

VT Argonaut Absolute Return



Fund Commentary

"I spent a career working at the Bank of England and in business before entering politics. I know what it takes to run a successful economy".

Rachel Reeves, Shadow UK Chancellor, February 2024

The Fund returned -1.08% over May compared with the IA Targeted Absolute Return sector which returned +0.70% and the Lipper Global Alternative Long/Short Equity Europe sector return of +1.3%. The correlation to the market was 0.26 whilst monthly annualised daily volatility was 10.5%.

The Fund made +4.5% in its long book and lost -5.5% from its short book. Our best performing longs were tanker owner BWLPG (+40%), Norwegian anti-ship missile manufacturer Kongsberg (+20%) and Uranium miner Cameco (+19%). The worst performing long was Builders FirstSource (-13%).

The best performing short was Azelis (-14%) but it was a difficult month for shorts in general, notably Norwegian hydrogen outfit Nel (+58%) on misplaced excitement about the spin-off of its network division, which we note is currently subject to litigation from its biggest customer, alleging fraud. Troubled telco equipment manufacturer Hexatronic (+33%) also rallied on management spin about it being a significant beneficiary of AI spending.

It is our experience that periodic short squeezes are an occupational hazard which are unavoidable, but which can be mitigated by position sizing, which facilitates patience. Over the longer run, stocks tend to get the price they deserve.

Following the end of the month, the ECB cut its main deposit rate to 3.75% (from 4.0%) and the Bank of Canada its overnight lending rate to 4.75% (5.0%), joining the Swiss (March) and the Swedish (May) central banks in the new easing cycle. The market is currently pricing in 1 ½ 25bps cuts from the Fed beginning in November.

The month was notable for its political developments, with volatility from election results in Mexico and India. More importantly, former President Trump was convicted of the felony of misclassifying a legal expense for his own business records, based on the testimony of a convicted perjurer, on the assumption that the motive was solely to influence the 2016 election, and based on the supposition that the chosen venue of prosecution, a state court in Manhattan, with jurors selected from an overwhelmingly anti-Trump electorate – had the authority to rule on charges related to a Federal election.

The risks to the democratic process of a blatantly politically motivated prosecution on frivolous charges of the leading opposition Presidential candidate a few months before the election should be obvious, as is the risk of retaliatory abuses of the legal system. Had this abuse been perpetrated in Russia or under a similar tyrannical regime, traditional media outlets would have been outraged, whilst investors would apply an appropriate discount rate to domestically domiciled financial assets. This abuse of judicial authority is not bullish for the sanctity of American property and political rights nor for dollar global hegemony. Gold seems the most attractive hedge.

Key Performance Numbers

-1.1 %	Monthly performance
11.4 %	Year-to-date performance
14.1 %	5-year CAGR (net of fees)
-0.4	5-year correlation to European equities*

*As at 31-May-24. *Euro Stoxx NR Index. Past performance is not a reliable indicator of future results.*

Key Fund Details†

GBP I	346.89
GBP A	311.17
GBP R	295.07
USD I	198.76
EUR I	279.43

Fund AUM (£m)	200m
Fund Inception	18 Feb 2009
Fund Type	UCITS Long/Short
Fund Domicile	UK
Base Currency	GBP
Sector	IA Targeted AR
Dealing Frequency	Daily
Prime Broker	UBS

Strategy

Argonaut Absolute Return

A long/short strategy focused on mainly pan European equities dedicated to seeking non-correlated absolute returns via an active, fundamental investment approach and a concentrated portfolio of investments. The fund typically holds 30-50 long positions and 20-50 short positions.

For full details see fund prospectus

Portfolio Manager

Barry Norris, CFA

Barry began managing European equity portfolios at Neptune Investment Management in 2002 having begun his career at Baillie Gifford. He graduated from Cambridge University (MA History & MPhil International Relations) and holds the CFA. Barry founded Argonaut Capital Partners LLP in 2005.

*For more information see
argonautcapital.co.uk*

Sources: Argonaut Capital Partners LLP internal unaudited data and refers to the £ I share class.

