

Fund Factsheet

VT Argonaut European Alpha

At 31 August 2024

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 | £18.6m |
| Share class | Class A/Class R/Class I |
| No. of holdings | 26 |
| Sedol codes | A (Acc) – B4ZRCDO R (Acc) – B7MVB87 I (Acc) – B76L737 |
| Bloomberg | A (Acc) – IMAEAAG LN R (Acc) – IMAERAG LN I (Acc) – IMAEIAG LN |
| ISIN | A (Acc) – GB00B4ZRCDO5 R (Acc) – GB00B7MVB872 I (Acc) – GB00B76L7377 |
| Initial charge | 0.0% |
| Ongoing charge | 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 31/08/2024, 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 time has come for policy to adjust. The direction of travel is clear, and the timing and pace of rate cuts will depend on incoming data, the evolving outlook, and the balance of risks." **Jerome Powell, Jackson Hole, August 23rd, 2024**

The fund returned -2.7% over August, compared with the IA Europe ex UK sector which returned +1.2%.

The best performing longs were: Dutch food delivery outfit Just Eat Takeaway (+12%); German reinsurer Hannover Re (+12%) and tanks and ammo outfit Rheinmetall (+8%). This was offset by losses on Eramet (-14%), Avance Gas (-24%), and Seadrill (-18%), which were sold.

Although August ended benignly, the volatility witnessed highlighted a fragility in financial markets in that they seem currently priced for an immaculate soft landing, leaving little room for error on the direction of corporate profits or the maintenance of global liquidity and the delivery of interest rate relief.

We remain sceptical about the stagflationary impulse from unfettered and unproductive government. Now the slump in the Chinese economy (and its mercantilist as opposed to the profit seeking capitalist model) is again exporting deflation. Over the last few weeks, we have repositioned the Fund for a weaker global economy.

Although US economic datapoints are often contradictory, not much is improving, whilst new home starts, auto sales, the sub-prime consumer and their credit delinquencies are worsening. With the 3-month rolling average unemployment rate having risen 50bps in less than 12 months, according to the Sahm Rule, which we now know has predicted every US recession since 1970, the current US unemployment rate now points to an imminent recession.

The interest futures market is now certain that the Fed will embark on a new rate cutting cycle at its next meeting on September 18th, with 100bps of cuts now forecast in the three meetings before year end.

We have analysed the previous 11 Fed cutting cycles since 1970 (see Fig 1). "Fed Cutting Cycles since 1970". As might be expected, the average annualised cutting cycle return has been outstanding (+16%). There is, however, a more mixed picture looking at equity returns in the immediate aftermath of the first cut, with an average return of just +1% in the first 3 months. It might be prudent for investors to keep dry powder.

Fig 1. Fed Cutting Cycles Since 1970

| Fed Cutting Cycles | FOMC Chairman | Start Date | 1st Cut (bps) | Pre-3M S&P 500 Return (%) | 3M Post-Cut S&P 500 Return (%) | End Date | Duration (days) | Cycle Cut (%) | Normal GDP (yr %) | Real GDP (yr %) | Cycle S&P Return (yr %) | | |
|------------------------|---------------|------------|---------------|---------------------------|--------------------------------|----------|-----------------|---------------|-------------------|-----------------|-------------------------|------|-------|
| Neon Boom | Burns | 01-09-71 | -82 | -8.6% | 4.8% | 5.75 | 01-03-72 | 330 | 302 | -25% | 3.9% | 13% | |
| 1974 Recession | Burns | 01-09-71 | -200 | -0.7% | -8.0% | 11 | 01-12-76 | 4.75 | 1185 | -82% | -57% | 8.9% | -6% |
| Trouble of 1980 | Volcker | 01-04-80 | -850 | -5.4% | 11.9% | 20 | 06-08-80 | 9.50 | 127 | -105% | -53% | 1.2% | -4.3% |
| Volcker Disinflation 1 | Volcker | 18-01-81 | -400 | 1.0% | 11.5% | 20 | 29-04-83 | 8.50 | 833 | -115% | -68% | 5.7% | -1.4% |
| Volcker Disinflation 2 | Volcker | 02-10-84 | -175 | 8.4% | 3.7% | 11.75 | 18-05-87 | 6.50 | 369 | -52% | -40% | 5.4% | 3.8% |
| 1989 Recession | Greenpan | 05-06-89 | -12 | 11.0% | 5.9% | 9.75 | 01-02-94 | 3.90 | 374 | -67% | -69% | 4.7% | 2.2% |
| Greenpan Soft Landing | Greenpan | 18-07-96 | -25 | 8.8% | 3.5% | 6 | 25-07-97 | 5.20 | 528 | -70% | -13% | 6.3% | 3.9% |
| 1/2008 Crisis | Greenpan | 29-09-08 | -25 | -12.2% | 21.6% | 5.5 | 29-09-08 | 4.75 | 273 | -75% | -14% | 4.2% | 4.6% |
| DotCom/02 | Greenpan | 11-01-01 | -100 | -8.1% | 12.3% | 6.5 | 29-09-04 | 1.90 | 1245 | -50% | -8% | 4.7% | 2.3% |
| Subprime | Bernanke | 18-09-07 | -50 | -3.3% | 0.5% | 5.25 | 15-12-15 | 0.25 | 3633 | -90% | -96% | 2.8% | 1.3% |
| COVID | Powell | 11-07-19 | -25 | -13.5% | 1.2% | 2.5 | 18-03-22 | 0.25 | 961 | -225% | -90% | 5.8% | 3.0% |
| Average | | | -175 | -0.5% | 1% | 9 | 4 | 1010 | 518 | -96% | 5% | 2% | 16.2% |

These first few months of a new cutting cycle will also see heightened political risk with the US Presidential election on November 5th. Although the mainstream media likes to focus on the personalities of the candidates, it is more useful for investors to study the differences in the economic agendas.

