VT Argonaut Absolute Return

At 31 March 2024

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	£180.0m
No. of long holdings	43
No. of short holdings	47
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) – GB00B7MC0R90 R (Acc) – GB00B7FT1K78 I (Acc) – GB00B79NKW03
Initial charge	0.0%
Ongoing charge GBP (as at 28/2/23)	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 31/03/2024 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.

Fund Commentary

"*My sense is still that the Fed has <u>itchy fingers</u> to start cutting rates and I don't fully get it. We've got unemployment if anything below what they think is full capacity. We've got inflation, clearly even in their forecast for the next two years above target. We've got GDP growth rising if anything faster than potential. We have financial conditions, the holistic measure of monetary policy at a very loose level. I don't know why we are in such a hurry to be talking about moving toward the accelerator.*"

Larry Summers, Bloomberg, March 21st

The Fund returned +2.38% over March compared with the IA Targeted Absolute Return sector which returned +1.50% and the Lipper Global Alternative Long/Short Equity Europe sector return of +1.2%. Despite a generous net long positioning, the correlation to the market was negative (-0.27) and the annualised daily volatility just 7.9%.

The Fund made +4% in its long book and lost 1% from its short book. The best performing longs were again European defence companies: German weaponsmith Rheinmetall (+23%) and Italian helicopter outfit Leonardo (+18%). Canadian gold miner Agnico Eagle (+12%) and US homebuilder DR Horton (+10%) also performed strongly. There were no significant underperformers.

The best performing shorts were Austrian semiconductor outfit AMS (-22%), Swedish heat pump manufacturer Nibe (-11%) and UK retailer Watches of Switzerland (-11%). The worst performer was vaccine manufacturer Moderna (+15%).

The fund has also benefited from the strong performance of its long positions in European defence stocks, an industry which until recently had been in a bear market since the fall of the Berlin Wall in 1989. The Russian invasion of Ukraine (with words of encouragement from across the Atlantic) has been a *Zeitenwende* [1] moment in European thinking on defence expenditure with European NATO countries all now seemingly accepting that 2% of GDP should be a new floor on annual defence budgets.

NATO allies have to date provided Ukraine with $108bn of military aid of which the European share has been just $43bn. This compares to Russian current annual defence spending of $111bn (6.5% GDP). European countries have donated most of their ammo and useful weaponry to Ukraine and are capacity constrained in ramping up production (hence their non-military aid has been much higher).

The entire annual revenues of the quoted European defence industry last year were just $132bn. If NATO European annual spend increases to 2.8% of GDP and 50% of this is spent on equipment exclusively sourced within Europe, then industry revenues double. European defence is a new bull market with legs.

It was a busy month for central banks. The Bank of Japan hiked its policy rate for the first time since 2007 (to a 0.1% upper bound); its first positive rate since 2016; also, officially scrapping Yield Curve Control (but not QE). The Swiss National Bank delivered a surprise policy rate cut to 1.5% (from 1.75%). The Fed, the BOE and the ECB were on hold at 5.5%, 5.25% and 4.0% on their headline rates respectively, but all gave the impression they had "itchy fingers" to start cutting. "We're strongly committed to bringing inflation down to two percent <u>over time</u>", repeated Fed Chairman Powell, leaving it to the market to guess what "over time" meant.

US macro data continues to defy expectations of a slowdown. The March ISM Manufacturing PMI saw its first expansionary reading (above 50) since September 2022. Q4 US GDP was revised up to +3.4%, with the Atlanta Fed GDP Now estimate for Q1 running at +2.8% (consensus was just 1.3% at the beginning of the year).

With measures of inflation still stuck at 3-4%, this means that the US economy is still experiencing a boom, with nominal growth of 6-7% supporting corporate earnings and credit, but at the cost of higher for longer rates. Fed Fund Futures have now gone from pricing in 6 ½ quarter point interest rate cuts starting in March at the start of the year to now just 2 ½ starting in June or July.

The Fund initiated some long gold mining positions in early March. With $300bn of Russian financial assets frozen (mostly in Euroclear) countries which dissent from US hegemony are highly incentivised to diversify their assets "outside" the Western banking system to avoid political default risk. Gold - with a market value of $15trillion - is the most liquid option. Note Chinese holdings of US Treasuries are now down to just $800bn (from $1.2trillion at peak in 2016).

"Itchy fingers" at the Fed, its non-committal commitment to the 2% inflation target as well as rumours that the PBOC will soon initiate its own QE (perhaps floating its currency at the same time) means that gold should remain well bid, whilst gold miners having significantly underperformed the physical commodity, offer a more geared distressed play.

The "itchy fingers" of central banks who want to step on the monetary accelerator cannot be easily reconciled with the current observation of booming nominal growth owing to imprudent fiscal stimulus.