†Valu-Trac, Bloomberg & Morningstar, calculation on a NAV basis with net income reinvested. All data shown as at 31 May 2024

UK Prime Minister Sunak, who has never even won a leadership election amongst his own Party Members, called an early General Election, which it is almost certain that the opposition Labour Party will win, largely because previous Conservative supporters, disgusted by the spineless performance of the Conservative Parliamentary Party, either won't vote or will transfer their allegiances to the insurgent Reform Party.

Recent success in European elections for parties termed "populist" or "far-right" by the sneering classes but who articulate the growing frustration with Gramscian ideologies (wokeism, climate change alarmism, globalism) perceived to undermine both standards of living and national identity, suggest that the UK's leftward shift is anomalous, possibly temporary, based on a failure of leadership in the Conservative Party.

There is considerable conjecture that a new Labour government intends to unveil a programme of tax increases on various sources of wealth. But in so far as Labour has been willing to set-out its economic agenda, the main points of consideration for investors in British assets are:

- excluding strategic "investments" from "day-to-day" fiscal deficits and government debt calculations, presumably so that reckless fiscal spending can appear "prudent" and debt can be hid off balance sheet
- forceable consolidation of defined contribution (DC) pension funds (expected to grow to over £1trillion by the end of the decade) so that they are more "active" - taking more risk and willing to direct company management - and invest more in UK public and private equities. There is a strong suspicion that these pension fund assets would be coerced into supporting Labour's "industrial policy", accountable to government ministers rather than their underlying investors
- increasing employee rights to make workers more "secure" and able to take "risks", without any explanation of how this has a positive economic impact since this must necessarily transfer "risk" to entrepreneurs and business owners, without any consideration that this might impact their propensity to invest capital.
- Achieving 100% renewable electricity generation by 2030 (!).

On the morning of the 1987 General Election the Sun newspaper front page infamously joked that "If Kinnock wins today will the last person to leave Britain, please turn out the lights." By the time of the next election in 2029, the last person out can leave the lights alone: unless it's a particularly windy day, Britain won't have any electricity.

Following university, Shadow Chancellor Reeves spent six years on the Bank of England graduate programme (2000-2006) followed by a couple of years in Halifax working for HBOS (2006-2008), before it was rescued from insolvency by Lloyds. Presumably it is the sum of this "real world" experience that in her opinion qualifies her to "run" the world's fifth biggest economy.

An historic analogy might be a surviving junior officer aboard "The Titanic" subsequently claiming they now know how to "run" the global shipping industry, having through their cumulative experience predicted WW2, the future invention of container shipping, the oil tanker, as well as competition from transcontinental air travel.

With his old graduate trainee in-residence at Number 11, BOE Governor Andrew Bailey might suddenly find some enthusiasm for rate cuts (1 ½ quarter point cuts are currently priced this year starting in November) leading to a honeymoon period for the new government. But the starting point for the economy, with government debt already at 100% of GDP (40% in 1997), means that any acceleration in the debt-fuelled binge should quickly prove short-lived.

There is no shortage of noise nowadays about "cheap" UK stocks and a "Buggin's Turn" revival in the fortune of the Footsie. There is also a misplaced enthusiasm amongst the largely non-capitalist financial commentariat about the likely benign impact of the new Labour government. Capital would be wise to remain sceptical.

Britain's economic problems are about to get worse. And unlike in 1987, there will be no need to worry about turning off the lights.

Barry Norris

Argonaut Capital
June 2024



VT Argonaut Absolute Return



PERFORMANCE (%)

	1M	3M	1YR	3YR	5YR	YTD	ITD	ITD CAGR
Argonaut AR Fund	-1.1	1.9	23.1	47.9	93.1	11.4	246.9	8.6
EURO STOXX NR	2.7	5.4	18.9	24.0	61.1	11.0	229.5	8.3
IA Targeted Absolute Return	0.7	2.3	7.7	9.8	22.2	3.5	100.4	4.2

DISCRETE YEARLY PERFORMANCE (%)

	1-year to	31 May 20	31 May 21	31 May 22	31 May 23	31 May 24
Argonaut AR Fund		23.6	5.7	27.7	-5.9	23.1
EURO STOXX NR		-4.2	35.7	-3.4	7.9	18.9
IA Targeted Absolute Return		1.0	9.6	1.3	0.1	7.7

