

Managers' interim short report

# Ignis Argonaut European Alpha Fund

for the half year: 1 September 2010  
to 28 February 2011



# Introduction to your short report

Dear Investor,

Welcome to your short report for the six months to 28 February 2011. As you will be aware, we send you a managers' report every six months relating to the fund you are invested in.

The Long Report & Accounts are still available should you wish, and can be obtained by contacting our Investor Support Department on 0800 317 749.

There has recently been an update to the wording of Trust Deed and Prospectus in respect of the valuation of securities in the Fund. There has been no change to our valuation processes or how your investments are managed. The update has been made only with a view to ensuring that these documents reflect industry standard.

## **Important Update:**

The Ignis Argonaut European Alpha Fund will be launching a Euro denominated share class in 2011. The costs attributable to this new share class are being met by the Fund Managers and there will be no impact on the Sterling units in which you are invested.

If you have any queries about this change, please contact our Investor Support Department on 0800 073 1552 (Mon – Fri 9.00am to 5.00pm). If you are in any doubt, you should consult a professional financial adviser.

Yours faithfully

A handwritten signature in black ink, appearing to read 'D. Cameron', followed by a long horizontal flourish.

David Cameron  
Head of Investor Operations and Registration

# Ignis Argonaut European Alpha Fund

## Investment objective

This authorised unit trust has been established to achieve above average returns by investing in a concentrated portfolio of 30-50 equities selected predominantly from European markets, excluding the UK, and attempt to perform in a top quartile profile when measured against competing funds in the same sector.

## Investment policy

The Manager seeks to put together a concentrated portfolio of 30-50 high conviction stocks selected from a universe of roughly 800 European stocks. The style is “multi cap” in that it attempts to select up to 50 of the best ideas from a broad universe almost regardless of the size of the company but with reference to liquidity, tracking error and beta risk.

## Risk profile

The Fund is suitable for investors who are interested in obtaining exposure to European equity markets through a concentrated portfolio. Investors should already have equity exposure within a balanced portfolio and understand the higher risk associated with a concentrated portfolio. Investors must be able to accept significant temporary losses and therefore the Fund is suitable for investors who can afford to set aside their capital for at least 5 years. The Fund is therefore not suitable for investors who require ready access to their capital.

# Fund facts

Launch date	12 May 2005			
Fund size as at 28 February 2011	£382.4m			
Initial charge	5.25%			
Annual management charge	(Class A) 1.75% (Class I) 0.75%			
Historic yield*	(Class A) 0.17% (Class I) 1.05%			
Sector	Europe excluding UK			
Distribution payment dates	30 April & 31 October			
XD date	1 March & 1 September			
	<b>Income</b>		<b>Accumulation</b>	
	<b>Class A</b>	<b>Class I</b>	<b>Class A</b>	<b>Class I</b>
Total expense ratio as at 28 February 2011	1.79%	0.79%	1.78%	0.77%
31 August 2010	n/a	n/a	1.79%	0.78%

The Total Expense Ratio (TER) provides investors with a clearer picture of the total annual costs involved in running an investment fund. The TER is the ratio of the total operating costs to average net assets.

\*Yield as at 28/02/11. Yields are historic based on the preceding 12 months' distributions as a percentage of the midmarket unit price as at date shown. Yields will vary, do not include any preliminary charges, and investors may be subject to tax on distributions.

# Summary of Fund performance

## Unit price

Year to 31 December	Income units*		Acc units	
	Lowest redemption price (per unit)	Highest issue price (per unit)	Lowest redemption price (per unit)	Highest issue price (per unit)
Class A				
2006	n/a	n/a	135.14	173.27
2007	n/a	n/a	166.31	192.58
2008	n/a	n/a	152.29	201.88
2009	n/a	n/a	122.23	204.45
2010	94.33	101.74	168.40	207.18
1 Jan 2011 to 28 Feb 2011	99.44	104.11	202.49	212.06
Class I				
2006	n/a	n/a	106.00	137.06
2007	n/a	n/a	132.20	153.31
2008	n/a	n/a	92.84	161.44
2009	n/a	n/a	98.59	165.65
2010	94.39	101.85	137.29	169.75
1 Jan 2011 to 28 Feb 2011	99.69	104.32	166.14	173.86

\*Income units were not available until 5 November 2010.

