

Fund Factsheet

VT Argonaut Absolute Return

At 30 November 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	£121.3m
No. of long holdings	31
No. of short holdings	40
Share class	Class A/Class R/ Class I
Sedol code	A (Acc) – B7MCO9R R (Acc) – B7FT1K7 I (Acc) – B79NKW0
Bloomberg	A (Acc) – IIMEAAG LN R (Acc) – IIMEARAG LN I (Acc) – IIMEAIALN
ISIN	A (Acc) – GB00B7MCO9R0 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 30/11/2023 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

"Acknowledging what you don't know is the dawning of wisdom. Stay within your "Circle of Competence".

Charlie Munger, "Poor Charlie's Almanack: The Wit and Wisdom of Chales T. Munger" 2005

The Fund returned +2.1% over November compared with the IA Targeted Absolute Return sector which returned +2.0% and the Lipper Global Alternative Long/Short Equity Europe sector return of +2.2%. The correlation to the market was just 13% and the annualised daily volatility 12% (vs. 9% for the market).

The Fund made 4% in its long book and lost 2% from its short book. Our best performing longs were taxi app Uber (+25%); LPG shipper Dorian (+27%); US construction merchant Builder's Firstsource (+19%); and "Diamonds For All" retailer Pandora (+15%).

Our best performing shorts were cash burning online luxury retailer Farfetch (-25%); troubled Swedish telecom hardware outfit Hexatronic (-18%); and highly indebted Austrian semiconductor and auto parts supplier AMS (-18%). However, the easing of financial conditions saw dead cats bounce, with 5 trading days of short squeezes, which the fund mitigated through a prudent reduction in gross exposure.

During the month the 10-year US Treasury yield having briefly touched 5% in October for the first time since 2007, fell to 4.32% at the end of the month. This came after the Federal Reserve noted that the previous steepening of the yield curve had already tightened financial conditions and that this might preclude the need to raise Fed Funds further. Fed officials are yet to offer an opinion on whether November's loosening of financial conditions now requires them to reconsider.

Q3 US real GDP growth reaccelerated to +5.2% YOY (previously +4.9%) or +9.0% nominal (previously +8.4%). The market is now expecting five 25bps rate cuts next year with a high probability of the first rate cut in March. We think this is too aggressive, considering the US economy is currently still booming, the fiscal deficit is still forecast to be at least 7% in 2024 (there is an election) and the main refinancing cliff is delayed until 2025.

Moreover, Fed Chairman Powell has persistently warned about repeating the perceived mistake of Arthur Burns in premature easing into President Nixon's 1972 re-election (ignoring the historical fact that the offending rate-cuts were actually made in 1974-5 after Nixon had left office in 1974).

OPEC announced a headline "cut" to production of 2.2m barrels/day for Q1 2024, but since these were either "voluntary" or extensions of those previously announced, the oil market was unimpressed. More significantly, Brazil announced it would be joining OPEC+: another symbol of deglobalisation and surely a wake-up call for President Lula fawning Western media and politicians.

With the best-case scenario of a soft landing in 2024 now anticipated by November's rally, we worry this sets up a disappointing 2024. We find it difficult to envisage that any further bond market easing will be equity friendly, since it would likely reflect slowing nominal growth that would impact profits. More likely growth turns out to be surprisingly resilient and duration – on which recent surveys have shown record bullishness – sells off again. Indeed, we do not rule out a further hike in the Fed Funds rate.

Investors continue to ignore the fiscal recklessness of governments running record peacetime deficits at a time of full-employment and the need for the ownership of the government debt market to change from public to private (thus crowding out all other asset classes). There is also the prospect in 2024 of the Bank of Japan formally exiting Yield Curve Control, accelerating the repatriation of Japanese capital. All of this requires other assets to be sold to fund government, the beast that must be fed.

Government in the UK currently accounts for nearly half of all economic activity, an unprecedented intervention outside of WW2 and COVID. This expansion of the state has occurred without democratic mandate and financial markets have been slow to appreciate its consequences. Indeed, we now have the inglorious phenomenon of politicians allocating capital whilst fund managers try to save the environment and solve social inequality. We would have a better world for our children and higher returns on capital if all concerned stuck to what the late Charlie Munger termed their "Circle of Competence".

