



Annual Assessment of Value Statement as at 29 February 2024

VT Argonaut Absolute Return Fund

Fund Information

Investment Manager:	Argonaut Capital Partners LLP
Authorised Fund Manager:	Valu-Trac Investment Management Limited (Valu-Trac)
Investment Objective:	To provide positive returns over a 3 year period, regardless of market conditions. Capital invested in the Fund is at risk and there is no guarantee that the investment objective will be met over a 3 year, or any other period.
Investment Policy:	<p>The Fund may, at times, invest in a relatively small number of equities, the selection of which will not be restricted either by size, industry, or geographical location of the underlying companies, although exposure is expected to be mainly (over 50% of gross exposure) to companies incorporated in Europe. The Fund may take investment exposure to equities, fixed interest instruments, collective investment schemes (which may include those managed/operated by the ACD) cash and near cash (which includes money market instruments and deposits in any currency). Any such exposures could be gained by direct investment or through funds or derivative instruments. In pursuit of its investment policy, all or a substantial proportion of the Fund's assets may consist of cash, near cash, deposits, warrants and/or money market instruments.</p> <p>The Fund may use derivatives and forward transactions (that is sophisticated investment instruments linked to the rise and fall of the price of other assets) for the purposes of meeting the investment objective or efficient portfolio management.</p>
AUM (£):	£151.6m
Fund Launch Date:	14/07/2012

Our assessment has been conducted against the seven criteria outlined by the FCA and the fund has been rated via the “traffic light” system. Where a fund may have more than one unit class, the rating shown for each of these seven criteria, at a total fund level, may be thought of as being as being an average rating, based upon the rating for each unit class, and according to the relative split of fund assets, between unit classes. The overall rating for the fund will generally be a simple average of these seven criteria, taken at the total fund level. This has been summarised within the table, below:

VT Argonaut Absolute Return Fund	AUM (%)	Quality of Service	Performance	AFM costs - general	Economies of scale	Comparable market rates	Comparable services	Classes of units	Overall
Overall	100.0%	A	G	A	G	A	G	G	G
A Retail Accumulation GBP	6.0%	A	G	R	G	A	G	R	R
I Institutional Accumulation GBP	32.1%	A	G	A	G	A	G	G	G
R Retail Accumulation GBP	43.3%	A	G	A	G	A	G	G	G
O Institutional Accumulation GBP	4.8%	A	G	R	G	A	G	R	R
A Retail Accumulation EUR	1.3%	A	G	R	G	A	G	R	R
I Institutional Accumulation EUR	1.6%	A	G	A	G	A	G	G	G
O Institutional Accumulation EUR	0.5%	A	G	R	G	A	G	R	R
A Retail Accumulation USD	3.8%	A	G	R	G	A	G	R	R
I Institutional Accumulation USD	3.5%	A	G	A	G	A	G	G	G
O Institutional Accumulation USD	3.0%	A	G	R	G	A	G	R	R

The table below shows the overall summary for the previous assessment i.e. carried out as at 29 February 2023:

VT Argonaut Absolute Return Fund	AUM (%)	Quality of Service	Performance	AFM costs - general	Economies of scale	Comparable market rates	Comparable services	Classes of units	Overall
Overall	100.0%	R	G	A	G	A	G	G	A
A Retail Accumulation GBP	6.4%	R	G	R	G	A	G	R	R
I Institutional Accumulation GBP	27.3%	R	G	G	G	G	G	G	A
R Retail Accumulation GBP	43.5%	R	G	G	G	G	G	G	A
O Institutional Accumulation GBP	7.4%	R	G	R	G	A	G	R	R
A Retail Accumulation EUR	1.7%	R	G	R	G	A	G	R	R
I Institutional Accumulation EUR	1.9%	R	G	G	G	G	G	G	A
O Institutional Accumulation EUR	1.0%	R	G	R	G	A	G	R	R
A Retail Accumulation USD	4.0%	R	G	R	G	A	G	R	R
I Institutional Accumulation USD	3.6%	R	G	G	G	G	G	G	A
O Institutional Accumulation USD	3.2%	R	G	R	G	A	G	R	R

The 2023 assessment used previous criteria that has since been updated as described above, and therefore the results for 2023 are not directly comparable with the updated 2024 assessment.

