Fund Factsheet

VT Argonaut European Alpha

At 31 October 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	£17.7m
Share class	Class A/Class R/Class I
No. of holdings	34
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 31/10/2023, 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

"*When rates were practically zero, every Tom, Dick, Harry, and Mary in the United States refinanced their mortgage. Unfortunately, we had one entity that did not, and that was the US Treasury. Janet Yellen — I guess because political myopia, whatever — was issuing two years at 15 basis points when she could have issued 10 years at 70 basis points or 30 years at 180 basis points. I literally think if you go back to Alexander Hamilton, it was the biggest blunder in the history of the Treasury. I have no idea why she's not been called out on this. She has no right to still be in that job after that. Every caddy I knew, every locker-room person, everybody in America was refinancing their mortgages, every corporation was extending their debt.*"

Stanley Druckenmiller, Robin Hood Conference, October 30th

The fund returned -0.01% over October, compared with the IA Europe ex UK sector which returned -3.59%.

The best performing stocks were again shipping companies: LPG outfit Avance (+24%) and BWLPG (+12%) and clean product tanker outfit Torm (+13%) reflecting a further tightening of the market; other notable contributors included affordable jewellery retailer Pandora (+10%) and German military equipment manufacturer Rheinmetall (+9%). Returns were also helped by the fund's significant (25%) cash weighting.

During the month the 10-year US Treasury yield briefly touched 5% for the first time since 2007, with Q3 US real GDP growth reaccelerating to +4.9% YOY (+8.4% nominal). After month end, the Federal Reserve kept the Fed Funds Rate (u/b) at 5.5% whilst the ECB also left its key deposit rate at 4%. Consensus is that the Fed is now done hiking rates. We are not so sure.

US Treasury Secretary Yellen claimed that higher Treasury yields were "a reflection of stronger economy" rather than the $2.1trillion (8%) underlying 2023 fiscal year deficit, curiously at a time of high inflation and full employment. At the federal government year-end of September 30 federal debt held by the public was $26.5trillion equivalent to 98% GDP and just shy of the record 104% in 1945.

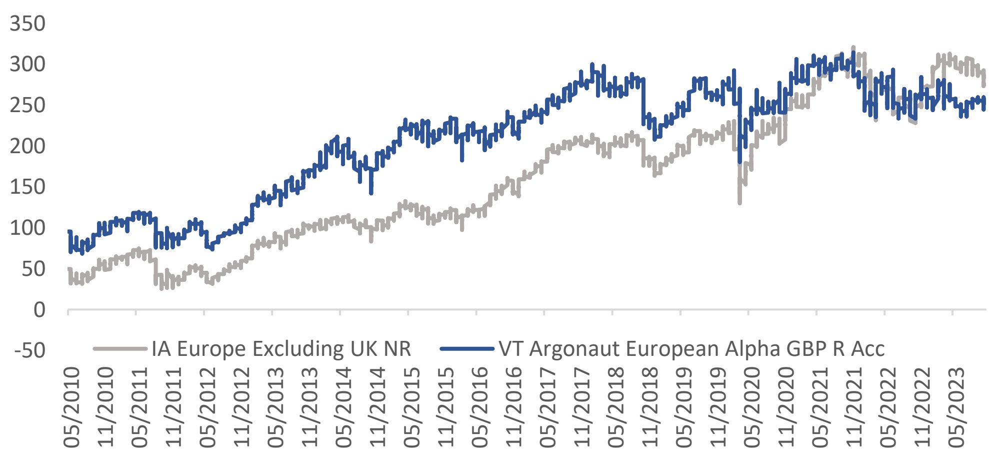
During the 2023 underlying federal outlays increased by 11% to $6.5 trillion whilst tax receipts were just $4.44trillion. Net interest on the Public Debt was $711bn (or 11% of total spending). As Treasury debt is refinanced across the yield curve at interest rates of above 5% the annual interest bill will rise toward $1.3trillion (or 29% of current tax receipts).

We think that "higher for longer" reflects fiscal recklessness, which stimulates the economy in the short-term - albeit without the multiplier effects from infrastructure investment Keynes envisaged since the increases in spending is largely for social security benefits, Medicare/Medicade and subsidising renewable energy- but at the expense of productivity growth and private capital.

