

Fund Factsheet

VT Argonaut Absolute Return

At 30 June 2023

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	£99.1m
No. of long holdings	38
No. of short holdings	72
Share class	Class A/Class R/ Class I
Sedol code	A (Acc) – B7MCO9 R (Acc) – B7FT1K7 I (Acc) – B79NKW0
Bloomberg	A (Acc) – IIMEAAAG LN R (Acc) – IIMEARAG LN I (Acc) – IIMEAIAG LN
ISIN	A (Acc) – GB00B7MCO90 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 30/06/2023 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

AR Commentary

"If you look at the data over the last quarter, what you see is stronger than expected growth, a tighter than expected labour market, and higher than expected inflation. So that tells us that although policy is restrictive, it may not be restrictive enough and it has not been restrictive for long enough".

Jerome Powell, Sintra, June 2023

The fund returned -4.98% over June, compared with the IA Targeted Absolute Return sector which returned -0.75% and the Lipper Global Alternative Long/Short Equity Europe sector return of 0.12%. The correlation to the market was -0.03.

The fund made money in its long book, but lost money in its short book. Its best performing longs, Builders Firstsource (+24%), Lennar (+14%) and DR Horton (+11%) all benefitted from the reported reacceleration of US housing activity. This was, however, offset by a surprisingly strong bid for riskier assets during the month, which resulted in a widespread cover bid and losses in the short book.

Economic data, particularly US labour market activity, was more robust than anticipated. Despite unemployment being a classic lagging economic indicator, with the recession postponed, the market saw the glass as "half-full". However, whereas the bull case a month ago was that the Fed was finished hiking rates, a further 25bps hike in July and probably also in September now looks likely, with a terminal rate at 5.75% rather than 5.25%.

The term "long and variable lags" used to describe the effects of monetary policy on the economy was first coined by economist Milton Friedman, who went on to use the analogy of the "fool in the shower", who not waiting for the pipes to warm up, cranks up the hot water, and after a variable lag, scolds themselves, to warn of the dangers of central bank tinkering to achieve immediate economic outcomes.

Bribing the electorate with their own money to stay at home during COVID, central bank money printing and government

largesse increased money supply way beyond nominal economic activity, and by doing so created their own Frankenstein's Inflation Monster. Whilst central banks are now withdrawing money supply through higher interest rates, an inverted yield curve and reducing the size of their balance sheets (QT), governments continue to run huge fiscal deficits, inefficiently stimulating their economies through more spending rather than tax cuts, exacerbating low productivity and meaning that monetary policy must do more to achieve the desired disinflation.

Hawkish Central Bankers may currently be acting like Friedman's "fool in the shower", but in view of still stimulative fiscal policy, with full employment and wages growing at 5-6%, avoiding a wage price spiral and returning inflation to 2% is unlikely to be achieved by waiting for a soft-landing. Central Banks must now kill the inflationary monster they created by over-tightening, which will cause an economic purging and a hard economic landing. The longer this recession takes, the more monetary policy must tighten and the deeper the recession must result.

There is no historic parallel for an "immaculate deflation", returning inflation to 2% from above 5% without a deep recession, nor has a soft-landing been previously witnessed with deeply negative real money supply growth or 500bps of hikes in 16 months. This is why investors must be patient before buying risk assets, safe in the knowledge that with interest rates now above 5%, they are at least being paid to wait.

Walter Bagehot once wrote that "John Bull can't stand 2%" on his savings, and without this he is prone to irrational, stupid speculations. Now he is getting 5%, speculation in risk assets should grind to a halt. We therefore believe that the recent revival of animal spirits is at best short-sighted and at worst foolish. We have no appetite to add to risk assets. At the same time, we are reluctant to add to shorts until the recession arrives. Consequently, we continue to cut gross exposure, in the knowledge that this John Bull can stand 5%.

² Lipper 30/06/2023, 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	3 Year	5 Year	10 Year	Since Launch	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Fund	-4.98	-1.48	16.73	45.4	89.6	167.8	11.3	10.3	16.6	12.8	-11.7	17.3	-25.6	11.0	13.6	39.7
AR Sector	-0.71	0.16	7.24	7.1	21.2	45.2	-2.3	3.8	2.9	4.7	-2.7	3.2	1.1	2.7	2.7	7.3
Rank	91/93	77/93	17/90	3/75	1/37	2/15	8/99	13/101	5/111	6/113	99/101	2/97	87/87	6/73	1/60	2/54
Quartile	4	4	1	1	1	1	1	1	1	1	4	1	4	1	1	1
L/S Sector	0.31	1.8	10.9	5.4	20.4	38.5	-4.3	8.74	1.0	6.1	-6.8	2.5	-4.3	7.6	3.9	6.6
Rank	71/72	58/72	14/60	3/51	4/28	2/13	6/62	19/64	6/82	20/94	64/77	4/68	56/56	5/43	3/39	2/36
Quartile	4	4	1	1	1	1	1	2	1	1	4	1	4	1	1	1
							2023 (YTD)	2022	2021	2020	2019	2018	2017	2016	2015	2014
Correlation							-0.04	-0.3	0.2	0.0	0.2	0.4	0.3	0.3	0.1	0.3
Downside Capture Ratio (%)							-156.11	-51.9	-28.0	-84.8	-219.2	65	-242.0	99.0	-10.0	-46.0
Standard Deviation (%)							23.09	16.9	12.1	20	13.4	14.3	12.9	10.8	8.3	10.8
Sharpe Ratio							-0.36	0.6	0.9	0.9	0.9	-0.8	1.3	-2.7	1.2	1.2
Sortino Ratio							-0.34	0.5	0.8	0.8	0.7	-0.8	1.9	-1.8	1.2	1.2

Source: Argonaut Capital Partners & Lipper 30/06/2023, 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 is based on monthly return data.