Previous Remedial Actions

- Quality of Service
 - Assessed as Red:
 - For all share classes we have concluded that unit holders are not receiving good value for quality of service, the AFM is currently working with the Delegated Investment Manager to address these issues with a plan to bring it back to a level that delivers good value for investors. This has a particular focus on the control environment to prevent investment breaches and pricing errors in the future. The Delegated Investment Manager has provided a commitment to preventing future breaches and improve the overall quality of service delivered to shareholders. The AFM and the Depositary will continue to closely monitor the performance of the Fund to evaluate the effectiveness of the improvements delivered.
- AFM Costs - General
 - Assessed as Amber:
 - The AFM will continue to monitor costs, and will work with the Investment Manager, where appropriate, to ensure that costs reduce to an appropriate level.
- Comparable Market Rates
 - Assessed as Amber:

- The AFM will continue to monitor all costs over the next 12 months, to ensure they continues to fall towards the average.
- Classes of Units
 - Assessed as Amber:
 - No specific action was proposed.

New Remedial Actions

- Quality of Service
 - Assessed as Amber
 - The overall Quality of Service assessment has improved since the last assessment was made; in particular, the instances of prospectus breaches, have notably reduced over the period. The AFM will continue to work collaboratively with the Delegated Investment Manager and the Depository, to drive continued improvements the overall Quality of Service delivered to unitholders. The AFM will also look to enhance its controls to reduce the number of pricing errors.
- AFM Costs - General
 - Assessed as Green, overall:
 - The AFM will discuss the level of the Annual Management Charge (AMC) with the Investment Manager, where appropriate.
- Comparable Market Rates
 - Assessed as Amber
 - The AFM will discuss the level of the OCF and the current performance fee methodology with the Investment Manager, where appropriate.
- Classes of Units
 - Assessed as Green, overall:
 - The AFM will discuss the rationale for the disparity in the respective costs of each unit class with the Investment Manager, where appropriate.

Detailed Assessment

Quality of Service

The AFM has chosen to outsource the following services to third party providers:

- Investment Management services: Argonaut Capital Partners LLP.
- Depository services: NatWest Trustee and Depository Services Limited
- Custodian services: RBC Investor Services Trust, UK branch (RBC)
- External audit: Johnston Carmichael LLP

Other functions such as fund administration, fund accounting and transfer agency are undertaken by Valu-Trac, and all outsourced services are subject to continuous oversight.

As part of our assessment of service providers, no systemic issues have been identified as part of our ongoing due diligence, including an assessment of investment breaches, pricing errors, complaints, fund liquidity and ongoing adherence to the investment policy.

Conclusion:

 Amber

A number of prospectus breaches were identified and resolved during the period, including breaches relating to higher than permitted counterparty exposure, borrowing powers limits and the purchase of an ineligible asset. The AFM worked collaboratively with the Delegated Investment Manager to resolve these breaches in an appropriate and timely manner. In addition, enhancements have been put in place with regard to procedures and working practices, in order to mitigate the impact of these breaches and the likelihood of any recurrence. The AFM notes that the instance of such prospectus breaches has notably reduced over the subsequent period.

In addition to the investment breaches, the AFM made and resolved a number of pricing errors during the period of the assessment. All pricing errors were rectified by the AFM with no unfavourable impact to unitholders, but in specific instances may have caused some disruption whilst the errors were corrected.

The AFM has concluded that unitholders are receiving reasonable value, in relation to Quality of Service.

Performance

Objective:

To provide positive returns over a 3 year period, regardless of market conditions. Capital invested in the Fund is at risk and there is no guarantee that the investment objective will be met over a 3 year, or any other period.

Constraining Benchmark:

none

Comparator Benchmark:

none

Target Benchmark:

Total Return: 0.00%

Peer Group:

IA Targeted Absolute Return Sector

Minimum Recommended Holding Period:

3 Years

Management Approach:

Active

The net total return and peer ranking (where available) for each available unit class within the fund, together with the return of the relevant benchmark, is shown below:

Net Total Return*	1 year	3 years (avg. return per-year)	3 years Peer Rank
Benchmark	0.0%	0.0%	-
A Retail Accumulation GBP	29.9%	15.4%	Highest 5%
I Institutional Accumulation GBP	30.8%	15.9%	Highest 5%
R Retail Accumulation GBP	30.6%	15.9%	Highest 5%
O Institutional Accumulation GBP	30.0%	15.5%	Highest 5%
A Retail Accumulation EUR	29.7%	15.0%	Highest 6%
I Institutional Accumulation EUR	29.2%	17.2%	Highest 5%
O Institutional Accumulation EUR	29.1%	14.7%	Highest 6%
A Retail Accumulation USD	30.4%	15.1%	Highest 3%
I Institutional Accumulation USD	31.6%	16.1%	Highest 2%
O Institutional Accumulation USD	30.6%	15.4%	Highest 3%

*To 29 February 2024

Total return is the actual rate of return of an investment over a period. Total return includes interest, capital gains, dividends, and realised distributions (where appropriate). Net total return is calculated after the deduction of any relevant fees, including performance fees, where applicable.

