0%	0%	0%	0%	0%
Management Fee	1.50%	0.75%	0.75%	0.75%	0.75%
Ongoing Charge	1.56%	0.81%	0.81%	0.81%	0.81%
Performance Fee	20% of gains above hurdle rate subject to the unit price exceeding the high-water mark				
Hurdle	5% per annum				
High Water Mark	Yes				
Anti-Dilution Levy	A dilution levy may be applied if net inflows/outflows are 2.5% or over on one day				
Minimum Investment	£500	On request	On request	On request	On request
Minimum Top Up	£250	--	--	--	--
Regular Savings Scheme	Yes	Yes	--	--	--
ISA available	Yes	Yes	--	--	--

Source: Argonaut Capital Partners. See Prospectus for more detail.

INVESTOR INFORMATION

Dealing Frequency	Daily
Dealing Time	12pm
Valuation	Daily
Share class hedging	Non-base ccy share classes hedged
Dividends	Accumulation shares only
Price Reporting	Prices published daily

SERVICE PROVIDERS

Authorised Corporate Director (ACD)	Valu-Trac Investment Management
Prime Broker	UBS
Auditor	Johnston Carmichael LLP
Custodian	Caceis
Depositary	NatWest Trustee & Depository Services
Accountant	Valu-Trac Investment Management
Legal Counsel	CMS

FUND OVERVIEW

Objective: the VT Argonaut Absolute Return Fund ('The Fund') aims to provide positive absolute returns over a 3-year rolling period regardless of market conditions. The fund is not managed against any formal benchmark. Capital is at risk and there is no guarantee that a positive return will be delivered over the 3-year rolling period or in respect of any other time period.

Investment Approach: The fund deploys a long/short strategy focused on mainly pan European equities and is dedicated to seeking non-correlated absolute returns via an active, fundamental investment approach and a concentrated portfolio of investments. The fund typically holds 30-50 long positions and 20-50 short positions.

Risk Considerations: The Fund has considerable latitude over its allocation both long and short equities and it may employ leverage and own sophisticated instruments such as futures and options. The Fund may also hold a large weighting in a small number of investments and may therefore be subject to larger than normal swings in its value. The performance stream is likely to be volatile and the Fund is suitable only for investors who have a long-time horizon (>5 years) and can tolerate high risk. Investors may not get back all the money invested and an investment in this Fund should only form part of an investor's total portfolio. Investors should discuss the suitability of this Fund with their professional adviser.

IMPORTANT INFORMATION

This is a marketing communication and it is not intended to be viewed as a piece of independent investment research.

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It does not constitute an offer to sell or an invitation to buy or invest in any of the securities or funds mentioned herein and it does not constitute any personal recommendation or investment taxation or any other advice. The tax treatment of an investment in any of the securities or funds mentioned herein depends on the individual circumstances of each investor and may be subject to change in the future. The information and any opinions have been obtained from or are based on sources believed to be reliable, but accuracy cannot be guaranteed. The capital you invest is at risk and you may lose some or all the money you invest. Past performance does not guarantee future results and the value of all investments and the income derived from them can decrease as well as increase.

Don't invest unless you're prepared to lose all the money you invested. This is a high-risk investment and you are unlikely to be protected if something goes wrong. [Take 2 mins to learn more.](#)

Investments that have an exposure to currencies other than the base currency of the Fund may be subject to exchange rate fluctuations. This communication and the information contained therein is a financial promotion for the purposes of the Financial Services and Markets Act 2000 of the United Kingdom and the rules of the FCA. The distribution of this communication may, in some countries, be restricted by law or regulation. Accordingly, anyone who comes into possession of this communication should inform themselves of and observe these restrictions. Argonaut Capital Partners is not liable for a breach of such restrictions or for any losses relating to the accuracy, completeness or use of information in this communication, including any consequential loss.

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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.

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