Fund Factsheet

VT Argonaut European Alpha

At 29 February 2024

Barry Norris
Fund Manager

Barry Norris founded Argonaut in 2005 and manages the VT Argonaut European Alpha 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 achieve above average returns and attempt to perform a top quartile profile when measured against competing funds in the same sector.

Fund overview

Sector	IA Europe ex UK
Launch date	12 May 2005 (GBP A Acc) 6 December 2005 (GBP I Acc) 16 July 2012 (GBP R Acc)
Fund size	£19.0m
Share class	Class A/Class R/Class I
No. of holdings	32
Sedol codes	A (Acc) – B4ZRCD0 R (Acc) – B7MW8T7 I (Acc) – B76L737
Bloomberg	A (Acc) – IMAEAAG LN R (Acc) – IMAERAG LN I (Acc) – IMAEIAG LN
ISIN	A (Acc) – GB00B4ZRCD05 R (Acc) – GB00B7MW8T72 I (Acc) – GB00B76L7377
Initial charge	0.0%
Ongoing charge GBP (as at 31/12/23)	A Acc Class Shares – 1.89% R Acc Class Shares - 0.89% I Acc Class Shares - 0.89%
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.

All information as at 29/02/2024, unless otherwise stated and measured against the fund's benchmark index.

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.

Fund Commentary

"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 4.0% over February, compared with the IA Europe ex UK sector which returned 2.3%.

The best performing longs were German weaponsmith Rheinmetall (+31%), Norwegian missile manufacturer Kongsberg (+25%), whilst Leonardo (+22%) and SAAB (+22%), Italian and Swedish defence contractors respectively, were also strong performers, based on the market anticipating European governments raising their military spending above the NATO target of 2% of GDP and directing incremental budget to indigenous OEM's.

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.

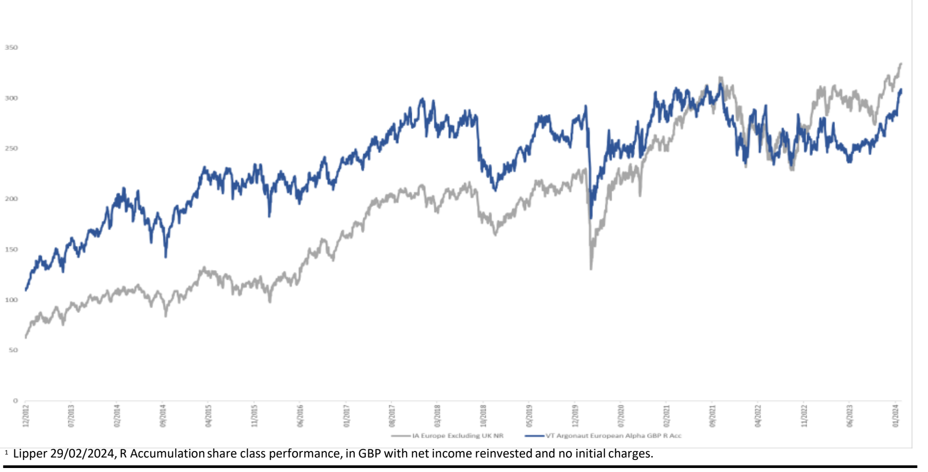
It might be easy to dismiss the share price performance of "The Magnificent 7" as an "investment bubble" until we consider that they are forecast to make over a combined $400bn of net profit this year (up from $85bn a decade ago). The average share price return from "The Magnificent 7" of 2686% (27x) (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.



[1] Lipper 29/02/2024, R Accumulation share class performance, in GBP with net income reinvested and no initial charges.

£	1 Month	YTD	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	Since Launch
Fund	4.0	5.3	6.3	-5.4	-1.0	2.1	20.5	-17.9	14.9	-1.00	16.1	4.0	31.7	174.7
Sector	2.3	1.9	13.5	-9.2	15.7	10.7	20.1	-12.4	17.4	16.8	9.3	-0.8	26	194.7
Quartile Rank	1	1	4	1	4	4	2	4	3	4	1	1	1	3

Source: Lipper 29/02/2024, Date from the 12th May 2005 – 16th July 2012 A class and 16th July 2012 – 29th February 2024 reflects class R units, in Sterling with net income reinvested and no initial charges. The sector is the IA Europe ex UK NR quoted in Sterling.

