

# VT Argonaut Absolute Return



## Fund Commentary

*"Inflation is just like alcoholism. In both cases, when you start drinking or when you start printing too much money, the good effects come first, the bad effects only come later."*

**Milton Friedman<sup>1</sup>**

The Fund returned +0.66% over April compared with the IA Targeted Absolute Return sector which returned +0.1% and the Lipper Global Alternative Long/Short Equity Europe sector return of -0.4%. Despite the same net long positioning, the correlation to the market increased to 0.35 (-0.27) and the annualised daily volatility was 12.2% (7.9%).

The Fund made +0.2% in its long book and made +0.5% from its short book. The best performing longs were Norwegian tanker companies BW LPG (+31%) and Hafnia (+11%). Canadian gold miner Newmont and Hungarian blue chip bank OTP (+10%) also contributed to performance. The worst performing long was Uber (-13%).

The share prices of tanker companies Hafnia and Torm – the funds two largest positions – continue to make new highs. Since the Russian invasion of Ukraine in March 2022 they have delivered a total return of +336% and +523% respectively. Putting this in context, over the same period, current US stock darling Nvidia has returned just +254%.

The best performing shorts were former would-be EV car rental outfit Hertz (-34%) and cash-incinerating aspirant EV truck manufacturer Rivian (-18%). On the other hand, Tesla, which reported awful results but now aspires to be something other than an EV manufacturer, was a detractor (+5%).

Multiple data points suggest that US inflation is not just "sticky" but is now actually reaccelerating. Consequently, the Treasury yield curve steepened, with the benchmark 10-year yield rising from 4.2% to 4.65% over the month, though this remains below the 5% October 2023 peak. Having forecast 6 ½ ¼ point rate cuts this year at the beginning of 2024, Fed Fund futures now imply only one ¼ point cut in November.

Nevertheless, at the May 1st FOMC, Fed Chairman Powell not only ruled out rate hikes but started the process of tapering balance sheet sales from \$65bn of Treasuries per month to just \$25bn, with MBS remaining at \$35bn, effectively halving the pace of QT, offsetting the liquidity draining of the Reverse Repo Facility (RRP).

Whilst Powell still talks tough on inflation, it is hard to avoid the conclusion that the Fed is just not that committed to bring inflation down to the 2% target. Its "over time" caveat has a similar level of conviction to that of former UK Chancellor Gordon Brown, who was committed to join the European single currency "when the time was right for Britain", in full knowledge that in his opinion that would be never.

### Key Performance Numbers

<b>0.7%</b>	Monthly performance
<b>12.6%</b>	Year-to-date performance
<b>15.5%</b>	5-year CAGR (net of fees)
<b>-0.4</b>	5-year correlation to European equities*

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

### Key Fund Details†

GBP I	350.68
GBP A	314.58
GBP R	298.10
USD I	200.30
EUR I	282.54
Fund AUM (£m)	197m
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 April 2024

We are currently in a new era of unrestrained government spending. We worry about how this will be funded.

During the Eurozone sovereign crisis, President of the ECB, Mario Draghi, famously said his bank would do “whatever it takes to preserve the Euro”, through financial market interventions, which ultimately resulted in large scale asset purchases.

In a non-inflationary world, with the ECB backstopping the solvency of Eurozone sovereigns, the distressed government debt of the so-called PIIGS, proved to be a very attractive investment opportunity.

But what would happen today if the Federal Reserve announced it would do “whatever it takes” to get long-term Federal government borrowing costs down through a new asset purchase programme?

With sticky high inflation, it is very likely that after an initial wave of euphoria, the Federal Reserve would soon end up owning nearly the entire Treasury market, as private capital took the opportunity to exit at artificially low yields.

Central bank asset purchases are only an effective tool against deflation – not inflation - through addressing liquidity concerns. But injecting more liquidity into an inflationary regime would be like pouring petrol onto a fire.

QE cannot work as a funder of profligate governments in an inflationary regime, without hyperinflation consequently. Therefore, the confidence that financial markets still display in omnipotent if not omniscient central banks is misplaced.

In fact, any “whatever it takes” commitment to get long-term interest rates down would either involve the retrenchment of the state or raising short-term rates as UK Chancellor Lamont did in 1991 causing unemployment and recession as “the price we have had to pay to get inflation down”. There are few governments or independent central banks nowadays prepared to pay this recessionary price.

We are currently in Friedman’s beginnings of “alcoholism”, experiencing largely the “good effects” of inflation, with full employment, the fastest wage growth since the 1990’s and corporate profits buoyed by the nominal boom.

But all financial assets inhabit the real world, where returns must be measured against inflation and cost of capital.

Capital is uniquely vulnerable to being the victim of the new political regime and long duration capital – whether in bonds or equities – is the fall guy in the new era of reckless fiscal spending and unsound money.

This means that whilst equity investors now enjoy the early stages of alcoholism, the longer-term negative consequence must be lower valuations for all financial assets.

