# **Fund Factsheet**

# Argonaut European Alpha

At 31 August 2024

# **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 23<sup>ed</sup>, 2024

The fund returned -2.7% over August, compared with the IA Europe ex UK sector which returned +1.2%.

The best performing longs were: Dutch food delivery outfit Just Eat Takeaway (+12%); German reinsurer Hannover Re (+12%) and tanks and ammo outfit Rheinmetall (+8%). This was offset by losses on Eramet (-14%), Avance Gas (-24%), and Seadrill (-18%), which were sold.

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 s starts, auto sales, the sub-prime consumer and their credit delinquencies are worsening. With the 3-month rolling awarege unemployment rate having reiser SObps 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 cycler etrum has been outstanding (+16%). There is, however, a more mixed picture looking at equipy returns in the immediate aftermand 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	FOMC Chairman	Start Date	1st Cut (BPS)	SPX		Peak Rate	End Date	Trough	Duration (days)	Cycle Cut (BPS)	Cycle Cut (%)	Nominal GDP (ann. gr.)		Cycle SPX Return (ann.)
Niran 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	-1060	-53%	1.2%	-4.3%	44%
Volcker Disinflation 1	Volcker	16-01-81	-400	1.0%	-11.5%	20	29-04-83	8.50	833	-1150	-58%	5.7%	-14%	12%
Volcker Disinflation N	Volcker	02-10-84	-175	8.4%	0.7%	11.75	19-05-87	6.50	969	-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%
COND	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%

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

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 (ID-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 25% and increasing capati gains tas from 20% to 25%, 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, barming non-existent "price gouging" and expanding antitusts.

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-Predicate. 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 j. 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	<b>BUSH GH</b>	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 mo like Europe, which with its structurally stagnant GDP per capita, is not something any investor should find compelling.

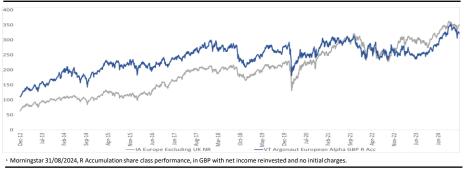
Moreover, given Trump has said he wants to see a weak currency, and both candidates will likely continue to run big deficits, whomever wins, the outlook for the US dollar is much more uncertain.

We have previously outlined the geopolitical appeal of gold

We nake previously outlined the geotylopid of the previously outlined append to glob. https://www.arganutacpaitat.out/bio/articles/2024/04/22/gurs-n-kurtosis-investing-in-the-new-cold-ware-raz/) with a reshaping of the global economy into two economic blocks, boosting the appeal of "outside money" with gold - with a market value of \$15thillion - a site most liquid store of shaped Geopolitical conflict unlikely to go away, particularly if, as seems likely, Harris is perceived as weak by

Now with real interest rates falling and the greenback weakening, the appeal of gold has increased further. The Fund currently has 12% of HAV in blue-chip gold miners, which despite their ongoing unopolarity, 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 gentlen I advise you, as long as the capitalist system lasts, to vote for gold."



														Since Launch
£	1 Month	YTD	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	
Fund	-2.7	9.0	6.3	-5.4	-1.0	2.1	20.5	-17.9	14.9	-1.00	16.1	4.0	31.7	313.3
Sector	1.2	7.1	13.5	-9.2	15.7	10.7	20.1	-12.4	17.4	16.8	9.3	-0.8	26	369.5
Quartile Rank	4	2	4	1	4	4	2	4	3	4	1	1	1	3

Source: Morningstar 31/08/2024, Date from the 12<sup>th</sup> May 2005 – 16<sup>th</sup> July 2012 A class and 16<sup>th</sup> July 2012 to date 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.







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	£18.6m
Share class	Class A/Class R/Class I
No. of holdings	26
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 31/08/2024, 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.



# VT Argonaut European Alpha

# At 31 August 2024

Top Five holdings	Fund %
Hafnia Ltd	7.5
Torm Plc	6.8
Just Eat Takeaway	5.1
Rheinmetall AG	4.9
Intesa Sanpaolo	4.6

Country Breakdown	Fund %
Norway	21.2
Germany	14.1
Greece	8.7
United States	8.3
Italy	7.9
Netherlands	7.1
Denmark	6.8
Hungary	4.2
Austria	4.1
Other European	13.5

Market Cap	Fund %
Large Cap > €5bn	64.9
Mid Cap €1bn – €5bn	31.0
Small < €1bn	0.0
Cash	4.1

# **Sector Weights Financials** Energy Industrials **Consumer Discretionary** Consumer Staples Healthcare Materials Utilities 0% 5% 10% 15% 20% 30% 35% 40% 25%

Risk Analysis	Since Launch	1 Year
Beta	0.7	0.7
Standard Deviation (%)	15.8	10.5
Tracking Error	21.0	9.0
Jensen's Alpha	1.5	5.1
Sharpe Ratio	0.3	1.0
Information Ratio	0.0	0.2

Source: Morningstar, all figures at 31/08/2024, these figures are subject to rounding. Date from the 12<sup>th</sup> May 2005 – 16<sup>th</sup> July 2012 A class and 16<sup>th</sup> July 2012 to date reflects class R units. Tracking error is calculated ex post.

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.

Source: Argonaut Capital Partners, all figures at 31/08/2024, these figures are subject to rounding.

## **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.

#### 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.

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 +44 (0) 1343 880 217 or visit www.argonautcapital.co.uk Alternatively write to Valu-Trac Investment Management Limited - Argonaut, Orton, Moray, Scotland, IV32 7QE.

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 to be correct at time of writing however no guarantees are made. Information and opinions are subject to change without notice.

