VT Argonaut Flexible Fund

Fund Commentary

"Capital will always go where it's welcome and stay where it's well treated. Capital is not just money. It's also talent and ideas. They, too, will go where they're welcome and stay where they are well treated."
"Wriston's Law", Walter Wriston, Former Chairman and CEO of Citicorp

The Fund returned -1.8% over October compared with the IA Flexible Return sector which returned -0.6%. The correlation to the market was negative at -0.14 whilst monthly annualised daily volatility was 5.3% vs. market 9.7%.

The best performing equities were gas turbine manufacturer GE Vernova (+15%); Argentinian banks Galicia (+8%) and Macro (+7%); and US pharma behemoth Bristol Myers (+8%).

The worst performing equities were JustEatTakeaway (-17%); tanker operators Frontline (-16%) and Hafnia (-14%); and Canadian gold miner Newmont (-11%).

In terms of non-equity performance, our gold (+3%) and silver (+5%) contributed positively as did the unhedged US dollar (+1.4%) exposure.

October was a difficult month for markets with equities, bonds and commodities all delivering negative returns.

On 18th September, when the Federal Reserve declared victory on inflation with an aggressive 50bps rate cut, the 10-year US Treasury yielded 3.71% and the 30-year fixed mortgage was 6.6%. Rates futures expected 180 bps of further cuts. Since then, however, US economic data has been surprisingly robust, with first estimate of Q3 real GDP +2.8% (+4.6% nominal). Now only 108bps of further cuts are expected, whilst the 10-year Treasury and the 30-year fixed mortgage yield 4.35% and 7.28% respectively.

In other words, whilst it was expected that the new Fed easing cycle should reflate the US housing and commercial property markets and make refinancing debt easier for marginal assets, so far, the cost of borrowing, given its greater sensitivity in the US to longer term rates, has actually increased. To regain control of longer-term interest rates it might be necessary for the Fed to strike a more hawkish tone at their next meeting on November 7th.

We think US rates will stay higher for longer than what the market currently expects and are wary of duration rate risk and positive on the US dollar as a result. Our bond exposure is in low-risk US and UK T-Bills. We are happy to take FX risk in the US dollar, especially against the Pound.

We previously warned about being suckered into Chinese related assets following the policy announcements intended to get the local stock-market up ahead of the 70th birthday celebrations of the communist state. https://www.youtube.com/watch?v=RVompSNE96M

Q3 European and American corporate earnings season has so far been notable for the increase in profit warnings related to waning Chinese demand across many different industries. Ominously, this seems as much political as economic, a result of policy shift to autarky. As the CEO of auto parts supplier Aptiv put it: "Our Chinese customers are demanding only Chinese sourced product". This is a penny which is yet to drop.

Key Performance Numbers

-1.8%	Monthly performance
-1.8%	Year-to-date performance
-1.8%	Since inception performance

Data as at 31-Oct-24. Past performance is not a reliable indicator of future results.

Key Fund Details†

GBP I Acc	98.23
GBP I Inc	98.23
GBP A Acc	98.23
GBP A Inc	98.23
EUR Acc	98.15

Fund AUM (£m)	20m
Fund Inception	11 Oct 2024
Fund Type	UCITS Long only
Fund Domicile	UK
Base Currency	GBP
Sector	IA Flexible Inv
Dealing Frequency	Daily

Strategy

VT Argonaut Flexible Fund

A long-only strategy combining a high conviction equity portfolio with discretionary asset allocation to fixed income, currencies, cash and commodities. The objective of the Fund is to deliver capital appreciation over the long term via an active, fundamental investment approach and a concentrated portfolio of equity investments whilst lowering the equity risk and enhancing return through a selection of non-equity investments.

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 £ I share class.
†Valu-Trac, Bloomberg & Morningstar, calculation on a NAV basis with net income reinvested. All data shown as at 31 October 2024

October also witnessed the much anticipated first UK budget of the new Labour government, increasing public spending by £70bn per annum and tax by £36bn, which according to the Office for Budget Responsibility (OBR), will take spending to 45% of GDP and tax to 38% GDP, *"its highest level on record and 5 percentage points higher than before the pandemic"*.