## Distribution record

Year to 31 December	Net distribution** Pence per unit	
	Income	Accum
Class A		
2006	n/a	2.2628
2007	n/a	2.4906
2008	n/a	2.6704
2009	n/a	1.6940
2010	–	0.3575
1 Jan 2011 to 28 Feb 2011	–	–
Class I		
2006	n/a	2.5529
2007	n/a	3.1042
2008	n/a	3.3413
2009	n/a	2.2838
2010	–	1.7836
1 Jan 2011 to 28 Feb 2011	–	–

\*\*Paid during period.

Past performance is not a guide to future performance. The value of units can fall as well as rise and is not guaranteed. You might not get back the full amount invested.

# Summary of distribution

Details of the distributions credited during the review period:

Unit Type	Paid 30.10.10 (pence per unit)	Payable 30.04.11 (pence per unit)
<b>Class A</b>		
Income	–	–
Accumulation	0.3575	–
<b>Class I</b>		
Income	–	–
Accumulation	1.7836	–

## Net asset value

	Net Asset Value as at 28 February 2011	Net Asset Value as at 31 August 2010	Net Asset Value % Change
<b>Class A Income</b>	100.85p per unit	100.00p per unit	0.85%
<b>Class A Accumulation</b>	205.24p per unit	173.44p per unit	18.33%
<b>Class I Income</b>	101.11p per unit	100.00p per unit	1.11%
<b>Class I Accumulation</b>	168.42p per unit	141.63p per unit	18.92%

Figures are calculated internally for accounting purposes (assets are valued at 12pm based on holdings at close the same day).

Past performance record

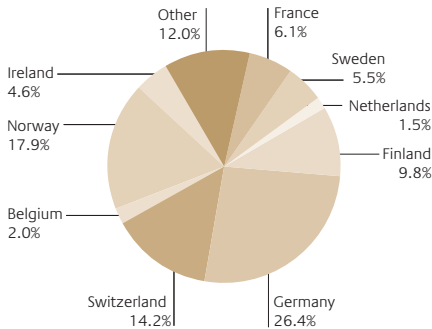
	Feb 10-11 % growth	Feb 09-10 % growth	Feb 08-09 % growth	Feb 07-08 % growth	Feb 06-07 % growth
<b>Ignis Argonaut European Alpha Fund</b>	15.5	39.1	-27.4	3.1	13.8
<b>Sector average</b>	14.3	42.8	-33.1	2.4	12.3

Source: Lipper, bid to bid, net income reinvested to end February each year.

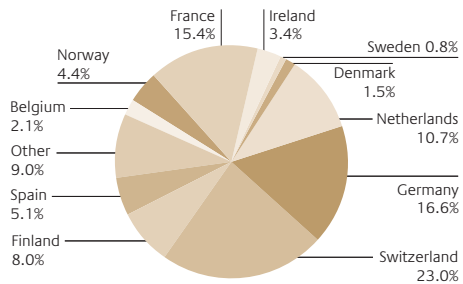
**Past performance is not a guide to future performance. The value of units can fall as well as rise and is not guaranteed. You might not get back the full amount invested. Please note that the past performance figures are calculated without taking the initial charge into account.**

Sectoral spread of investments

as at 28 February 2011



as at 31 August 2010



Source: Internal

## Top five holdings

Holding	% of fund value as at 28 February 2011	Holding	% of fund value as at 31 August 2010
Nestle	4.6	Nestle	4.4
Storebrand	3.9	Telefonica	3.5
Fresenius	3.8	Fresenius	3.5
UPM-Kymmene	3.8	Panalpina	3.4
EADS	3.7	EADS	3.3

## Investment review

Equity markets performed in the second half and early months of 2011. The market realised that Europe's extraordinary low valuation was unfair, and gradually came to the conclusion that the Eurozone's existence was not threatened, despite the giddy predictions of the press and investment commentariat. Focus returned to the strong profitability of Europe's companies, and in particular, to the excellent outlook for Germany's export economy. Over the review period, the Fund returned 18.4%, against 18.6% from the MSCI Europe ex UK benchmark\*.



Barry Norris  
Investment Manager

The largest three overweight sectors were; transport, which negatively contributed to performance; real estate, which negatively contributed; and media, which positively contributed. The largest underweight positions were; banks, and utilities, and food, beverages and tobacco, which positively contributed.

In terms of countries, the fund manager took a strategic decision to overweight Germany, where economic fundamentals were (and continue to be) extremely strong. Norway, another country driven by exports, was the other major overweight. Over the period, these positions were broadly neutral for performance, because many of the peripheral countries made an aggressive comeback in the New Year.

