

VT Argonaut Absolute Return



Fund Commentary

“If Europe cannot become more productive, we will be forced to choose. We will not be able to become, at once, a leader in new technologies, a beacon of climate responsibility and an independent player on the world stage. We will not be able to finance our social model. We will have to scale back some, if not all, of our ambitions. This is an existential challenge.”

Mario Draghi, “The future of European competitiveness”, September 2024

“We have grown so used to the idea that the Crucifixion is the supreme symbol of Christianity, that it is a shock to realise how late in the history of Christian art its power was recognised...The simple fact is that the early Church needed converts, and from this point of view the Crucifixion was not an encouraging subject. So early Christian art is concerned with miracles, healings, and with hopeful aspects of the faith like the Ascension and the Resurrection.”

Kenneth Clarke, “Civilisation”, 1969

The Fund returned -3.9% over September compared with the IA Targeted Absolute Return sector which returned +0.5% and the Morningstar Long/Short Europe sector return of -0.3%. The correlation to the market was just -0.13 (0.68) whilst monthly annualised daily volatility fell to 9% (14%) vs. market 13% (15%).

The Fund returned -2.5% from its long book and -1.4% from its short book. The best performing longs were Meta (+7%), Intel (+6%) and Spotify (+5%). The worst performing longs were Torm (-11%) and First Citizens (-11%). The best performing shorts were: Fevertree (-7%), Moderna (-16%) and Rivian (-23%). The worst was Medical Property Trust (+29%).

There have been several notable developments. First, the Federal Reserve declared victory on inflation with an aggressive 50bps rate cut at a time where although unemployment is rising from a low level, GDPNow is running at a robust +2.5%-3.0%. The yield curve has subsequently steepened which threatens to disappoint expectations that the new easing cycle should reflate the US housing and commercial property markets or make refinancing debt easier for marginal assets. This may mean expectations of a long cutting cycle are either misplaced or irrelevant.

Second, the PBOC surprised the market with what the commentariat has been quick to term a policy “bazooka”. But the sum of the stimulus measures so far announced are just 1.5% GDP with a further 2.4% GDP rumoured, which is more like a “pop gun” relative to the 13% GDP announced in 2008 and 9% GDP in 2015-16. Moreover, whilst the PBOC swap facility for domestic financial institutions has engineered a short squeeze in Chinese equities in time for the 75th birthday celebrations of Communist control, it is unlikely to have sufficient multiplier effects to overcome the structural balance sheet recession and over-supply of over-valued and over-leveraged property.

Key Performance Numbers

-3.9%	Monthly performance
2.1%	Year-to-date performance
11.5%	5-year CAGR (net of fees)
-0.4	5-year correlation to European equities*

As at 30-Sep-24. *Euro Stoxx NR Index. Past performance is not a reliable indicator of future results.

Key Fund Details†

GBP I	317.88
GBP A	284.41
GBP R	270.73
USD I	182.64
EUR I	255.86
Fund AUM (£m)	198m
Fund Inception	18 Feb 2009
Fund Type	UCITS Long/Short
Fund Domicile	UK
Base Currency	GBP
Sector	IA Targeted AR
Dealing Frequency	Daily
Prime Broker	UBS

Strategy

Argonaut Absolute Return

A long/short strategy focused on mainly pan European equities dedicated to seeking non-correlated absolute returns via an active, fundamental investment approach and a concentrated portfolio of investments. The fund typically holds 30-50 long positions and 20-50 short positions.

For full details see fund prospectus

Portfolio Manager

Barry Norris, CFA

Barry began managing European equity portfolios at Neptune Investment Management in 2002 having begun his career at Baillie Gifford. He graduated from Cambridge University (MA History & MPhil International Relations) and holds the CFA. Barry founded Argonaut Capital Partners LLP in 2005.

For more information see argonautcapital.co.uk

Sources: Argonaut Capital Partners LLP internal unaudited data and refers to the £1 share class.

†Valu-Trac, Bloomberg & Morningstar, calculation on a NAV basis with net income reinvested. All data shown as at 30 September 2024

China's geopolitical ambition for the Renminbi (Yuan) to achieve reserve status would seem at odds with the obvious reflationary solution to devalue its currency and deploy large-scale QE. It seeks to revive its stock market but continues a policy of hostility to its entrepreneurs and fails to provide international capital the ability to carry out reasonable due diligence or give adequate confidence in property rights. China demonstrates how since capital is always and everywhere allocated less efficiently by the state relative to the "invisible hand" of Adam Smiths' market economy, it is now stuck in the same economic malaise which ultimately saw the downfall of the Soviet Union forty years earlier.