Paying lip service to "growth" and "investment", the Labour agenda will in our opinion only accelerate the reallocation of capital from the productive to the unproductive economy, "crowding out" - an economic concept repeated 16 times in the OBR analysis - private sector activity resulting in medium term downgrades to economic growth. This pursuit of equality of outcome has never and will never be compatible with economic growth. As Charlie Munger was fond of saying, "show me the incentive and I'll show you the outcome".

Our pre-election views on the impact of the Labour government on the UK economy https://www.argonautcapital.co.uk/blog/articles/2024/06/24/turning-out-the-lights contained a significant error in so far as we permitted the possibility of a "honeymoon period" on Hayek's "Road to Serfdom."

The Labour government would do well to consider "Wriston's Law" that *"capital will always go where it's welcome and stay where it's well treated"* given their naïve assumption that government spending can create economic growth and private capital will invest in a country where the government is hostile to a positive post-tax rate of return on useful economic activity.

Nowadays, fund managers often say that they invest in companies rather than countries, but it is our observation that politics has not only become more important again but there are only a handful of countries that are becoming more welcoming to capital.

Last May, we noted the landslide victory of the pro-business New Democracy Party. Greece is now enjoying the fastest economic growth rate in the EU and its banks have and continue to be attractive and undervalued recovery plays. So, the Argonauts returned to Greece after 3,000 years.

We also were delighted when Milei was elected President of Argentina. It is a measure of his economic success so far that the yield on 10-year Argentinian dollar debt has fallen from 19.2% to just 13.1% in just the last two months. The development of Argentina's shale reserves which would appear at least comparable to those in the US and the remonetisation of the economy with demand for loans expected to grow 50-70% next year off a very low base are in our opinion amongst the most compelling global investment opportunities. Whilst Milei retains his popularity, we are confident that the government will ensure our capital is not only welcome but well-treated.

In a separate but not perhaps unrelated development, it has also been revealed that Chancellor Reeves' highest ranking banking position was not as claimed as an "economist" but instead heading up a complaints department at HBOS.[1]

We made some significant changes to the portfolio during the month. We sold out of our gold mining stocks, on the basis that after a strong run, the risk reward has in the short-term diminished, undermined by dollar strength, rising real rates, and underwhelming cost management at Newmont/ African political risk at Barrick. We also sold out of our oil tanker exposure, having weighed the likelihood of an Israeli-Iran war against the negative Chinese demand signs. With the prospect of a cessation of the Ukraine conflict building and European governments wavering in their military commitments, we have just one remaining investment in the European defence sector. All of this makes the fund less hedged against geopolitical conflagration but reflects changing facts and should these change again, we can always revisit.

At the time of writing, we do not know the outcome of the US Presidential elections, but although the polling is close, prediction markets currently have Trump's chances at as high as 70%, largely because Trump was previously well behind in the polls in both 2020 and 2016, but also because if he is witnessed outside the lens of mainstream media, he seems, in our opinion, a more effective and charismatic communicator with a deeper talent pool behind him than Harris and in his own previous campaigns. Whereas Harris is the continuity candidate, albeit with foreign adversaries more likely to test her mettle, a Trump victory, particularly with a sweep of Congress and Senate, will likely reshape the global economy in a fashion that in general will enhance American capitalism but in a disruptive manner through tariffs that will create new winners and losers.

Barry Norris

Argonaut Capital
November 2024

1 https://conservativepost.co.uk/rachel-reeves-under-fire-as-cv-claims-exposed-former-colleagues-say-she-lied-about-role-as-economist/

VT Argonaut Flexible Fund

PERFORMANCE (%)

	1M	3M	1YR	3YR	5YR	YTD	ITD	ITD CAGR
Argonaut Flexible Fund	-1.8	n/a	n/a	n/a	n/a	-1.8	-1.8	n/a
IA Flexible Investment	-0.6	n/a	n/a	n/a	n/a	-0.6	-0.6	n/a

DISCRETE YEARLY PERFORMANCE (%)

1-year to	31 Oct 20	31 Oct 21	31 Oct 22	31 Oct 23	31 Oct 24
Argonaut Flexible Fund	n/a	n/a	n/a	n/a	n/a
IA Flexible Investment	n/a	n/a	n/a	n/a	n/a

MONTHLY & CALENDAR YEAR PERFORMANCE (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Index
2024										-1.8			-1.8	-0.6
												CAGR Since Inception	**n/a**	**n/a**

Source: Argonaut Capital Partners, Bloomberg. All performance data above refers to VT Argonaut Flexible Fund, uses the GBP I Acc share class and is net of fees.