KEY STATISTICS SINCE INCEPTION

Annualised Net Return	8.6
Annualised Volatility	12.7
Correlation vs. European equities	-0.1
Annualised Long Alpha	4.0
Annualised Short Alpha	7.2
Best Month	15.0
Worst Month	-10.8
Average ROIC	13.1
Upside Capture	18.9
Downside Capture	-26.2

Source: Argonaut Capital Partners & Morningstar

MONTHLY & CALENDAR YEAR PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Correlation*	ROIC+	Std. Deviation	Sharpe
2009					0.9	-0.2	3.4	8.9	0.4	-4.2	-3.4	3.7	9.4	0.7	12.0	15.7	1.2
2010	-1.2	-0.2	0.1	3.4	-2.1	-2.7	-1.8	-2.1	1.2	-0.5	3.8	3.4	1.1	0.2	-3.5	8.1	-0.2
2011	-3.5	-0.4	0.1	4.7	1.7	1.0	1.2	-1.1	1.2	0.4	0.6	0.5	6.4	0.2	41.5	6.6	0.4
2012	-0.1	1.3	-0.2	0.3	-1.0	0.2	0.1	2.1	0.5	1.0	0.3	1.1	5.6	0.4	19.1	2.8	1.1
2013	0.7	3.3	-0.6	3.1	3.1	3.5	2.4	-1.4	2.8	10.0	4.0	3.4	39.7	0.2	50.7	9.9	2.9
2014	1.1	2.9	0.9	-4.8	1.1	0.8	-1.5	-0.7	3.4	-0.3	8.1	2.4	13.6	0.3	27.2	10.8	0.7
2015	5.0	-2.5	2.2	-1.6	1.8	-1.1	3.1	0.6	2.8	-2.6	1.8	1.3	11.0	0.0	15.1	8.3	1.0
2016	-2.5	-5.6	-3.5	-4.4	2.6	-8.5	-1.0	-1.1	0.9	1.1	-3.3	-3.4	-25.6	0.3	-44.9	10.8	-2.7
2017	0.0	-1.3	-2.0	-0.2	4.2	-3.0	2.4	7.4	-3.2	6.1	6.1	0.3	17.3	-0.4	20.4	12.9	2.2
2018	6.9	-1.5	-1.7	-2.4	-3.9	-0.6	1.5	2.1	-0.7	-10.8	-0.4	0.0	-11.7	0.4	-0.3	14.3	-1.0
2019	-2.6	-0.3	1.8	2.6	5.1	4.1	0.6	6.2	-7.5	1.5	-2.5	4.0	12.8	-0.6	4.6	13.5	1.0
2020	4.3	2.2	15.0	-1.5	-3.4	3.4	2.6	3.4	2.5	-3.1	-9.2	0.9	16.6	-0.8	21.8	20.0	1.0
2021	-2.1	0.7	5.8	-0.3	1.9	-7.1	-0.9	0.8	-0.3	4.4	4.3	3.4	10.3	0.4	11.0	12.1	0.6
2022	5.4	3.7	1.4	6.2	4.0	-7.7	-7.8	3.8	-0.4	5.0	-3.2	1.4	11.2	-0.1	13.8	16.8	-0.1
2023	-10.4	6.8	6.0	-0.3	2.5	-5.0	-0.1	4.3	1.6	7.5	2.1	0.0	14.6	-0.7	19.5	17.6	1.0
2024	5.1	4.0	2.4	0.7	-1.1								11.4	0.2	1.9	12.6	2.1
	CAGR Since Inception												8.6	-0.1	13.1	12.7	0.4

Source: Argonaut Capital Partners, Bloomberg & Morningstar as at 31-May-24. All performance data above refers to VT Argonaut Absolute Return Fund, uses the GBP I Acc share class and is net of fees. *Correlation calculated in base currency on a monthly basis versus Euro STOXX NR Index. +ROIC calculated as contribution to return over percentage exposure. Standard Deviation calculated by annualising monthly returns in base currency. Correlation, Standard Deviation and Sharpe figures for 2024 YTD are calculated using daily returns. The VT Argonaut Absolute Return Fund's prospectus changed in 2021 from being 'predominantly' to 'mainly' pan European equity exposure. Past performance does not guarantee future results and the value of all investments and the income derived therefrom can decrease as well as increase.