Third, Draghi's report into the Euro sclerosis correctly diagnoses many of the problems: high energy prices, over-regulation, lack of productivity and entrepreneurialism. But just as the CCP is constrained by the dogma of "communist" political control, Draghi must offer solutions consistent with the religion of climate change alarmism (and the increase in authority of the EU) hence the risible solution that the EU spend €800bn (4.6% GDP) annually, largely on picking winners in "green technology".

It is beyond Draghi's intellectual hinterland to ask whether the dogma of "energy transition" is the cause of - not the solution to - economic decline or understand that governments are even worse than fund managers at "picking winners". As the great Ronald Reagan once put it *"the nine most terrifying words in the English language are: 'I'm from the Government and I'm here to help.'"*

Just like early converts to Christianity were seduced by the promise of miracle healings and life-after-death, converts to the "green" energy transition have been promised the environmental atonement of mankind and the salvation of the polar bear. Just as the early Church thought the crucifixion an unpromising recruiting sergeant, the climate change religion lies about the economic costs of the energy transition, repeating the catechism that expensive renewable energy is cheap and that the costs of its intermittency can be easily overcome.

The European car industry is now in its death throes, sacrificed on the altar of Net Zero. It is not currently - and may never be - possible for the European car industry to profitably produce a desirable mass market EV. Meanwhile, Chinese OEMs who claim to have a battery technology edge but are also backstopped by government subsidies, take market share. Without meddling government, EU OEMs would continue to satisfy consumer demands by profitably producing internal combustion engine (ICE) cars, but the EU operates an increasingly penal tax credit and debit system, meaning that its auto manufacturers are coerced into producing fewer ICE cars. The logical consequence is that the EU car industry - like the UK industry historically- will cease to be mass market, resulting in the hollowing out of the European industrial base.

Following month end, Iran's ballistic missile attack on Tel Aviv represents a significant escalation that highlights the future dangers of the Mullah state acquiring a nuclear warhead. We see the probability that the conflict continues to escalate, leading to an impairment of Iranian oil exports, offset by increased Saudi production, for which the Fund is pre-emptively positioned.

We continue to be confident on our positions which are aligned to the views expressed in this commentary.

Barry Norris

Argonaut Capital
October 2024



VT Argonaut Absolute Return



PERFORMANCE (%)

	1M	3M	1YR	3YR	5YR	YTD	ITD	ITD CAGR
Argonaut AR Fund	-3.9	-7.0	12.1	46.4	72.2	2.1	217.9	7.8
EURO STOXX NR	2.3	4.4	21.5	24.0	51.8	12.7	234.8	8.2
IA Targeted Absolute Return	0.5	1.7	8.8	11.9	23.0	4.1	104.9	4.3

DISCRETE YEARLY PERFORMANCE (%)

	1-year to	30 Sep 20	30 Sep 21	30 Sep 22	30 Sep 23	30 Sep 24
Argonaut AR Fund		35.2	-13.0	21.5	7.5	12.1
EURO STOXX NR		-6.2	30.5	-17.6	23.9	21.5
IA Targeted Absolute Return		1.8	7.6	-1.3	4.2	8.8

KEY STATISTICS SINCE INCEPTION

Annualised Net Return	7.8
Annualised Volatility	12.7
Correlation vs. European equities	-0.1
Annualised Long Alpha	3.3
Annualised Short Alpha	7.6
Best Month	15.0
Worst Month	-10.8
Average ROIC	12.6
Upside Capture	17.8
Downside Capture	-23.3