Past performance does not guarantee future results and the value of all investments and the income derived therefrom can decrease as well as increase.

EQUITY EXPOSURE BY GEOGRAPHY (%)

Country	% NAV
United States	28.0
Greece	5.9
Germany	5.9
United Kingdom	5.9
Ireland	5.6
Italy	3.5
Sweden	3.4
Hungary	2.9
Other	3.8
Total	**64.9**

Source: Argonaut Capital & Bloomberg.

EQUITY EXPOSURE BY SECTOR (%)

Country	% NAV
Financials	19.3
Industrials	15.6
Information Technology	9.8
Utilities	7.3
Healthcare	5.6
Energy	5.5
Consumer Discretionary	1.8
Other	0.0
Total	**64.9**

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

TOP 5 EQUITY POSITIONS

	% NAV
Spotify Technology SA	3.6%
Tenaris SA	3.5%
Alphabet Inc.	3.3%
Rolls-Royce Holdings	3.3%
AerCap Holdings NV	3.3%

TOP 5 NON-EQUITY POSITIONS

	% NAV
US Treasury Bill	10.3%
USD Cash	5.0%
WisdomTree Physical Gold	3.0%
UK Treasury Bill	2.5%
WisdomTree Physical Silver	1.7%

MARKET CAP BREAKDOWN

	% NAV
>$50bn	23.3%
$20-50bn	12.4%
$5-20bn	24.4%
$1-5bn	8.0%
<$1bn	0.0%

DAYS TO LIQUIDATE

	% PORTFOLIO
Less than 1 day	97.3%
1-5 days	2.7%
More than 5 days	0.0%

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

FUND EXPOSURES

	% NAV
Equities	64.9%
Government Bonds	12.7%
Commodities	4.7%
Cash	17.7%
Other	0.0%

FX EXPOSURE

USD	54.8%
GBP	20.9%
EUR	19.3%
Other	4.9%

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 www.argonautcapital.co.uk. 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

PORTFOLIO MANAGER

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SHARE CLASS INFORMATION

Share Class	GBP A Acc	GBP A Inc	GBP I Acc	GBP I Inc	EUR I Acc
SEDOL	BTCLCP2	BTCLCQ3	BTCLCR4	BTCLCS5	BTCLCT6
ISIN	GB00BTCLCP27	GB00BTCLCQ34	GB00BTCLCR41	GB00BTCLCS57	GB00BTCLCT64
Front End Fee	0%	0%	0%	0%	0%
Management Fee	0.75%	0.75%	0.75%	0.75%	0.75%
Performance Fee	N/A				
Hurdle	N/A				
High Water Mark	N/A				
Anti-Dilution Levy	A dilution levy may be applied if net inflows/outflows are 2.5% or over on one day				
Minimum Investment	£500	£500	£3,000,000	£3,000,000	£3,000,000
Minimum Top Up	£250	£250	£1,000	£1,000	£1,000
Regular Savings Scheme	Yes	Yes	--	--	--
ISA available	Yes	Yes	--	--	--