TOP 5 LONG POSITIONS

	% NAV
Torm Plc	6.1%
Hafnia Ltd	5.7%
Eramet	4.7%
Rheinmetall AG	4.5%
Western Digital Corp.	4.2%

MARKET CAP BREAKDOWN

	LONG	SHORT
>\$50bn	11.6%	-3.2%
\$20-50bn	22.1%	-2.9%
\$5-20bn	32.9%	-8.0%
\$1-5bn	30.3%	-9.9%
<\$1bn	1.1%	-3.3%

FUND EXPOSURES

	% NAV
Long Exposure	98.0%
Short Exposure	-27.3%
Gross Exposure	125.3%
Net Exposure	70.7%
Beta Adj. Net Exposure	0.30%

TOP 5 SHORT POSITIONS

	% NAV
Utilities	-1.6%
Real Estate	-1.5%
Consumer Discretionary	-1.4%
Consumer Discretionary	-1.4%
Consumer Discretionary	-1.4%

DAYS TO LIQUIDATE

	% PORTFOLIO
Less than 1 day	82.5%
1-5 days	17.3%
More than 5 days	0.2%

Days to liquidate positions in the portfolio using 20% of the 90-day average daily trading volume.

OTHER

# of long positions	45
# of short positions	26

IMPORTANT INFORMATION

These figures refer to the past. Past performance is not a reliable indicator of future results.

This document is a marketing communication. Before subscribing, please read the prospectus and the KIID, available at argonautcapital.co.uk. Any past performance or references to the period prior to 14 July 2012 relate to the Ignis Argonaut unit trusts. The performance calculation shown is based on the GBP I share class. If the past performance is shown in a currency which differs from the currency of the country in which you reside, then you should be aware that your performance may increase or decrease as a result of currency fluctuations.

PORTFOLIO MANAGER & CONTACT DETAILS

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EQUITY EXPOSURE BY GEOGRAPHY (%)

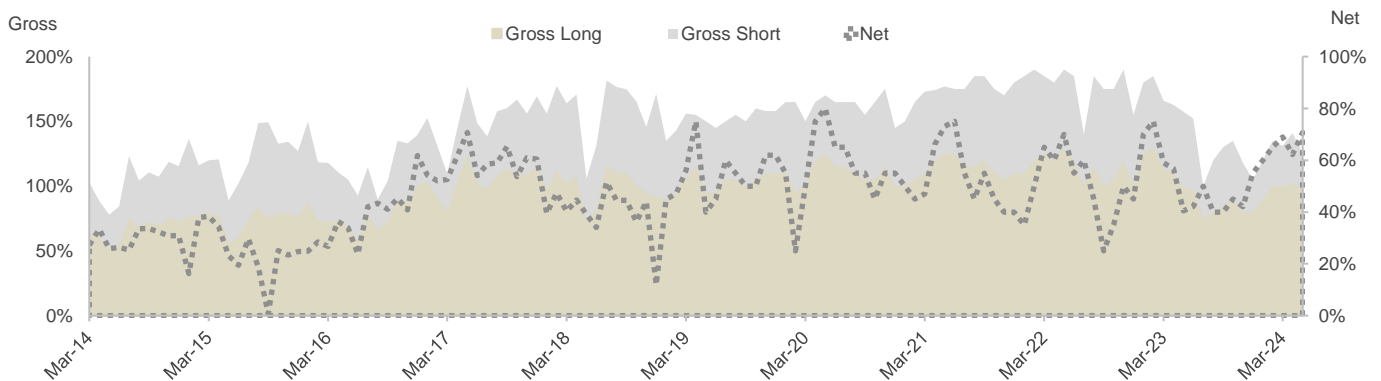
Country	Long	Short	Gross	Net
United States	37.6	-15.3	52.9	22.3
Norway	20.4	-1.6	22.0	18.8
United Kingdom	11.4	-0.4	11.8	11.0
Greece	6.4	0.0	6.4	6.4
Denmark	6.1	-1.8	7.9	4.3
France	4.8	0.0	4.8	4.8
Germany	4.5	0.0	4.5	4.5
Hungary	3.8	0.0	3.8	3.8
Other	3.0	-8.2	11.2	-5.2
Total	98.0	-27.3	125.3	70.7

Source: Argonaut Capital & Bloomberg. Equity sector exposure as classified by GICS.