Source: Argonaut Capital Partners & Morningstar

MONTHLY & CALENDAR YEAR PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Correlation*	ROIC+	Std. Deviation	Sharpe
2009					0.9	-0.2	3.4	8.9	0.4	-4.2	-3.4	3.7	9.4	0.7	12.0	15.7	1.2
2010	-1.2	-0.2	0.1	3.4	-2.1	-2.7	-1.8	-2.1	1.2	-0.5	3.8	3.4	1.1	0.2	-3.5	8.1	-0.2
2011	-3.5	-0.4	0.1	4.7	1.7	1.0	1.2	-1.1	1.2	0.4	0.6	0.5	6.4	0.2	41.5	6.6	0.4
2012	-0.1	1.3	-0.2	0.3	-1.0	0.2	0.1	2.1	0.5	1.0	0.3	1.1	5.6	0.4	19.1	2.8	1.1
2013	0.7	3.3	-0.6	3.1	3.1	3.5	2.4	-1.4	2.8	10.0	4.0	3.4	39.7	0.2	50.7	9.9	2.9
2014	1.1	2.9	0.9	-4.8	1.1	0.8	-1.5	-0.7	3.4	-0.3	8.1	2.4	13.6	0.3	27.2	10.8	0.7
2015	5.0	-2.5	2.2	-1.6	1.8	-1.1	3.1	0.6	2.8	-2.6	1.8	1.3	11.0	0.0	15.1	8.3	1.0
2016	-2.5	-5.6	-3.5	-4.4	2.6	-8.5	-1.0	-1.1	0.9	1.1	-3.3	-3.4	-25.6	0.3	-44.9	10.8	-2.7
2017	0.0	-1.3	-2.0	-0.2	4.2	-3.0	2.4	7.4	-3.2	6.1	6.1	0.3	17.3	-0.4	20.4	12.9	2.2
2018	6.9	-1.5	-1.7	-2.4	-3.9	-0.6	1.5	2.1	-0.7	-10.8	-0.4	0.0	-11.7	0.4	-0.3	14.3	-1.0
2019	-2.6	-0.3	1.8	2.6	5.1	4.1	0.6	6.2	-7.5	1.5	-2.5	4.0	12.8	-0.6	4.6	13.5	1.0
2020	4.3	2.2	15.0	-1.5	-3.4	3.4	2.6	3.4	2.5	-3.1	-9.2	0.9	16.6	-0.8	21.8	20.0	1.0
2021	-2.1	0.7	5.8	-0.3	1.9	-7.1	-0.9	0.8	-0.3	4.4	4.3	3.4	10.3	0.4	11.0	12.1	0.6
2022	5.4	3.7	1.4	6.2	4.0	-7.7	-7.8	3.8	-0.4	5.0	-3.2	1.4	11.2	-0.1	13.8	16.8	-0.1
2023	-10.4	6.8	6.0	-0.3	2.5	-5.0	-0.1	4.3	1.6	7.5	2.1	0.0	14.6	-0.7	19.5	17.6	1.0
2024	5.1	4.0	2.4	0.7	-1.1	-1.5	-3.2	0.0	-3.9				2.1	0.2	-5.4	10.6	0.4
	CAGR Since Inception												7.8	-0.1	12.6	12.7	0.4

Source: Argonaut Capital Partners, Bloomberg & Morningstar as at 30-Sep-24. All performance data above refers to VT Argonaut Absolute Return Fund, uses the GBP I Acc share class and is net of fees. *Correlation calculated in base currency on a monthly basis versus Euro STOXX NR Index. +ROIC calculated as contribution to return over percentage exposure. Standard Deviation calculated by annualising monthly returns in base currency. Correlation, Standard Deviation and Sharpe figures for 2024 YTD are calculated using daily returns. The VT Argonaut Absolute Return Fund's prospectus changed in 2021 from being 'predominantly' to 'mainly' pan European equity exposure. Past performance does not guarantee future results and the value of all investments and the income derived therefrom can decrease as well as increase.

TOP 5 LONG POSITIONS

	% NAV
AerCap Holdings NV	5.1%
Just Eat Takeaway	5.0%
Spotify Technology	4.6%
Plains All American Pipeline	4.5%
Fresenius	4.3%

MARKET CAP BREAKDOWN

	LONG	SHORT
>\$50bn	27.5%	-2.8%
\$20-50bn	19.2%	-9.2%
\$5-20bn	42.3%	-12.4%
\$1-5bn	24.9%	-21.7%
<\$1bn	0.0%	-1.9%

FUND EXPOSURES

	% NAV
Long Exposure	113.9%
Short Exposure	-48.0%
Gross Exposure	161.9%
Net Exposure	65.9%
Beta Adj. Net Exposure	-0.13%

TOP 5 SHORT POSITIONS

	% NAV
Financials	-3.0%
Real Estate	-2.9%
Energy	-1.9%
Consumer Discretionary	-1.8%
Industrials	-1.6%

DAYS TO LIQUIDATE

	% PORTFOLIO
Less than 1 day	83.0%
1-5 days	16.9%
More than 5 days	0.1%

Days to liquidate positions in the portfolio using 20% of the 90-day average daily trading volume.