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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Fund Factsheet

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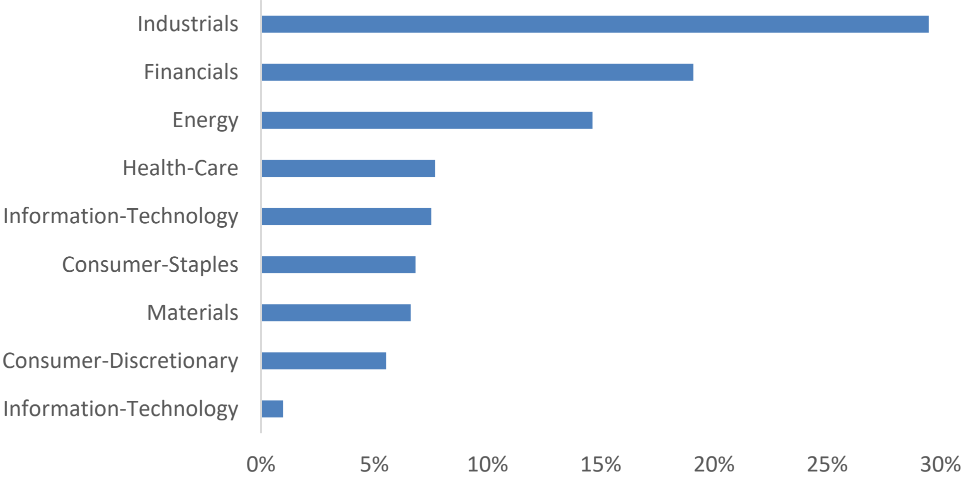
At 29 February 2024

Top Five holdings	Fund %
Hafnia	6.3
Torm	5.9
Pandora	5.5
Novo Nordisk	5.1
OTP Bank	4.1

Sector Weights



Country Breakdown	Fund %
Norway	28.2
Denmark	16.5
Italy	13.9
Germany	12.8
Netherlands	7.5
Greece	4.9
Hungary	4.1
Spain	4.0
Sweden	3.4
Other European	4.7

Market Cap	Fund %
Large Cap €5bn – €20bn	68.2
Mid Cap €1bn – €5bn	21.8
Small < €1bn	8.4
Cash	1.6

Risk Analysis	Since Launch	1 Year
Beta	0.8	0.4
Standard Deviation (%)	19.0	12.0
Tracking Error	9.4	10.2
Jensen’s Alpha	1.1	1.5
Sharpe Ratio	0.5	0.4
Information Ratio	-0.0	-0.2

Source: Lipper, all figures at 29/02/2024, these figures are subject to rounding. Date from the 12th May 2005 – 16th July 2012 A class and 16th July 2012 – 29th February 2024 reflects class R units. Tracking error is calculated ex post.

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Source: Argonaut Capital Partners, all figures at 29/02/2024, these figures are subject to rounding.

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Other ISINs for this fund:

GB00B6TQCC60	GB00B6T6S066
GB00B5LJR434	GB00B6VYPP25
GB00BVYPB156	GB00B7JXMD51
GB00B76L7377	GB00B4ZRCD05

Important Information

Information Ratio: a risk-adjusted measure of fund performance relative to a benchmark; the higher the number, the more risk-adjusted outperformance the fund has generated.
Jensen’s Alpha: a measure of a fund’s outperformance of a benchmark over a given period. Jensen’s Alpha is used to evaluate the contribution of active management – higher alpha means better fund performance.
Tracking Error: measures the deviation of fund performance from benchmark performance. Funds with a high tracking error have historically deviated more from their benchmark, and vice versa.
Beta: a measure of the sensitivity of fund performance relative to changes in the market. A fund with a beta of one tends to experience movement in line with the market. A beta higher than one suggests the fund will go up by more than the market when it rises, but go down more when the market falls. A beta less than one will go up by less than a rising market, but fall less when the market is down.
Standard Deviation: shows how much variation in return exists from the average. The lower the standard deviation the less variation from the average.
Sharpe ratio: a measure of the excess return per unit of deviation in an investment asset or a trading strategy. The higher the figure means the excess return generated from the increase in risk undertaken.