Additionally, the Fed which owns $5trillion of US government debt is currently reducing its holdings by $95bn per month ($1.14trillion annualised). Foreigners who own $7.7 trillion (notably Japan with $1.1trillion of Treasury assets and China with $835bn) can no longer be relied upon to recycle their capital into Treasuries.

When we consider that federal debt held by the public as a proportion of GDP was just 35% in 2007, we can appreciate that the huge rise in sovereign indebtedness witnessed since 2008 was only possible because central banks were buying government debt and by doing so also facilitating unsustainable deficit spending by keeping the interest rate on that debt at an artificially low level.

Without quantitative easing (and especially with quantitative tightening) not only does the ownership of the Treasury market need to change from public to private (thus crowding out all other asset classes) but the cost of financing the fiscal recklessness can quickly become unsustainable, requiring either a fiscal reckoning (causing a hard landing) or requiring central banks to step back in and monetize the debt (causing inflation to accelerate). Neither endgame is an enticing prospect for investors.



[1] Lipper 31/10/2023, 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	-0.01	-0.6	-5.4	-1.0	2.1	20.5	-17.9	14.9	-1.00	16.1	4.0	31.7	256.6
Sector	-3.6	1.3	-9.2	15.7	10.7	20.1	-12.4	17.4	16.8	9.3	-0.8	26	277.3
Quartile Rank	1	4	1	4	4	2	4	3	4	1	1	1	3

Source: Lipper 31/10/2023, Date from the 12th May 2005 – 16th July 2012 A class and 16th July 2012 – 31st October 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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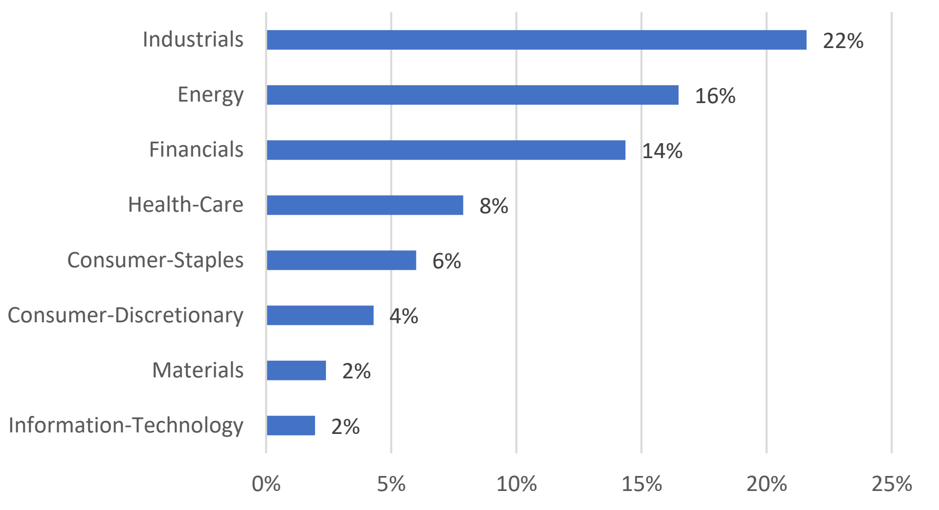
At 31 October 2023

Top Five holdings	Fund %
Novo Nordisk	5.0
Hafnia	4.7
Torm	4.3
Pandora	4.3
Rheinmetall AG	4.0

Country Breakdown	Fund %
Norway	22.6
Denmark	15.0
Germany	11.4
Italy	9.7
Spain	5.1
Greece	2.8
Sweden	2.4
Switzerland	2.0
Other European	6.1

Market Cap	Fund %
Large Cap €5bn – €20bn	50.7
Mid Cap €1bn – €5bn	14.4
Small < €1bn	9.9
Cash	24.9

Sector Weights



Risk Analysis	Since Launch	1 Year
Beta	0.8	0.1
Standard Deviation (%)	16.1	10.6
Tracking Error	9.5	16.2
Jensen's Alpha	0.7	-4.0
Sharpe Ratio	0.4	-0.37
Information Ratio	-0.1	-0.6

Source: Lipper, all figures at 31/10/2023, these figures are subject to rounding. Date from the 12th May 2005 – 16th July 2012 A class and 16th July 2012 – 31st October 2023 reflects class R units. Tracking error is calculated ex post.

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Source: Argonaut Capital Partners, all figures at 31/10/2023, 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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