Fund Factsheet

VT Argonaut European Alpha

At 30 November 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	£18.1m
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 30/11/2023, 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 +3.28% over November, compared with the IA Europe ex UK sector which returned +6.62%.

The best performing stocks were semiconductor stocks BE (+31%) and ASM (+20%), "Diamonds For All" retailer Pandora (+15%); and Greek banks NBG (+15%) and Piraeus (+16%).

The easing of financial conditions saw lower quality stocks bounce: these are not well represented in the portfolio, which is constructed with a view to avoiding capital losses.

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.

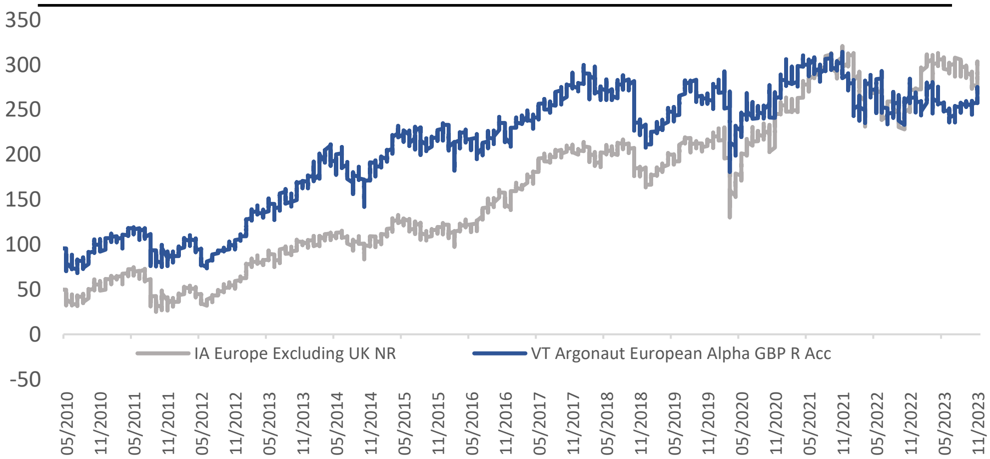
Moreover, Fed Chairman Powell has persistently warned about repeating the perceived mistake of Arthur Burns in premature easing into President Nixon's 1972 re-election (ignoring the historical fact that the offending rate-cuts were actually made in 1974-5 after Nixon had left office in 1974).

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".



[1] Lipper 30/11/2023, 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	-3.28	2.7	-5.4	-1.0	2.1	20.5	-17.9	14.9	-1.00	16.1	4.0	31.7	268.3
Sector	6.64	8.1	-9.2	15.7	10.7	20.1	-12.4	17.4	16.8	9.3	-0.8	26	302.9
Quartile Rank	4	4	1	4	4	2	4	3	4	1	1	1	3

Source: Lipper 30/11/2023, Date from the 12th May 2005 – 16th July 2012 A class and 16th July 2012 – 30th November 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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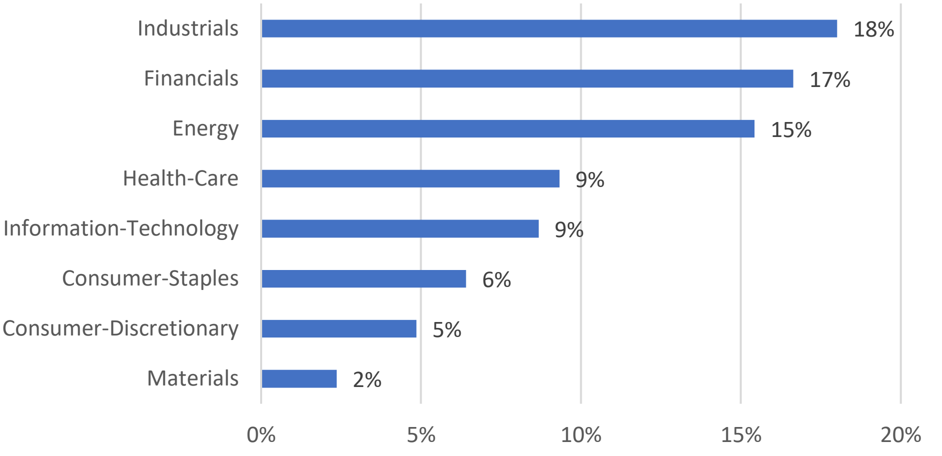
Top Five holdings	Fund %
Novo Nordisk	4.8
Pandora	4.7
Hafnia	4.0
Torm	3.7
ASM International	4.0

Country Breakdown	Fund %
Norway	21.3
Denmark	14.8
Germany	12.6
Italy	9.3
Greece	4.3
Spain	4.1
Switzerland	4.0
Sweden	2.3
Hungary	2.2

Sector Weights



Market Cap	Fund %
Large Cap €5bn – €20bn	57.4
Mid Cap €1bn – €5bn	14.0
Small < €1bn	10.3
Cash	18.3

Risk Analysis	Since Launch	1 Year
Beta	0.8	0.1
Standard Deviation (%)	16.0	10.6
Tracking Error	9.5	15.4
Jensen's Alpha	1.0	-3.0
Sharpe Ratio	0.4	-0.3
Information Ratio	-0.1	-0.5

Source: Lipper, all figures at 30/11/2023, these figures are subject to rounding. Date from the 12th May 2005 – 16th July 2012 A class and 16th July 2012 – 30th November 2023 reflects class R units. Tracking error is calculated ex post.

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