² Lipper 30/11/2023, 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	2.09	14.53	41.78	84.9	85.6	211.3	11.3	10.3	16.6	12.8	-11.7	17.3	-25.6	11.0	13.6	39.7
AR Sector	1.97	2.47	5.09	11.2	20.6	48.6	-2.3	3.8	2.9	4.7	-2.7	3.2	1.1	2.7	2.7	7.3
Rank	33/88	2/88	6/85	1/74	3/38	1/15	8/99	13/101	5/111	6/113	99/101	2/97	87/87	6/73	1/60	2/54
Quartile	2	1	1	1	1	1	1	1	1	1	4	1	4	1	1	1
L/S Sector	2.29	3.0	7.9	11.4	17.2	40.2	-4.3	8.74	1.0	6.1	-6.8	2.5	-4.3	7.6	3.9	6.6
Rank	31/70	3/68	4/61	1/52	4/26	2/13	6/62	19/64	6/82	20/94	64/77	4/68	56/56	5/43	3/39	2/36
Quartile	2	1	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	-0.02	-0.3	0.2	0.0	0.2	0.4	0.3	0.3	0.1	0.3
Downside Capture Ratio (%)	-180	-51	-28	-85	-219	65	-242	99	-10	-46
Standard Deviation (%)	13.5	16.9	12.1	20	13.4	14.3	12.9	10.8	8.3	10.8
Sharpe Ratio	0.88	0.6	0.9	0.9	0.9	-0.8	1.3	-2.7	1.2	1.2
Sortino Ratio	0.74	0.5	0.8	0.8	0.7	-0.8	1.9	-1.8	1.2	1.2

Source: Argonaut Capital Partners & Lipper 30/11/2023, 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.

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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 %
Hafnia	4.6
Pandora	4.5
Torm PLC	4.2
BW LPG	4.0
Salmar ASA	2.9

Exposure	Fund %
Long Exposure	60.4
Short Exposure	-20.8
Net Exposure	39.6
Beta Adjusted Net	0.13
Gross Exposure	81.2

Correlation to the Lipper Global Equity Europe	
Monthly Correlation	0.15

Market Cap	Fund %	Long	Short
Large Cap €5bn - €20bn	47%	-10%	
Mid Cap €1bn - €5bn	16%	-3%	
Small Cap <€1bn	2%	-9%	

Days to Liquidate	% of Invested Portfolio
Less than 1 day	90.6
1-5 days	9.4
More than 5 days	0.0

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

Source: Argonaut Capital Partners, all figures at 30/11/2023, 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:

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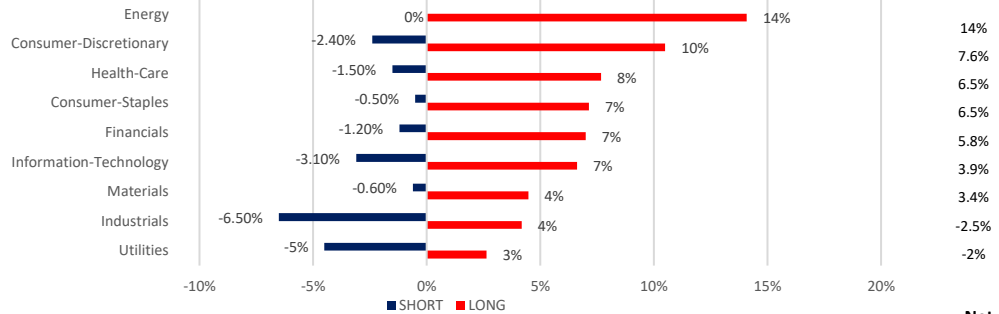
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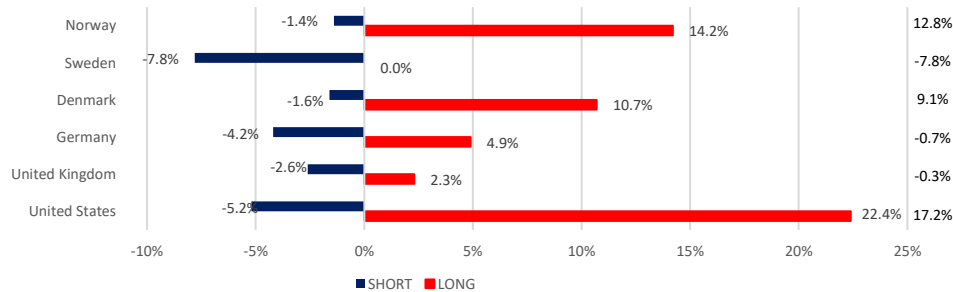
Telephone calls may be monitored and/or recorded for the purpose of security, internal training, accurate account operation, internal customer monitoring and to improve quality of service.

Long/Short Positions

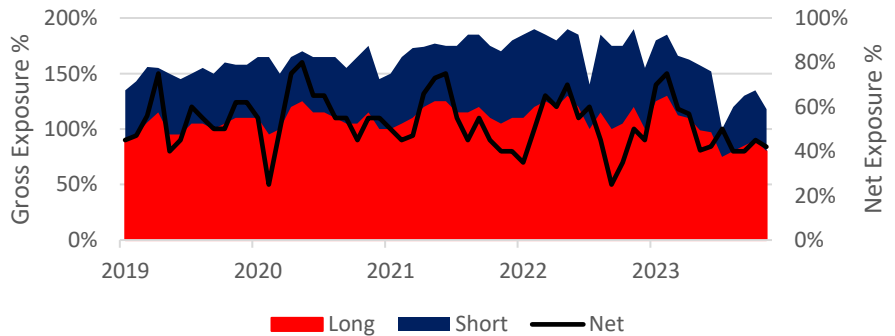
Sector



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).

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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