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

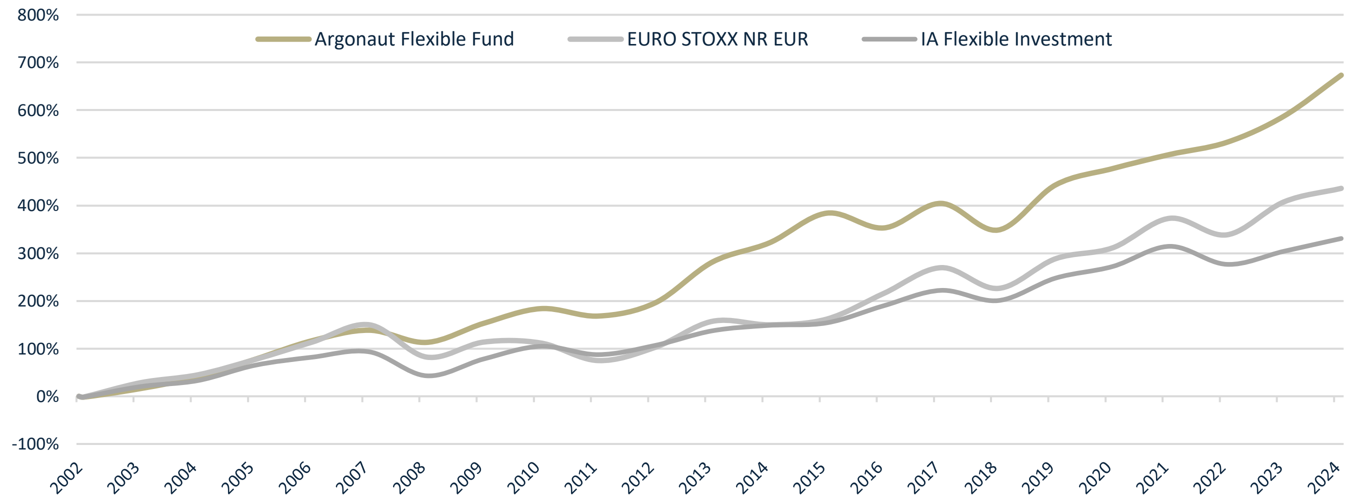
INVESTOR INFORMATION

Dealing Frequency	Daily
Dealing Time	12pm
Valuation	Daily
Settlement	T+4
Income Distribution Dates	Feb, May, Aug, Nov
Price Reporting	Prices published daily

SERVICE PROVIDERS

Authorised Corporate Director (ACD)	Valu-Trac Investment Management
Auditor	Johnston Carmichael LLP
Custodian	Caceis
Depository	NatWest Trustee & Depository Services
Accountant	Valu-Trac Investment Management
Legal Council	CMS

SIMULATED PERFORMANCE SINCE INCEPTION (%)



Source: Argonaut Capital Partners LLP.

VT Argonaut Flexible Fund Simulated track record methodology:

Equity exposure: *As VT Argonaut Flexible Find is – like the VT Argonaut Absolute Return Fund (AR Fund) – able to invest in the US as well as Europe, we have taken the equity "asset" return as the monthly return on the long book of the AR fund grossed up or down to 100%*. In order to incorporate dynamic allocation based on historic behaviour, we have used two rules for monthly weighting to "equities":*

1. It should always be 2/3rds of the AR fund allocation as a % of NAV. i.e. if AR fund is 100% exposed then the Flexible fund is 66.6% exposed.
2. The equity exposure of the Flexible fund should have a maximum soft limit of 80% (only relevant if AR fund long exposure is over 120%)

Equity returns prior to the launch of the VT Argonaut Absolute Return Fund were taken from the long only European equity funds managed by Barry Norris at the time.
Source of equity returns as follows:
• Nov-02 to May-05 Neptune European Opportunities Fund
• May-05 to Feb-09 VT Argonaut European Alpha Fund
• Feb-09 to date VT Argonaut Absolute Return Fund

Non-Equity Exposure: Bond exposure calculated using a fixed exposure of 10% of NAV, using Treasury Bills. Gold exposure calculated using a fixed exposure of 10%, using the WisdomTree Physical Gold ETF. Cash is calculated as the residual of the allocation to the other 3 asset classes above.

FUND OVERVIEW

Objective: The VT Argonaut Flexible Fund ('The Fund') aims to provide capital appreciation over the long term by holding a concentrated portfolio of equities whilst lowering the overall risk of the portfolio and enhancing returns through a selection of non-equity investments. 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 any given time period.

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

Risk Considerations: The Fund has considerable latitude over its equity and non-equity allocation and 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

This is a marketing communication and it is not intended to be viewed as a piece of independent investment research.

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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 equity positions based on the fund manager's views of the market direction whilst lowering the overall risk of the portfolio and enhancing returns through a selection of non-equity investments. 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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