OTHER

# of long positions	44
# of short positions	54

IMPORTANT INFORMATION

These figures refer to the past. Past performance is not a reliable indicator of future results.

This document is a marketing communication. Before subscribing, please read the prospectus and the KIID, available at argonautcapital.co.uk. Any past performance or references to the period prior to 14 July 2012 relate to the Ignis Argonaut unit trusts. The performance calculation shown is based on the GBP I share class. If the past performance is shown in a currency which differs from the currency of the country in which you reside, then you should be aware that your performance may increase or decrease as a result of currency fluctuations.

PORTFOLIO MANAGER & CONTACT DETAILS

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EQUITY EXPOSURE BY GEOGRAPHY (%)

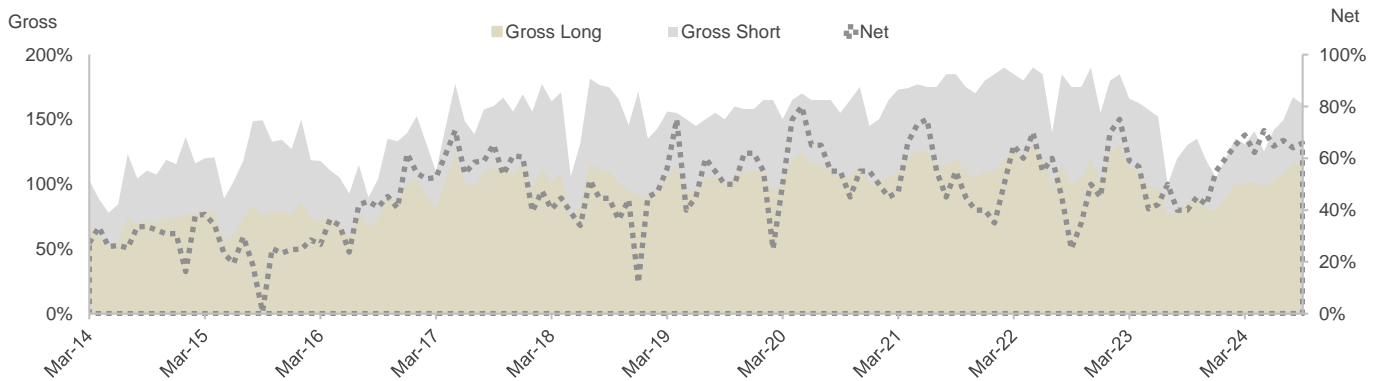
Country	Long	Short	Gross	Net
United States	55.0	-17.4	72.4	37.6
United Kingdom	11.0	-3.9	14.9	7.1
Germany	7.4	-6.6	14.0	0.8
Ireland	7.1	0.0	7.1	7.1
Netherlands	7.0	0.0	7.0	7.0
Norway	6.6	-3.4	10.0	3.2
Greece	6.0	0.0	6.0	6.0
Sweden	4.6	-6.9	11.5	-2.3
Other	9.2	-9.8	19.0	-0.6
Total	113.9	-48.0	161.9	65.9

Source: Argonaut Capital & Bloomberg. Equity sector exposure as classified by GICS.

EQUITY EXPOSURE BY SECTOR (%)

Industry	Long	Short	Gross	Net
Financials	28.6	-4.3	32.9	24.3
Materials	18.7	-7.0	25.7	11.7
Healthcare	15.8	-4.1	19.9	11.7
Information Technology	11.5	-5.2	16.7	6.3
Energy	11.2	-1.9	13.1	9.3
Industrials	10.2	-3.5	13.7	6.7
Utilities	8.4	-2.5	10.9	5.9
Consumer Discretionary	7.0	-10.7	17.7	-3.7
Other	2.5	-8.8	11.3	-6.3
Total	113.9	-48.0	161.9	65.9

GROSS & NET EQUITY EXPOSURE OVER TIME



Note: Allocation figures are taken at close of business whereas Fund performance is taken at 12pm. Equity exposure includes all equity related instruments. All sources, unless otherwise stated, are Argonaut Capital & Bloomberg. All data shown as at 30 September 2024.