[1] As declared by German Chancellor Olaf Scholz, a watershed moment marking the end of the post-cold war period of peace dividend
[2] Lipper 31/03/2024, 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	2.4	11.9	26.3	50.7	109.3	91.3	248.4	14.6	11.3	10.3	16.6	12.8
AR Sector	1.5	2.2	5.8	7.1	14.6	23.7	54.8	4.42	-2.3	3.8	2.9	4.7
Rank	18/84	4/84	3/84	4/81	1/75	2/37	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	1.2	2.8	5.4	7.1	15.2	19.0	46.0	4.3	-4.3	8.74	1.0	6.1
Rank	16/70	4/70	1/67	3/60	1/54	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
Correlation	-0.7	-0.2	0.4	-0.8	-0.6	-0.5
Downside Capture Ratio (%)	-223	-68	-28	-86	-158	-180
Standard Deviation (%)	17.6	16.9	12.1	20.0	13.5	15.7
Sharpe Ratio	0.6	0.6	0.9	0.9	0.9	0.8
Sortino Ratio	0.5	0.5	0.8	0.8	0.7	0.7

	2023	2022	2021	2020	2019
Average Long Alpha	-3.0	13.2	-17.0	11.8	0.8
Average Short Alpha	24.1	2.4	27.4	12.9	5.7
Average Combined Alpha	21.1	15.6	10.4	24.7	6.5
Average Long ROIC	12.8	3.7	8.1	8.5	26.9
Average Short ROIC	8.3	11.9	2.3	16.2	-20.4

Source: Argonaut Capital Partners & Lipper 31/03/2024, 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.

SAUREN FONDSMANAGER-RATING

Fund Factsheet

VT Argonaut Absolute Return

At 31 March 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 %
Rheinmetall AG	6.0
Hafnia	5.8
Torm Plc	5.0
Builders FirstSource Inc	3.9
OTP Bank Nyrt	3.5

Exposure	Fund %
Long Exposure	99.7
Short Exposure	-30.9
Net Exposure	68.8
Beta Adjusted Net	-0.3
Gross Exposure	130.6

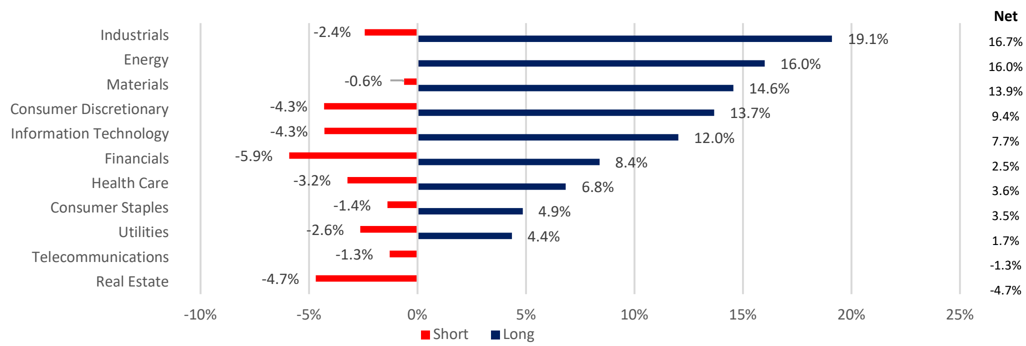
Correlation to the Lipper Global Equity Europe	
Monthly Correlation	-0.3

Market Cap Fund %	Long	Short
Large Cap €5bn - €20bn	83.0	-15.6
Mid Cap €1bn - €5bn	13.0	-9.6
Small Cap <€1bn	3.7	-5.7

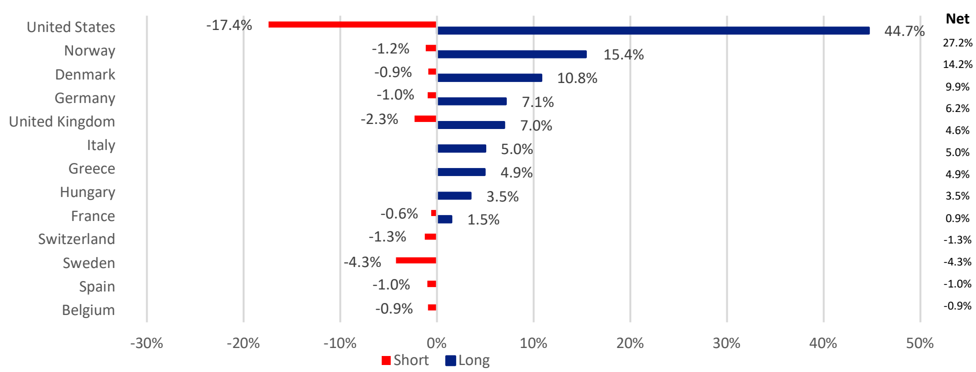
Days to Liquidate	% of Invested Portfolio
Less than 1 day	88.8
1-5 days	11.1
More than 5 days	0.1
Days to liquidate positions in the portfolio using 20% of the 90 days average trading volume	

Long/Short Positions

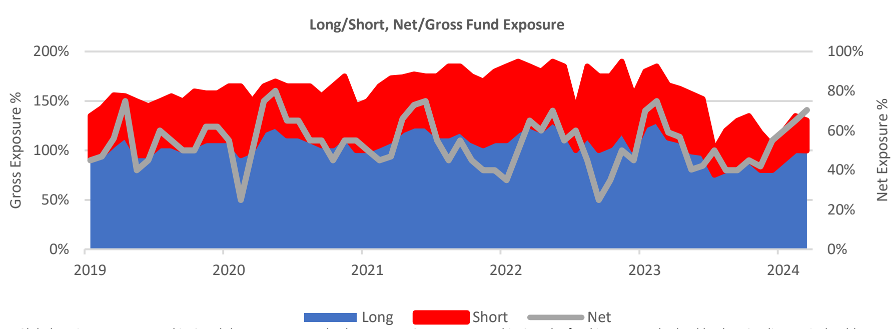
Sector



Country



Overall Fund Exposure



**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).

Source: Argonaut Capital Partners, all figures at 31/03/2024, 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.**

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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.

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