Fund Factsheet

VT Argonaut European Alpha

At 31 August 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	£18.4m
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 31/08/2023, 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

The fund returned +0.98% over August, compared with the IA Europe ex UK sector which returned -2.36%. The annualised daily volatility was 10.5%.

Our best performing stocks were Swiss investment bank UBS (+22%), which has not yet found enough skeletons in the Credit Suisse closet, Norwegian product tanker outfit Hafnia (+17%), which will benefit from higher refined product imports, Hungarian bank OTP (+14%), which reported exceptional current trading, and leading insulin-for-obesity pharma outfit Novo Nordisk (+17%), which rose on medical studies showing that use of its drug could also reduce cardiovascular diseases.

The yield on the US 10-year Treasury broke above 4% for the first time since last October, reaching a peak of 4.34%, the highest since 2007. Since the US Treasury price anchors the value of all other financial assets, a blow out in yields will cause a dramatic reassessment of stock market values worldwide. There is a parallel to 1987, when the 10-year Treasury yield steadily climbed from 7% to over 10% by October. This proved to be the tipping point for global stock-markets, which promptly crashed by 30%.

Recent economic data suggests that whilst Europe is slipping back into recession and China is stuck in a Japanese-style debt trap, the US economy has recently reaccelerated, with the St Louis Fed GDP best estimate of Q3 now +5.6%. Core inflation (CPI ex Food and Energy) is also still stuck at +4.7% in the US (+5.3% in the EU). This means that the Fed cannot yet pause hikes without a likely further steepening of the yield curve.

Post WW2 Western economies followed a Keynesian consensus of countercyclical fiscal spending, with deficits rarely more than 5% GDP at the peace time recessionary trough. Today we have the absurd situation where despite full employment and the Federal Reserve implementing 525bps of rate hikes in 18 months to slowdown a red-hot economy, the US fiscal deficit is currently running at 8% of GDP, inefficiently stimulating the economy through subsidies of "strategic" industries and pork barrel politics ahead of the next Presidential election in 2024. When the "long and variable lags" of tighter monetary policy finally hit the economy, government will have already fired its bullets, making the likely slump deeper and more painful.

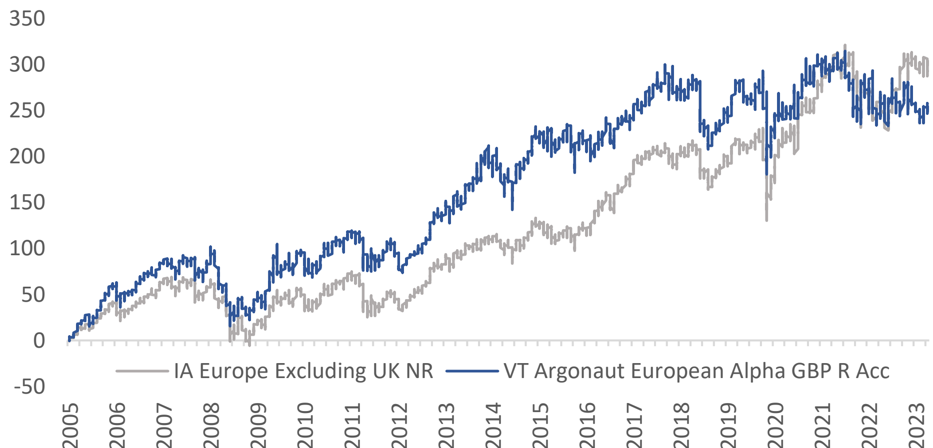
Currently central bankers must make monetary policy even more restrictive and risk the "fool in the shower" critical analogy: that instead of waiting for the pipes to warm up, they cranked up the hot water, and eventually after a lag, scolded the economy. Given that there are few examples in history of governments allocating capital more efficiently than individuals and companies, the onerous liability of unfettered government spending risks crowding out private sector innovation and productivity.

The most obvious misallocation of capital today can be witnessed in the ongoing energy transition away from fossil fuels. Over the last decade $4trillion has been spent on wind and solar projects, yet the share of fossil fuels in global energy use has fallen from 84% to just 83%. In previous energy transitions – from wood to coal to oil and gas – an inferior fuel in terms of energy density and useful application has been replaced as private industry and capital markets have recognised the economic growth potential, resulting in a flourishing of human civilisation. It is therefore a monumental folly for our economies to transition back to wind and solar with poor energy density and weather dependency, a process which would not happen in a free market and is entirely dependent on government subsidy and coercion.