Source: Morningstar

Conclusion:

 Green

The net total return of each unit class within the fund is above that of its target benchmark, over the minimum recommended holding period. The AFM also notes that the net total return of each unit class within the fund, compares favourably with that of peers.

The AFM has also assessed the investment risk within the Fund. The AFM notes that the realised volatility within the fund is typically higher than that of peers. However, in mitigation, the AFM also notes that risk adjusted return within the fund (the unit of return received, per unit of risk taken) is also typically higher than that of peers. The AFM has concluded that the level of investment risk within the fund is not out of keeping for an actively managed Fund of this type (further details on how the AFM arrived at this conclusion may be provided upon request).

The AFM has concluded that unitholders are receiving good value, in relation to Performance.

AFM Costs - General

Each unit class within the Fund has its own Annual Management Charge (AMC). The AMC may be thought of as being the amount deducted from a unit class's average net assets to pay for the investment management of that unit class; this charge will typically include a proportionate allocation from the Investment Management Fee, AFM fee and other, ancillary fees.

The current AMC of each unit class, together with the current, average AMC for the relevant, selected peer group, is shown within the table below:

Annual Management Charge (AMC)	Current	
		Peer Rank
Peer Group	0.71%	-
A Retail Accumulation GBP	1.50%	Highest 10%
I Institutional Accumulation GBP	0.75%	Highest 37%
R Retail Accumulation GBP	0.75%	Highest 37%
O Institutional Accumulation GBP	1.50%	Highest 10%
A Retail Accumulation EUR	1.50%	Highest 10%
I Institutional Accumulation EUR	0.75%	Highest 37%
O Institutional Accumulation EUR	1.50%	Highest 10%
A Retail Accumulation USD	1.50%	Highest 10%
I Institutional Accumulation USD	0.75%	Highest 37%
O Institutional Accumulation USD	1.50%	Highest 10%

Source: Valu-Trac / Morningstar

Conclusion:

 Amber

The Investment Management Fee is proposed by Argonaut Capital Partners LLP. Owing to the limitations of the host AFM model which the AFM operates, the AFM is unable to comment upon the specific profit margin this fee may generate for Argonaut Capital Partners LLP; instead, the AFM will focus upon ensuring that this fee appears reasonable, in the context of the overall AMC.

The AFM fee is payable to Valu-Trac to cover the services undertaken by Valu-Trac as outlined in the Quality of Service section. The AFM will set fees based on the overall cost of operating the business. Most of the AFM's costs are fixed (such as staff and property costs), and the AFM will set its fees in such a way that ensures the costs are apportioned fairly across the range of funds which it operates. The AFM reviews its fee model via various means, such as through external independent consultancy and market benchmarking reviews against similar firms in the market. The results of these reviews are incorporated into the AFM's governance arrangements, up to Board level.

The AFM has reviewed the transaction charges within the Fund. These are the costs of buying and selling the underlying securities within the Fund, including explicit charges such as commission and taxes, and implicit charges such as market timing and slippage.

The transaction charges for the period amounted to £1,289,239, equating to 0.85% of the net asset value of the Fund.

For the Fund, the transaction charges may appear large in relation to other charges, however this is linked to the strategy of the Fund and some of the assets held within its portfolio, such as Contracts for Difference (CFDs), which involve costs relating to financing, cash interest and borrowing. The absolute return nature of the Fund also means that transaction volume can be quite high, however this volume is a key part of how the Fund generates its returns and so a

higher than average transaction cost would be expected. The AFM has assessed that the transaction charges are justifiable in the context of the overall value offered by the Fund to Unitholders.

Other notable, ancillary fees may include the depositary, custodian, and auditor fees. The AFM regularly reviews these fees compared to other funds operated by the AFM and, where the information is available, other funds within the wider marketplace, to ensure that they remain competitive.

Unitholders are currently paying an AMC higher than the market average for similar funds.

The AFM will discuss the level of the AMC with the Investment Manager, where appropriate.