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.

Fund Factsheet

VT Argonaut Absolute Return

At 30 June 2023

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 %
Builder Firstsource	4.3
Amazon	4.1
Vopak	4.0
Microsoft Corp	4.0
Covestro AG	3.7

Exposure	Fund %
Long Exposure	97.1
Short Exposure	-54.9
Net Exposure	42.3
Beta Adjusted Net	0.2
Gross Exposure	152.0

Correlation to the Lipper Global Equity Europe

Monthly Correlation -0.03

Market Cap Fund %	Long	Short
Large Cap €5bn - €20bn	78.5	-24.1
Mid Cap €1bn - €5bn	14.2	-11.7
Small Cap <€1bn	4.4	-19.1

Days to Liquidate % of Invested Portfolio

Less than 1 day	90.9
1-5 days	6.5
More than 5 days	2.6

Days to liquidate positions in the portfolio using 20% of the 90 days average trading volume

Source: Argonaut Capital Partners, all figures at 30/06/2023, 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.

Dealing Contact:

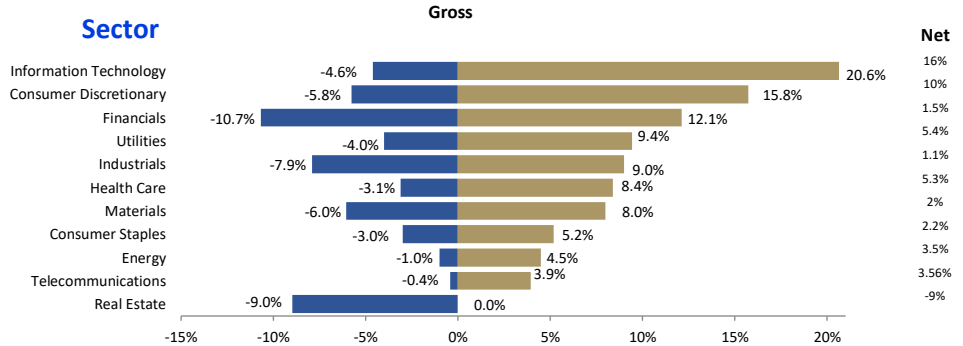
Tel: +44 (0)1343 880 217

Tel: +44 (0)1343 880 344

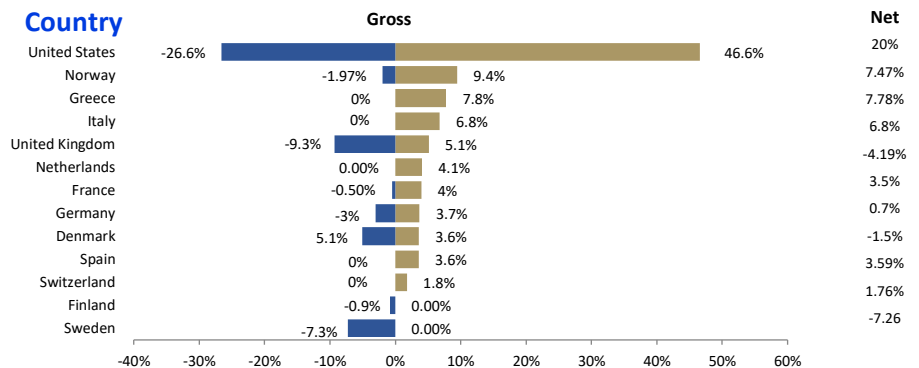
Fax: +44 (0)1343 880 267

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.

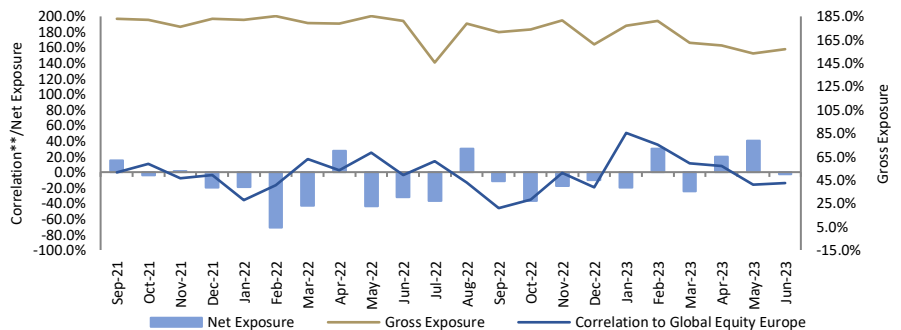
Long/Short Positions



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).

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.

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