The wind industry is currently in crisis. Having made ridiculous claims that wind power was cost competitive with natural gas – ignoring the costs of intermittency, from which the industry shielded itself by government guaranteed prices – wind farm operators can no longer deliver projects for anywhere near the costs previously communicated to governments. Now suffering "buyer's remorse" the begging bowl is out again: asking governments for even more subsidies, at a time when politicians are finally realising that the net zero project has had no cost benefit analysis and is increasingly unpopular with the electorate, who have never been asked for their consent.

We understand that some institutions think our "anti-ESG views" rock the consensual industry boat. Sadly, this reflects the absence of critical thinking in the fund management industry and its capture by a groupthink culture that regards the implementation of "ESG" as a political compliance regime. It seems clear to us that the inability of the fund management industry to freely debate and therefore understand the economic consequences of this energy transition is exacerbating the misallocation of capital, leading to a higher probability of a financially ruinous outcome.

Our fiduciary responsibility to our unitholders is to allocate capital according to our own understanding of the best and worst investment ideas. We want to be long wisdom and short stupidity. In the land of the blind, the one-eyed man is king.



[1] Lipper 31/08/2023, 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	1.0	-0.5	-5.4	-1.0	2.1	20.5	-17.9	14.9	-1.00	16.1	4.0	31.7	256.9
Sector	-2.4	6.9	-9.2	15.7	10.7	20.1	-12.4	17.4	16.8	9.3	-0.8	26	298.2
Quartile Rank	1	4	1	4	4	2	4	3	4	1	1	1	4

Source: Lipper 31/08/2023, Date from the 12th May 2005 – 16th July 2012 A class and 16th July 2012 – 31st August 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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At 31 August 2023

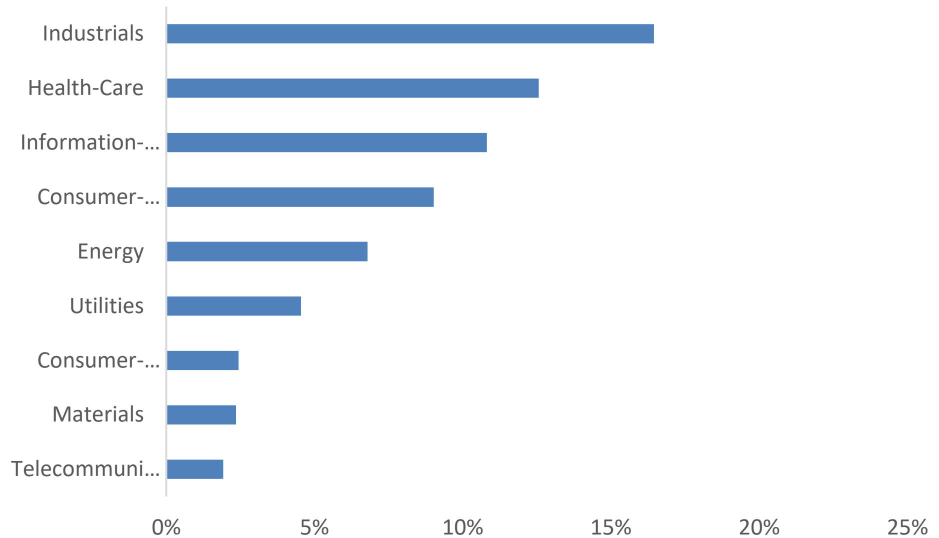
Top Five holdings	Fund %
Novo Nordisk	5.3
Hafnia	5.2
OTP Bank	4.5
Torm PLC	4.4
National Bank of Greece	3.9

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	66.8
Mid Cap €1bn – €5bn	20.0
Small < €1bn	4.5
Cash	8.7

Source: Argonaut Capital Partners, all figures at 31/08/2023, these figures are subject to rounding.

Sector Weights



Risk Analysis	Since Launch	1 Year
Beta	0.8	0.3
Standard Deviation (%)	16.1	12.9
Tracking Error	9.5	15.6
Jensen's Alpha	0.9	-6.3
Sharpe Ratio	0.4	-0.2
Information Ratio	-0.0	-0.9

Source: Lipper, all figures at 31/08/2023, these figures are subject to rounding. Date from the 12th May 2005 – 16th July 2012 A class and 16th July 2012 – 31st August 2023 reflects class R units. Tracking error is calculated ex post.

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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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