The AFM has concluded that unitholders are receiving reasonable value, in relation to AFM Costs – General, overall.

Economies of Scale

The fund currently has assets under management (AUM) of less than £250m; this is the threshold above which, we generally consider it reasonable to consider if economies of scale have been passed on to investors.

The fund has a tiered depositary fee, subject to a minimum amount, alongside other fixed fees, such as audit fees. Therefore, as the fund AUM grows, the proportion of such costs, relative to overall fund size, will decline, in percentage terms.

Conclusion:

 Green

The AFM has concluded that unitholders are receiving good value, in relation to Economies of Scale.

Comparable Market Rates

The current and historic Ongoing Charges Figure (OCF) for each unit class within the fund, together with the current, average OCF for the relevant, selected peer group, is shown within the table, below:

On-Going Charges Figure (OCF)	2022	2023	Current	
				Peer Rank
Peer Group			0.95%	-
A Retail Accumulation GBP	1.70%	1.61%	1.68%	Highest 10%
I Institutional Accumulation GBP	0.95%	0.86%	0.93%	Lowest 49%
R Retail Accumulation GBP	0.95%	0.86%	0.93%	Lowest 49%
O Institutional Accumulation GBP	1.70%	1.61%	1.68%	Highest 10%
A Retail Accumulation EUR	1.70%	1.61%	1.68%	Highest 10%
I Institutional Accumulation EUR	0.95%	0.86%	0.93%	Lowest 49%
O Institutional Accumulation EUR	1.70%	1.61%	1.68%	Highest 10%
A Retail Accumulation USD	1.70%	1.61%	1.68%	Highest 10%
I Institutional Accumulation USD	0.95%	0.86%	0.93%	Lowest 49%
O Institutional Accumulation USD	1.70%	1.61%	1.68%	Highest 10%

Source: Morningstar

The Investment Manager is entitled to receive a performance fee from the Funds, provided that certain conditions are met. These conditions are detailed in the Fund prospectus. The amount of the performance fee accrued to the Investment Manager during the period under review for this Assessment of Value report (1st March 2023 – 29th February 2024) is shown below:

		Fee per Unit Class	NAV per Unit Class	% of NAV
Performance Fee	A Acc USD	£128,146.75	£5,843,224.59	2.19%
Performance Fee	A Retail Acc EUR	£49,007.91	£1,950,726.27	2.51%
Performance Fee	A Retail Acc GBP	£197,316.75	£9,161,760.10	2.15%
Performance Fee	I Acc Net USD	£138,631.76	£5,296,706.82	2.62%
Performance Fee	I Inst Acc EUR	£62,202.34	£2,492,591.18	2.50%
Performance Fee	I Inst Acc GBP	£1,091,399.62	£48,573,515.69	2.25%
Performance Fee	O Acc EUR	£21,356.34	£888,585.82	2.40%
Performance Fee	O Acc GBP	£199,934.66	£7,245,228.87	2.76%
Performance Fee	O ACC USD	£110,128.02	£4,598,460.72	2.39%
Performance Fee	R Retail Acc GBP	£1,642,694.57	£65,567,137.38	2.51%
		£3,640,818.72	£151,617,937.45	2.40%

Note that the actual performance fee paid to the Investment Manager is calculated on a calendar year basis rather than on the fund's accounting year; for calendar year 2023 the total was £2,331,337.23, which represents 1.54% of the fund NAV. The performance fee period and fund accounting years will be brought in line in due course, as part of a suite of changes that are currently ongoing.

Conclusion

 Amber

Unitholders within the I and R unit classes are currently paying an OCF lower than the market average for similar funds.

Unitholders within the A and O unit classes are currently paying an OCF higher than the market average for similar funds.

The Investment Manager makes use of a Research Payment Account (RPA). For the period, the total allocated to the RPA was £62,580 and this amount is included within the OCF.

Although not a component of the OCF, the performance fee is an expense deductible from the scheme property of the fund and therefore the AFM has assessed the value delivered to investors from this charge. The assessment of the performance fee considered funds within the IA Targeted Absolute Return Sector and a broader review of similar funds domiciled in the UK and Europe; this captured a wide range of funds including those with performance fees, those

without performance fees and in the latter case, a range of fee and hurdle rates. The AFM has assessed that, whilst a relatively large deduction from the scheme property of the fund, the performance fee is justifiable in the context of the overall value offered by the Fund to Unitholders.