Trump, ironically, is now something of a known quantity with an agenda to reduce corporation tax to 15% for homegrown companies and fund this by raising tariffs on imports (10-20% across the board and 60% on Chinese goods). This was standard Republican economic policy throughout the nineteenth century.

Harris, by contrast remains something of an unknown quantity, having been parachuted in as a last-minute replacement, when after four years of vigorous service, President Biden, following a poor Presidential debate, was suddenly discovered to be senile.



1 Morningstar 31/08/2024, R Accumulation share class performance, in GBP with net income reinvested and no initial charges.

| £ | 1 Month | YTD | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | Since Launch |
|---------------|---------|-----|------|------|------|------|------|-------|------|-------|------|------|------|--------------|
| Fund | -2.7 | 9.0 | 6.3 | -5.4 | -1.0 | 2.1 | 20.5 | -17.9 | 14.9 | -1.00 | 16.1 | 4.0 | 31.7 | 313.3 |
| Sector | 1.2 | 7.1 | 13.5 | -9.2 | 15.7 | 10.7 | 20.1 | -12.4 | 17.4 | 16.8 | 9.3 | -0.8 | 26 | 369.5 |
| Quartile Rank | 4 | 2 | 4 | 1 | 4 | 4 | 2 | 4 | 3 | 4 | 1 | 1 | 1 | 3 |

Source: Morningstar 31/08/2024, Date from the 12th May 2005 – 16th July 2012 A class and 16th July 2012 to date 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.



Fund Factsheet

VT Argonaut European Alpha

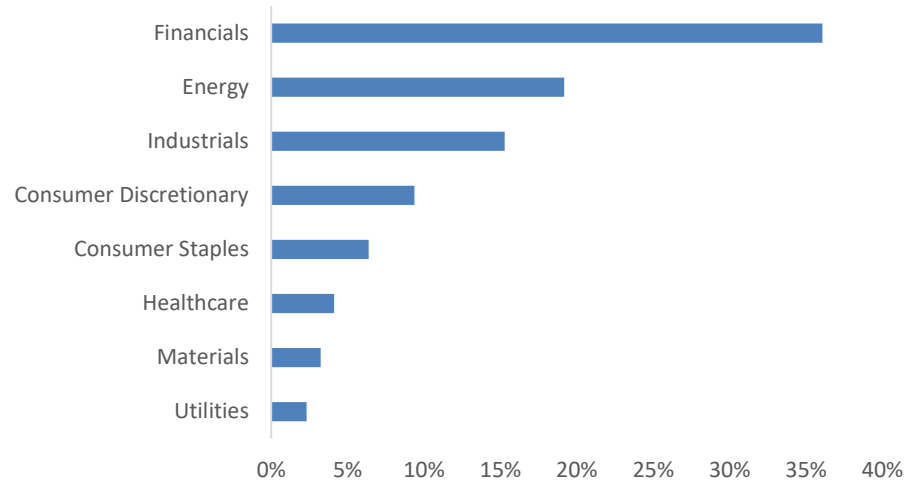
At 31 August 2024

| Top Five holdings | Fund % |
|-------------------|--------|
| Hafnia Ltd | 7.5 |
| Torm Plc | 6.8 |
| Just Eat Takeaway | 5.1 |
| Rheinmetall AG | 4.9 |
| Intesa Sanpaolo | 4.6 |

| Country Breakdown | Fund % |
|-------------------|--------|
| Norway | 21.2 |
| Germany | 14.1 |
| Greece | 8.7 |
| United States | 8.3 |
| Italy | 7.9 |
| Netherlands | 7.1 |
| Denmark | 6.8 |
| Hungary | 4.2 |
| Austria | 4.1 |
| Other European | 13.5 |

| Market Cap | Fund % |
|---------------------|--------|
| Large Cap > €5bn | 64.9 |
| Mid Cap €1bn – €5bn | 31.0 |
| Small < €1bn | 0.0 |
| Cash | 4.1 |

Sector Weights



| Risk Analysis | Since Launch | 1 Year |
|------------------------|--------------|--------|
| Beta | 0.7 | 0.7 |
| Standard Deviation (%) | 15.8 | 10.5 |
| Tracking Error | 21.0 | 9.0 |
| Jensen's Alpha | 1.5 | 5.1 |
| Sharpe Ratio | 0.3 | 1.0 |
| Information Ratio | 0.0 | 0.2 |

Source: Morningstar, all figures at 31/08/2024, these figures are subject to rounding. Date from the 12th May 2005 – 16th July 2012 A class and 16th July 2012 to date reflects class R units. Tracking error is calculated ex post.

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Source: Argonaut Capital Partners, all figures at 31/08/2024, these figures are subject to rounding.

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Other ISINs for this fund:

| | |
|--------------|--------------|
| GB00B6TQCC60 | GB00B6T6S066 |
| GB00B5LJR434 | GB00B6VYPP25 |
| GB00BYYPB156 | GB00B7JXMD51 |
| GB00B76L7377 | GB00B4ZRCDO5 |

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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