SHARE CLASS INFORMATION

Share Class	GBP A	GBP R	GBP I	USD I	EUR I
SEDOL	B7MC0R9	B7FT1K7	B79NKW0	BH36TH3	B779CH9
ISIN	GB00B7MC0R90	GB00B7FT1K78	GB00B79NKW03	GB00BH36TH37	GB00B779CH97
Bloomberg	IMEAAG LN	IMEARAG LN	IMEAIAG LN	IMEAIAU LN	IMEAIAE LN
Front End Fee	0%	0%	0%	0%	0%
Management Fee	1.50%	0.75%	0.75%	0.75%	0.75%
Ongoing Charge	1.56%	0.81%	0.81%	0.81%	0.81%
Performance Fee	20% of gains above hurdle rate subject to the unit price exceeding the high-water mark				
Hurdle	5% per annum				
High Water Mark	Yes				
Anti-Dilution Levy	A dilution levy may be applied if net inflows/outflows are 2.5% or over on one day				
Minimum Investment	£500	On request	On request	On request	On request
Minimum Top Up	£250	--	--	--	--
Regular Savings Scheme	Yes	Yes	--	--	--
ISA available	Yes	Yes	--	--	--

Source: Argonaut Capital Partners. See Prospectus for more detail.

INVESTOR INFORMATION

Dealing Frequency	Daily
Dealing Time	12pm
Valuation	Daily
Share class hedging	Non-base ccy share classes hedged
Dividends	Accumulation shares only
Price Reporting	Prices published daily

SERVICE PROVIDERS

Authorised Corporate Director (ACD)	Valu-Trac Investment Management
Prime Broker	UBS
Auditor	Johnston Carmichael LLP
Custodian	Caceis
Depositary	NatWest Trustee & Depositary Services
Accountant	Valu-Trac Investment Management
Legal Counsel	CMS

FUND OVERVIEW

Objective: the VT Argonaut Absolute Return Fund ('The Fund') aims to provide positive absolute returns over a 3-year rolling period regardless of market conditions. The fund is not managed against any formal benchmark. Capital is at risk and there is no guarantee that a positive return will be delivered over the 3-year rolling period or in respect of any other time period.

Investment Approach: The fund deploys a long/short strategy focused on mainly pan European equities and is dedicated to seeking non-correlated absolute returns via an active, fundamental investment approach and a concentrated portfolio of investments. The fund typically holds 30-50 long positions and 20-50 short positions.

Risk Considerations: The Fund has considerable latitude over its allocation both long and short equities and it may employ leverage and own sophisticated instruments such as futures and options. The Fund may also hold a large weighting in a small number of investments and may therefore be subject to larger than normal swings in its value. The performance stream is likely to be volatile and the Fund is suitable only for investors who have a long-time horizon (>5 years) and can tolerate high risk. Investors may not get back all the money invested and an investment in this Fund should only form part of an investor's total portfolio. Investors should discuss the suitability of this Fund with their professional adviser.

IMPORTANT INFORMATION

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Don't invest unless you're prepared to lose all the money you invested. This is a high-risk investment and you are unlikely to be protected if something goes wrong. [Take 2 mins to learn more.](#)

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The fund takes long and short positions based on the fund manager's views of the market direction. This means the fund's performance is unlikely to track the performance of broader equity markets. While this creates the opportunity for the fund to deliver positive returns in falling markets, it also means the fund could deliver negative returns in rising markets. The use of independent ratings is not a recommendation to buy and is not a guide to future returns. This Fund is marketed to professional investors and eligible counterparties. Retail investors should seek further advice before investing. Valu-Trac Investment Management Limited is the Authorised Corporate Director (ACD) of VT Argonaut Funds and is authorised and regulated by the Financial Conduct Authority. Registered office: Level 13, Broadgate Tower, 20 Primrose Street, London, EC2A 2EW.

Investors should refer to the Key Investor Information Document (KIID) and Supplementary Information Document (SID) before investing. For a copy, please telephone Valu-Trac Investment Management Limited on 01343 880 217 or visit www.argonautcapital.co.uk. Alternatively write to Valu-Trac Investment Management Limited – Argonaut, Orton, Moray, Scotland, IV32 7QE. The prospectus, KIIDS, the articles, the annual and semi-annual reports of the Fund may be obtained free of charge from the ACD. This communication is for general information purposes only and does not constitute professional advice. Argonaut Capital Partners accepts no responsibility for any loss arising from reliance on the information it contains. The value of shares and any income from them can fall as well as rise and is not guaranteed. Exchange rate movements may cause the value of overseas investments to fluctuate.

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