Fund Factsheet

VT Argonaut European Alpha

At 30 April 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	£19.6m
Share class	Class A/Class R/Class I
No. of holdings	37
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 30/04/2024, 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

"Inflation is just like alcoholism. In both cases, when you start drinking or when you start printing too much money, the good effects come first, the bad effects only come later."

Milton Friedman[1]

The fund returned +1.31% over April, compared with the IA Europe ex UK sector which returned -1.17%.

The best performing stocks were Norwegian car carriers Hoegh Auto (+32%) and Wallenius Wilhelmsen (+27%). Norwegian tanker companies BW LPG (+31%), Avance Gas (+28%) and Hungarian blue chip bank OTP (+10%) also contributed to performance. Italian oil pipe manufacturer Tenaris (-15%) was the biggest detractor.

The share prices of tanker companies Hafnia and Torm – the funds two largest positions– continue to make new highs. Since the Russian invasion of Ukraine in March 2022 they have delivered a total return of +336% and +523% respectively. Putting this in context, over the same period, current US stock darling Nvidia has returned just +254%.

Multiple data points suggest that US inflation is not just "sticky" but is now actually reaccelerating. Consequently, the Treasury yield curve steepened, with the benchmark 10-year yield rising from 4.2% to 4.65% over the month, though this remains below the 5% October 2023 peak. Having forecast 6 ½ ¼ point rate cuts this year at the beginning of 2024, Fed Fund futures now imply only one ¼ point cut in November.

Nevertheless, at the May 1st FOMC, Fed Chairman Powell not only ruled out rate hikes but started the process of tapering balance sheet sales from $65bn of Treasuries per month to just $25bn, with MBS remaining at $35bn, effectively halving the pace of QT, offsetting the liquidity draining of the Reverse Repo Facility (RRP).

Whilst Powell still talks tough on inflation, it is hard to avoid the conclusion that the Fed is just not that committed to bring inflation down to the 2% target. Its "over time" caveat has a similar level of conviction to that of former UK Chancellor Gordon Brown, who was committed to join the European single currency "when the time was right for Britain", in full knowledge that in his opinion that would be never.

We are currently in a new era of unrestrained government spending. We worry about how this will be funded.

During the Eurozone sovereign crisis, President of the ECB, Mario Draghi, famously said his bank would do "whatever it takes to preserve the Euro", through financial market interventions, which ultimately resulted in large scale asset purchases.

In a non-inflationary world, with the ECB backstopping the solvency of Eurozone sovereigns, the distressed government debt of the so-called PIIGS, proved to be a very attractive investment opportunity.

But what would happen today if the Federal Reserve announced it would do "whatever it takes" to get long-term Federal government borrowing costs down through a new asset purchase programme?

With sticky high inflation, it is very likely that after an initial wave of euphoria, the Federal Reserve would soon end up owning nearly the entire Treasury market, as private capital took the opportunity to exit at artificially low yields.

Central bank asset purchases are only an effective tool against deflation – not inflation - through addressing liquidity concerns. But injecting more liquidity into an inflationary regime would be like pouring petrol onto a fire.

QE cannot work as a funder of profligate governments in an inflationary regime, without hyperinflation consequently. Therefore, the confidence that financial markets still display in omnipotent if not omniscient central banks is misplaced.

In fact, any "whatever it takes" commitment to get long-term interest rates down would either involve the retrenchment of the state or raising short-term rates as UK Chancellor Lamont did in 1991 causing unemployment and recession as "the price we have had to pay to get inflation down". There are few governments or independent central banks nowadays prepared to pay this recessionary price.

We are currently in Friedman's beginnings of "alcoholism", experiencing largely the "good effects" of inflation, with full employment, the fastest wage growth since the 1990's and corporate profits buoyed by the nominal boom.

But all financial assets inhabit the real world, where returns must be measured against inflation and cost of capital.

Capital is uniquely vulnerable to being the victim of the new political regime and long duration capital – whether in bonds or equities – is the fall guy in the new era of reckless fiscal spending and unsound money.

This means that whilst equity investors now enjoy the early stages of alcoholism, the longer-term negative consequence must be lower valuations for all financial assets.

1"Why Inflation is like Alcoholism" April, 1980.
https://miltonfriedman.hoover.org/internal/media/dispatcher/215115/full

1 Lipper 30/04/2024, 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	1.3	11.2	6.3	-5.4	-1.0	2.1	20.5	-17.9	14.9	-1.00	16.1	4.0	31.7	324.1
Sector	-1.2	4.8	13.5	-9.2	15.7	10.7	20.1	-12.4	17.4	16.8	9.3	-0.8	26	343.0
Quartile Rank	1	1	4	1	4	4	2	4	3	4	1	1	1	3

Source: Lipper 30/04/2024, Date from the 12th May 2005 – 16th July 2012 A class and 16th July 2012 – 30th April 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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At 30 April 2024

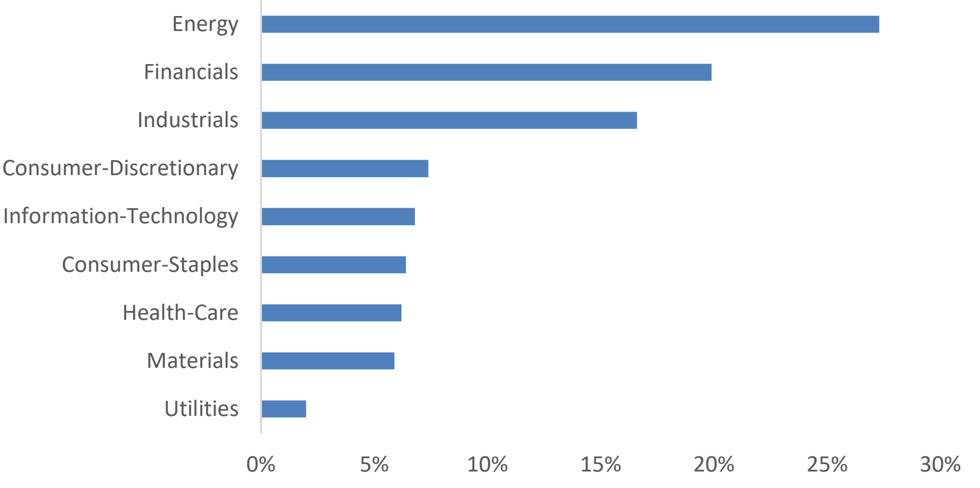
Top Five holdings	Fund %
Rheinmetall AG	5.8
Hafnia Ltd	5.1
Torm Plc	4.8
Novo Nordisk	4.4
OTP Bank Plc	4.2

Country Breakdown	Fund %
Norway	30.1
Germany	14.5
Italy	13.9
Denmark	9.2
Netherlands	8.7
Greece	5.2
Hungary	4.2
France	3.9
Sweden	2.7
Other European	6.1

Market Cap	Fund %
Large Cap > €5bn	64.3
Mid Cap €1bn – €5bn	31.9
Small < €1bn	2.3
Cash	1.5

Source: Argonaut Capital Partners, all figures at 30/04/2024, these figures are subject to rounding.

Sector Weights



Risk Analysis	Since Launch	1 Year
Beta	0.8	0.4
Standard Deviation (%)	15.9	7.9
Tracking Error	9.4	8.8
Jensen's Alpha	1.3	11.0
Sharpe Ratio	0.4	1.6
Information Ratio	0.0	1.1

Source: Lipper, all figures at 30/04/2024, 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.

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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.

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