The AFM has concluded that unitholders are receiving reasonable value, in relation to Comparable Market Rates, overall.

Comparable Services

Valu-Trac act as AFM for three funds for which Argonaut Capital Partners LLP are the Investment Manager. Each of these funds are what may be termed single asset class funds. Differences between funds, in terms of their management approach anticipated risk profile, notwithstanding, this fund is priced consistently with other funds within that range.

The services provided in respect to this fund are also aligned with the AFM's normal operating model.

Conclusion



Green

The AFM has concluded that unitholders are receiving good value, in relation to Comparable Services.

Classes of Units

	Current OCF	Difference Compared to Least Expensive	Difference Compared to Next Least Expensive	Minimum Lump Sum Investment	Minimum Subsequent Investment	Minimum Holding Amount
I Institutional Accumulation GBP	0.93%	-	-	£3,000,000	£1,000	£3,000,000
I Institutional Accumulation EUR	0.93%	-	-	€3,000,000	€1,000	€3,000,000
I Institutional Accumulation USD	0.93%	-	-	\$3,000,000	\$1,000	\$3,000,000
R Retail Accumulation GBP	0.93%	-	-	£500	£250	£250
A Retail Accumulation GBP	1.68%	0.75%	0.75%	£500	£250	£250
A Retail Accumulation EUR	1.68%	0.75%	0.75%	€2,500	€1,000	€2,500
A Retail Accumulation USD	1.68%	0.75%	0.75%	\$2,500	\$1,000	\$2,500
O Institutional Accumulation GBP	1.68%	0.75%	0.75%	£500	£250	£250
O Institutional Accumulation EUR	1.68%	0.75%	0.75%	€2,500	€1,000	€2,500
O Institutional Accumulation USD	1.68%	0.75%	0.75%	€2,500	€1,000	€2,500

The I unit classes are primarily intended for use by institutional investors and come with the most stringent investment minima. Having a larger minimum investment amount, may help a unit class achieve scale more quickly, with the servicing required per £ / € invested, being generally lower; thus, lower ongoing charges.

The R unit class is primarily intended to be used by retail investors, specifically as part of a regular savings plan. This entails a minimum monthly payment. As with the I unit class, above, having a larger minimum investment amount, may help a unit class achieve scale more quickly, with the servicing required per £ invested, being generally lower; thus, lower ongoing charges. The costs charged to the R unit class do not include rebates and / or the payment of trail commission.

The A unit classes and O unit classes may also be used by retail or institutional investors as part of a regular savings plan. In contrast to the R unit classes, the costs charged to the A and O unit classes do include rebates and / or the payment of trail commission; however, the AFM cannot be assured that in all cases this is being passed back to unitholders. In addition, the differential in OCF between the A and O unit classes and the other unit classes within the fund, is significantly above the relevant materiality threshold. The difference in investment minima between the GBP denominated A unit classes and the EUR and USD denominated A unit class, is reflective of the anticipated volatility in exchange rates between currencies.

Conclusion

 Green

The AFM has concluded that unitholders within the I and R unit classes are receiving good value, with regard to classes of units.

The AFM has concluded that unitholders within the A and O unit classes are not receiving good value, with regard to classes of units.

The AFM will discuss the rationale for the disparity in the respective costs of each unit class with the with the Investment Manager, where appropriate.

The AFM has concluded that unitholders are receiving good value, in relation to Classes of Units, overall.

Overall Assessment

 Green

The AFM has concluded that unitholders are receiving good value in respect to four of the seven, discrete criteria assessed above i.e. each has been assessed as green.

The AFM notes that overall Quality of Service assessment has improved since the last assessment was made; in particular, the instances of prospectus breaches, have notably reduced over the period. The AFM will continue to work collaboratively with the Delegated Investment Manager and the Depository, to drive continued improvements the overall Quality of Service delivered to unitholders.

With regard to AFM Costs- General, the AFM will AMC with the Investment Manager, where appropriate.

With regard to Comparable Market Rates, the AFM will discuss the level of the OCF and the current performance fee with the Investment Manager, where appropriate.

With regard to Classes of Units, the AFM will discuss the rationale for the disparity in the respective costs of each unit class with the with the Investment Manager, where appropriate.

The AFM notes that A and O unit class holders are receiving poorer value than I unit class holders, across a range of assessed categories. The AFM has concluded that unitholders within VT Argonaut Absolute Return Fund are receiving good value, overall.

Dd/mm/yyyy