At a stock level, overweights in Prosieben, Storebrand, and Infineon were positive for performance. Ryanair, Meetic and Continental were negative contributors.

In recent company results, the clear trend has been for earnings to disappoint, but for revenues to exceed expectations, entirely normal at this stage in an up-cycle. The next stage will be for companies to start hiring again and already there are some signs of this in the US.

The next few weeks will no doubt be tricky, driven by the prospect of revolution in the Arab world and a coup d'état at the ECB. It seems, however, that a steady stream of assets is relocating from the emerging world, which could continue for some time. The UK and Europe stand out as the cheapest regions of the world, and just possibly, some of the long-term negatives are beginning to recede.

\*Source: Lipper, bid to bid, net income reinvested for six months to 28 February 2011.



## **Availability of long report & accounts**

If you wish to receive a copy of the annual and half yearly Long Report & Accounts for the Ignis Argonaut European Alpha Fund then please contact our Investor Support Department on 0800 317 749. They are free of charge.

## **Other information**

The information in this report is designed to enable unitholders to make an informed judgement on the activities of the Fund during the period it covers and the results of those activities at the end of the period. For more information about the activities and performance of the Fund during this period and previous periods, please contact our Investor Support Department on 0800 317 749.

Ignis Asset Management is the trading name for companies in the Ignis Asset Management Limited group of companies which includes the unit trust manager Ignis Fund Managers Limited and the investment manager Ignis Investment Services Limited. The Ignis Asset Management Limited group of companies are part of The Phoenix Group.

Unit prices and yields appear daily on our website [www.ignisasset.com](http://www.ignisasset.com) and the Investment Management Association website [www.investmentfunds.org.uk](http://www.investmentfunds.org.uk).

## **Money Laundering**

If you have not already provided us with the required documentation to prove your identity we may have to freeze or terminate your account, and will not be able to accept any further subscriptions. There may also be a delay when repurchasing your investment.

## **Manager**

Ignis Fund Managers Limited  
50 Bothwell Street, Glasgow G2 6HR  
Tel: 0141 222 8000  
Registered in Scotland – No. SC85610  
Member of Investment Management Association  
Authorised and regulated by the Financial Services Authority

## **Investment Adviser**

Argonaut Capital Partners LLP

## **Trustee**

Citibank International Plc  
Registered office: Citigroup Centre  
Canada Square, Canary Wharf  
London E14 5LB  
Authorised and regulated by the Financial Services Authority

## **Directors**

C Bannister – Chairman: (appointed 02/03/11);  
J Moss – Chairman: (appointed 27/01/10; resigned 07/02/11);  
D Cummins – Chairman: (appointed 24/06/10; resigned 31/12/10)  
C J L Samuel MA ACA – Chief Executive;  
J Yates – Director: (appointed 23/09/10);  
J Polin – Sales & Marketing Director;  
I Paterson Brown CA – Corporate Development Director;  
T H R Roberts MA – Chief Operating Officer;  
C Fellingham – Chief Investment Officer.

## **Independent Auditors to the fund**

PricewaterhouseCoopers LLP  
141 Bothwell Street  
Glasgow G2 7EQ

## **Registrar and Correspondence address**

Ignis Fund Managers Limited  
PO Box 9028 Chelmsford CM99 2WH

## **Authorised Status**

This Fund is an authorised unit trust scheme under Section 243 of the Financial Services and Markets Act 2000 and is categorised under the Collective Investment Schemes Sourcebook as a UCITS fund.

**Contact:**  
Investor Support Department

**Call:**  
0800 317 749

**Email:**  
[helpdesk@ignisasset.com](mailto:helpdesk@ignisasset.com)

Ignis Investment Services Limited does not accept liability for any claims or losses of any nature arising directly or indirectly from use of the data or material in this report. The information supplied is not intended to constitute investment, tax, legal or other advice.



Please note both the Full and Simplified Prospectus documents are available free of charge.  
For a copy, phone our Investor Support Department on 0800 317 749.

Telephone calls may be monitored and/or recorded for the purposes of security, internal training, accurate account operation, internal customer monitoring and to improve the quality of service.

Ignis Asset Management is the trading name of the Ignis Asset Management Limited group of companies which includes Ignis Asset Management Limited, \*Ignis Investment Services Limited and \*Ignis Fund Managers Limited. Issued by Ignis Investment Services Limited. Registered in Scotland No. SC101825.

Registered Office: 50 Bothwell Street, Glasgow G2 6HR.

\*Authorised and regulated by the Financial Services Authority.