EQUITY EXPOSURE BY SECTOR (%)

Industry	Long	Short	Gross	Net
Energy	21.0	0.0	21.0	21.0
Materials	17.4	-2.1	19.5	15.3
Financials	14.9	-3.4	18.3	11.5
Consumer Discretionary	11.8	-6.3	18.1	5.5
Industrials	10.2	-0.9	11.1	9.3
Utilities	8.8	-4.4	13.2	4.4
Information Technology	7.9	-2.6	10.5	5.3
Consumer Staples	4.5	0.0	4.5	4.5
Other	1.5	-7.6	9.1	-6.1
Total	98.0	-27.3	125.3	70.7

GROSS & NET EQUITY EXPOSURE OVER TIME



Note: Allocation figures are taken at close of business whereas Fund performance is taken at 12pm. Equity exposure includes all equity related instruments. All sources, unless otherwise stated, are Argonaut Capital & Bloomberg. All data shown as at 31 May 2024.

SHARE CLASS INFORMATION

Share Class	GBP A	GBP R	GBP I	USD I	EUR I
SEDOL	B7MC0R9	B7FT1K7	B79NKW0	BH36TH3	B779CH9
ISIN	GB00B7MC0R90	GB00B7FT1K78	GB00B79NKW03	GB00BH36TH37	GB00B779CH97
Bloomberg	IMEAAAG LN	IMEARAG LN	IMEAIAG LN	IMEAIAU LN	IMEAIAE LN
Front End Fee	0%	0%	0%	0%	0%
Management Fee	1.50%	0.75%	0.75%	0.75%	0.75%
Ongoing Charge	1.56%	0.81%	0.81%	0.81%	0.81%
Performance Fee	20% of gains above hurdle rate subject to the unit price exceeding the high-water mark				
Hurdle	5% per annum				
High Water Mark	Yes				
Anti-Dilution Levy	A dilution levy may be applied if net inflows/outflows are 2.5% or over on one day				
Minimum Investment	£500	On request	On request	On request	On request
Minimum Top Up	£250	--	--	--	--
Regular Savings Scheme	Yes	Yes	--	--	--
ISA available	Yes	Yes	--	--	--

Source: Argonaut Capital Partners. See Prospectus for more detail.

INVESTOR INFORMATION

Dealing Frequency	Daily
Dealing Time	12pm
Valuation	Daily
Share class hedging	Non-base ccy share classes hedged
Dividends	Accumulation shares only
Price Reporting	Prices published daily

SERVICE PROVIDERS

Authorised Corporate Director (ACD)	Valu-Trac Investment Management
Prime Broker	UBS
Auditor	Johnston Carmichael LLP
Custodian	Caceis
Depositary	NatWest Trustee & Depository Services
Accountant	Valu-Trac Investment Management
Legal Counsel	CMS

FUND OVERVIEW

Objective: the VT Argonaut Absolute Return Fund ('The Fund') aims to provide positive absolute returns over a 3-year rolling period regardless of market conditions. The fund is not managed against any formal benchmark. Capital is at risk and there is no guarantee that a positive return will be delivered over the 3-year rolling period or in respect of any other time period.

Investment Approach: The fund deploys a long/short strategy focused on mainly pan European equities and is dedicated to seeking non-correlated absolute returns via an active, fundamental investment approach and a concentrated portfolio of investments. The fund typically holds 30-50 long positions and 20-50 short positions.

Risk Considerations: The Fund has considerable latitude over its allocation both long and short equities and it may employ leverage and own sophisticated instruments such as futures and options. The Fund may also hold a large weighting in a small number of investments and may therefore be subject to larger than normal swings in its value. The performance stream is likely to be volatile and the Fund is suitable only for investors who have a long-time horizon (>5 years) and can tolerate high risk. Investors may not get back all the money invested and an investment in this Fund should only form part of an investor's total portfolio. Investors should discuss the suitability of this Fund with their professional adviser.

IMPORTANT INFORMATION

This is a marketing communication and it is not intended to be viewed as a piece of independent investment research.

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Don't invest unless you're prepared to lose all the money you invested. This is a high-risk investment and you are unlikely to be protected if something goes wrong. [Take 2 mins to learn more.](#)

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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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