Fund Factsheet

VT Argonaut European Alpha

At 30 June 2023

Barry Norris
Fund Manager

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	£23.3m
Share class	Class A/Class R/Class I
No. of holdings	31
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 31/12/21)	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 30/06/2023, 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.

Fund 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 -2.17% over June, compared with the IA Europe ex UK sector which returned +0.97%.

The fund's best performers were oil tube manufacturer Tenaris (+17%) and Italian blue-chip bank Intesa (+11%). This was offset by losses in Norwegian salmon farming stocks, presumably owing to seasonal weakness in spot prices.

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%.

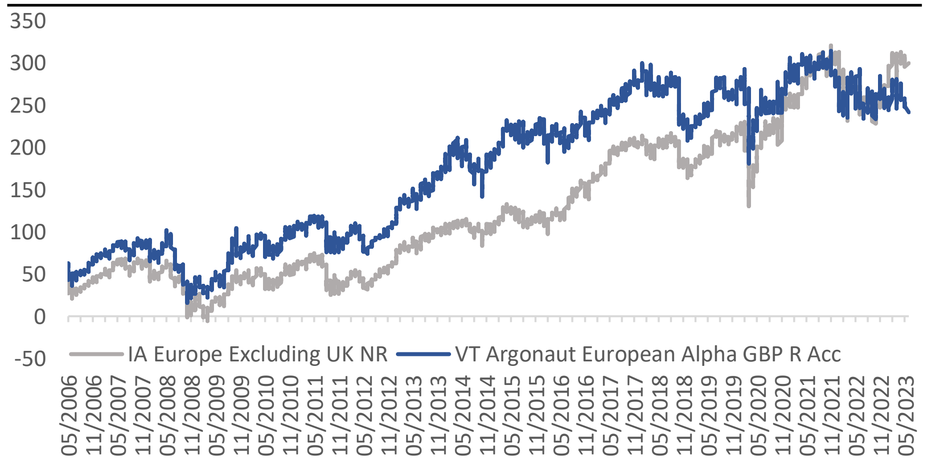
The term "long and variable lags" used to describe the effects of monetary policy on the economy was first coined by economist Milton Friedman, who went on to use the analogy of the "fool in the shower", who not waiting for the pipes to warm up, cranks up the hot water, and after a variable lag, scolds 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. Consequently, we continue to add to cash, in the knowledge that this John Bull can stand 5%.



[1] Lipper 30/06/2023, R Accumulation share class performance, in GBP with net income reinvested and no initial charges.

£	1 Month	YTD	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	Since Launch
Fund	-2.17	-4.8	-5.4	-1.0	2.1	20.5	-17.9	14.9	-1.00	16.1	4.0	31.7	241.5
Sector	1.0	7.2	-9.2	15.7	10.7	20.1	-12.4	17.4	16.8	9.3	-0.8	26	299.5
Quartile Rank	4	4	1	4	4	2	4	3	4	1	1	1	4

Source: Lipper 30/06/2023, Date from the 12th May 2005 – 16th July 2012 A class and 16th July 2012 – 30th June 2023 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.

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BARRY NORRIS

SAUREN
FONDSMANAGER-RATING

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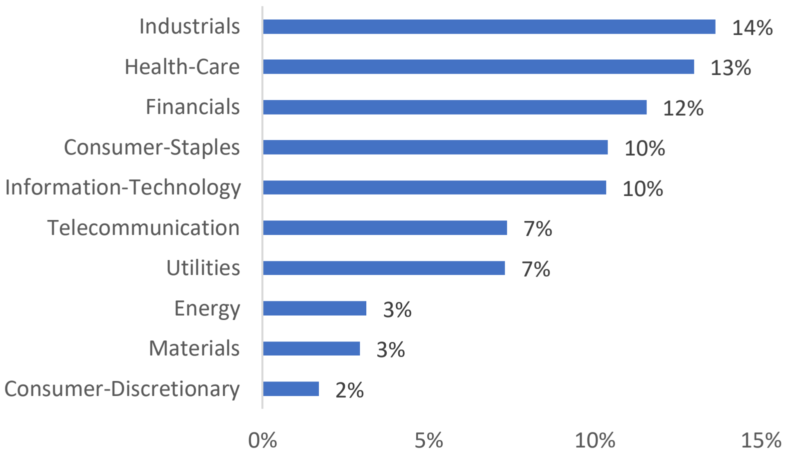
At 30 June 2023

Top Five holdings	Fund %
Sanofi	4.5
Vopak	4.4
Nestle	4.2
National Bank of Greece	3.4
Grifols	3.4

Country Breakdown	Fund %
Norway	10.0
Italy	16.5
Netherlands	10.5
France	9.5
Switzerland	6.4
United States	2.3
Denmark	5.2
Belgium	2.0
Other European	10.4

Market Cap	Fund %
Large Cap €5bn – €20bn	65.0
Mid Cap €1bn – €5bn	13.7
Small < €1bn	2.7
Cash	19.0

Sector Weights



Risk Analysis	Since Launch	1 Year
Beta	0.8	0.3
Standard Deviation (%)	16.1	12.9
Tracking Error	9.5	17.1
Jensen's Alpha	0.6	-8.8
Sharpe Ratio	0.4	-0.5
Information Ratio	-0.0	-1.2

Source: Lipper, all figures at 30/06/2023, these figures are subject to rounding. Date from the 12th May 2005 – 16th July 2012 A class and 16th July 2012 – 30th June 2023 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 30/06/2023, these figures are subject to rounding.

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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.

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