Fund Factsheet

VT Argonaut European Alpha

At 30 September 2024

Barry Norris
Fund Manager

Barry Norris founded Argonaut in 2005 and manages the VT Argonaut European Alpha Fund using his "earnings surprise" investment process. Barry began managing money in 2002 at Neptune, having begun his career at Baillie Gifford. He was educated at Cambridge University and has an MA in History, and an MPhil in International Relations. He also holds the CFA charter.

Fund aim

To achieve above average returns and attempt to perform a top quartile profile when measured against competing funds in the same sector.

Fund overview

Sector	IA Europe ex UK
Launch date	12 May 2005 (GBP A Acc) 6 December 2005 (GBP I Acc) 16 July 2012 (GBP R Acc)
Fund size	£17.6m
Share class	Class A/Class R/Class I
No. of holdings	31
Sedol codes	A (Acc) – B4ZRCD0 R (Acc) – B7MW8T7 I (Acc) – B76L737
Bloomberg	A (Acc) – IMAEAAG LN R (Acc) – IMAERAG LN I (Acc) – IMAEIAG LN
ISIN	A (Acc) – GB00B4ZRCD05 R (Acc) – GB00B7MW8T72 I (Acc) – GB00B76L7377
Initial charge	0.0%
Ongoing charge GBP (as at 31/12/23)	A Acc Class Shares – 1.89% R Acc Class Shares - 0.89% I Acc Class Shares - 0.89%
Minimum investment	£500 (A Class Shares)
Minimum top up	£250 (A Class Shares)
Regular savings scheme	Yes (A Class Shares)
ISA option available	Yes (A Class Shares)
XD/Payment dates	01.03/30.04, 01.09/31.10

Any past performance or references to the period prior to 14 July 2012 relate to the Ignis Argonaut unit trusts.

All information as at 30/09/2024, unless otherwise stated and measured against the fund's benchmark index.

Funds performance based on GBP share class, return may increase or decrease as a result of currency fluctuations on each share class.

Investor information – This fund may not be appropriate for investors who plan to withdraw their money within 5 years.

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 -2.8% over September, compared with the IA Europe ex UK sector which returned -0.8%.

The best performing longs were Grieg Seafood (+14%), Spotify (+5%) and Hoegh Auto (+13%). The worst was Hafnia (-9%) and Torm (-9%).

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.

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 want to thank our unitholders for supporting the recent Fund merger proposal and look forward in anticipated reverie to the launch of the new Argonaut Flexible Fund this month.

Barry Norris
Argonaut Capital
October 2024

[1] Morningstar 30/09/2024, R Accumulation share class performance, in GBP with net income reinvested and no initial charges.

£	1 Month	YTD	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	Since Launch
Fund	-2.8	5.9	6.3	-5.4	-1.0	2.1	20.5	-17.9	14.9	-1.00	16.1	4.0	31.7	301.5
Sector	-0.8	6.2	13.5	-9.2	15.7	10.7	20.1	-12.4	17.4	16.8	9.3	-0.8	26	365.0
Quartile Rank	4	3	4	1	4	4	2	4	3	4	1	1	1	3

Source: Morningstar 30/09/2024, Date from the 12th May 2005 – 16th July 2012 A class and 16th July 2012 to date reflects class R units, in Sterling with net income reinvested and no initial charges. The sector is the IA Europe ex UK NR quoted in Sterling.

Past Performance is not a guide to future performance. The value of shares and any income from them may fall as well as rise and is not guaranteed.

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Fund Factsheet

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At 30 September 2024

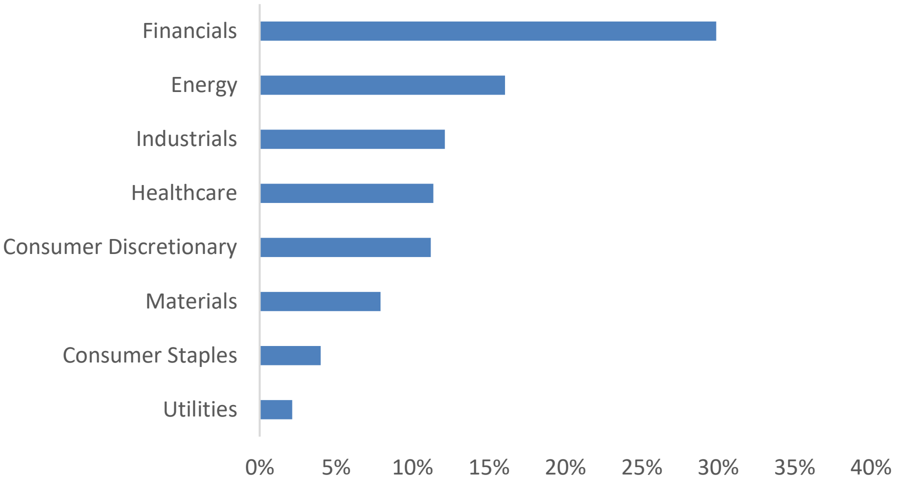
Top Five holdings	Fund %
Just Eat Takeaway	6.5
AerCap Holdings NV	5.0
Spotify Technology	4.7
Intesa Sanpaolo	4.6
Fresenius	4.6

Country Breakdown	Fund %
Germany	15.4
Norway	14.7
Netherlands	10.7
Italy	10.1
Greece	9.5
Ireland	8.2
Sweden	4.7
Switzerland	4.6
Finland	4.5
Other European	12.0

Market Cap	Fund %
Large Cap > €5bn	68.1
Mid Cap €1bn – €5bn	26.3
Small < €1bn	0.0
Cash	5.6

Source: Argonaut Capital Partners, all figures at 30/09/2024, these figures are subject to rounding.

Sector Weights



Risk Analysis	Since Launch	1 Year
Beta	0.7	0.7
Standard Deviation (%)	15.8	11.3
Tracking Error	21.0	9.0
Jensen's Alpha	1.4	4.7
Sharpe Ratio	0.3	1.4
Information Ratio	0.0	-0.1

Source: Morningstar, all figures at 30/09/2024, these figures are subject to rounding. Date from the 12th May 2005 – 16th July 2012 A class and 16th July 2012 to date reflects class R units. Tracking error is calculated ex post.

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Other ISINs for this fund:

GB00B6TQCC60	GB00B6T6S066
GB00B5LJR434	GB00B6VYPP25
GB00BVYPB156	GB00B7JXMD51
GB00B76L7377	GB00B4ZRCD05

Important Information

Information Ratio: a risk-adjusted measure of fund performance relative to a benchmark; the higher the number, the more risk-adjusted outperformance the fund has generated.
Jensen's Alpha: a measure of a fund's outperformance of a benchmark over a given period. Jensen's Alpha is used to evaluate the contribution of active management – higher alpha means better fund performance.
Tracking Error: measures the deviation of fund performance from benchmark performance. Funds with a high tracking error have historically deviated more from their benchmark, and vice versa.
Beta: a measure of the sensitivity of fund performance relative to changes in the market. A fund with a beta of one tends to experience movement in line with the market. A beta higher than one suggests the fund will go up by more than the market when it rises, but go down more when the market falls. A beta less than one will go up by less than a rising market, but fall less when the market is down.
Standard Deviation: shows how much variation in return exists from the average. The lower the standard deviation the less variation from the average.
Sharpe ratio: a measure of the excess return per unit of deviation in an investment asset or a trading strategy. The higher the figure means the excess return generated from the increase in risk undertaken.