**Barry Norris**

**Argonaut Capital**  
**May 2024**



<sup>1</sup> “Why Inflation is like Alcoholism” April, 1980  
<https://miltonfriedman.hoover.org/internal/media/dispatcher/215115/full>

# VT Argonaut Absolute Return



## PERFORMANCE (%)

	1M	3M	1YR	3YR	5YR	YTD	ITD	ITD CAGR
Argonaut AR Fund	0.7	7.1	27.5	52.2	105.3	12.6	250.7	8.8
EURO STOXX NR	-1.9	5.9	12.9	23.7	47.9	8.0	220.7	8.1
IA Targeted Absolute Return	0.1	2.2	6.6	9.8	21.1	2.7	99.5	4.2

## DISCRETE YEARLY PERFORMANCE (%)

	1-year to	30 Apr 20	30 Apr 21	30 Apr 22	30 Apr 23	30 Apr 24
Argonaut AR Fund		34.5	0.3	25.0	-4.5	27.5
EURO STOXX NR		-14.1	39.2	-1.4	11.4	12.9
IA Targeted Absolute Return		-0.2	9.8	1.8	0.6	6.6

## KEY STATISTICS SINCE INCEPTION

Annualised Net Return	8.8
Annualised Volatility	12.8
Correlation vs. European equities	-0.1
Annualised Long Alpha	3.9
Annualised Short Alpha	8.3
Best Month	15.0
Worst Month	-10.8
Average ROIC	13.8
Upside Capture	19.4
Downside Capture	-26.2

Source: Argonaut Capital Partners &amp; 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									12.6	0.3	14.0	12.4	2.5
CAGR Since Inception													8.8	-0.1	13.8	12.8	0.4

Source: Argonaut Capital Partners, Bloomberg & Morningstar as at 30-Apr-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
Torm Plc	5.2%
Hafnia Ltd	5.1%
Rheinmetall AG	4.5%
OTP Bank Plc	4.1%
Western Digital Corp.	4.1%

## MARKET CAP BREAKDOWN

	LONG	SHORT
>\$50bn	18.3%	-2.7%
\$20-50bn	25.6%	-5.8%
\$5-20bn	32.2%	-12.7%
\$1-5bn	25.5%	-14.1%
<\$1bn	--	-4.1%

## FUND EXPOSURES

	% NAV
Long Exposure	101.6%
Short Exposure	-39.4%
Gross Exposure	141.0%
Net Exposure	62.2%
Beta Adj. Net Exposure	0.36%

## TOP 5 SHORT POSITIONS

	% NAV
Real Estate	-2.5%
Real Estate	-1.9%
Telecommunication	-1.6%
Industrials	-1.6%
Consumer Discretionary	-1.5%

## DAYS TO LIQUIDATE

	% PORTFOLIO
Less than 1 day	84.2%
1-5 days	15.6%
More than 5 days	0.2%

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

## OTHER

# of long positions	46
# of short positions	45

## 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](http://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

### PORTFOLIO MANAGER

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### ENQUIRIES

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**LSEG Lipper  
Fund Awards**  
2024 Winner  
United Kingdom

## EQUITY EXPOSURE BY GEOGRAPHY (%)

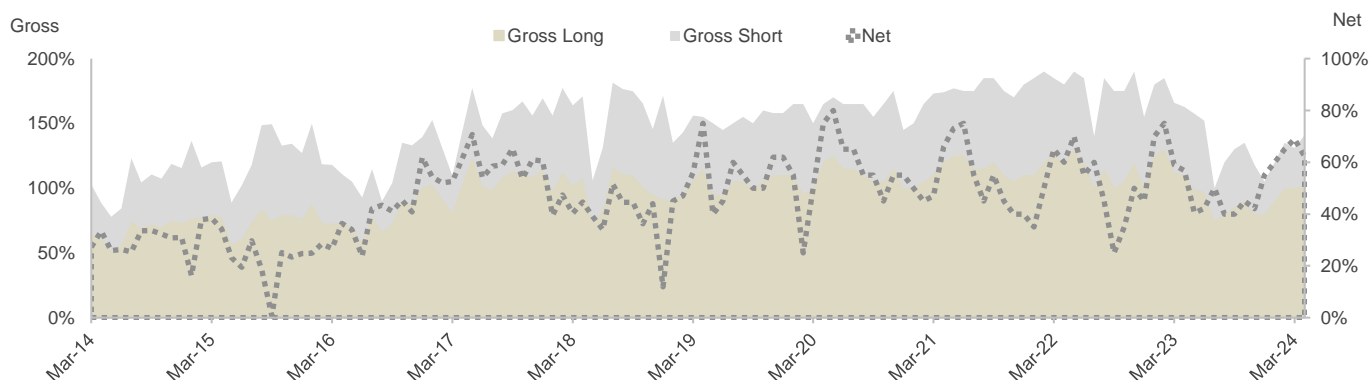
Country	Long	Short	Gross	Net
United States	43.1	-20.6	63.7	22.5
Norway	19.9	-1.3	21.2	18.6
United Kingdom	9.0	-1.1	10.1	7.9
Denmark	7.1	-1.9	9.0	5.2
Greece	5.9	0.0	5.9	5.9
Germany	4.4	-1.6	6.0	2.8
Hungary	4.1	0.0	4.1	4.1
France	3.3	0.0	3.3	3.3
Other	4.8	-12.9	17.7	-8.1
<b>Total</b>	<b>101.6</b>	<b>-39.4</b>	<b>141.0</b>	<b>62.2</b>

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

## EQUITY EXPOSURE BY SECTOR (%)

Industry	Long	Short	Gross	Net
Energy	18.9	0.0	18.9	18.9
Materials	16.5	-2.4	18.9	14.1
Information Technology	16.1	-4.6	20.7	11.5
Financials	15.2	-12.6	27.8	2.6
Industrials	12.2	-2.9	15.1	9.3
Utilities	7.8	-5.0	12.8	2.8
Consumer Discretionary	6.6	-5.3	11.9	1.3
Consumer Staples	4.2	-1.2	5.4	3.0
Other	4.1	-5.4	9.5	-1.3
<b>Total</b>	<b>101.6</b>	<b>-39.4</b>	<b>141.0</b>	<b>62.2</b>

## GROSS &amp; 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 &amp; Bloomberg. All data shown as at 30 April 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	Yes	Yes	Yes
ISA available	Yes	Yes	Yes	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
Depository	NatWest Trustee & Depository 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](http://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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