Fund Factsheet

VT Argonaut European Alpha

At 31 March 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	£19.5m
Share class	Class A/Class R/Class I
No. of holdings	33
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 31/03/2024, 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

"*My sense is still that the Fed has itchy fingers to start cutting rates and I don't fully get it. We've got unemployment if anything below what they think is full capacity. We've got inflation, clearly even in their forecast for the next two years above target. We've got GDP growth rising if anything faster than potential. We have financial conditions, the holistic measure of monetary policy at a very loose level. I don't know why we are in such a hurry to be talking about moving toward the accelerator.*"

Larry Summers, Bloomberg, March 21st

The Fund returned +2.38% over March compared with the IA Targeted Absolute Return sector which returned +1.50% and the Lipper Global Alternative Long/Short Equity Europe sector return of +1.2%. Despite a generous net long positioning, the correlation to the market was negative (-0.27) and the annualised daily volatility just 7.9%.

The Fund made +4% in its long book and lost 1% from its short book. The best performing longs were again European defence companies: German weaponsmith Rheinmetall (+23%) and Italian helicopter outfit Leonardo (+18%). Canadian gold miner Agnico Eagle (+12%) and US homebuilder DR Horton (+10%) also performed strongly. There were no significant underperformers.

The best performing shorts were Austrian semiconductor outfit AMS (-22%), Swedish heat pump manufacturer Nibe (-11%) and UK retailer Watches of Switzerland (-11%). The worst performer was vaccine manufacturer Moderna (+15%).

The fund has also benefited from the strong performance of its long positions in European defence stocks, an industry which until recently had been in a bear market since the fall of the Berlin Wall in 1989. The Russian invasion of Ukraine (with words of encouragement from across the Atlantic) has been a *Zeitenwende*[1] moment in European thinking on defence expenditure with European NATO countries all now seemingly accepting that 2% of GDP should be a new floor on annual defence budgets.

NATO allies have to date provided Ukraine with $108bn of military aid of which the European share has been just $43bn. This compares to Russian current annual defence spending of $111bn (6.5% GDP). European countries have donated most of their ammo and useful weaponry to Ukraine and are capacity constrained in ramping up production (hence their non-military aid has been much higher).

The entire annual revenues of the quoted European defence industry last year were just $132bn. If NATO European annual spend increases to 2.8% of GDP and 50% of this is spent on equipment exclusively sourced within Europe, then industry revenues double. European defence is a new bull market with legs.

It was a busy month for central banks. The Bank of Japan hiked its policy rate for the first time since 2007 (to a 0.1% upper bound); its first positive rate since 2016; also, officially scrapping Yield Curve Control (but not QE). The Swiss National Bank delivered a surprise policy rate cut to 1.5% (from 1.75%). The Fed, the BOE and the ECB were on hold at 5.5%, 5.25% and 4.0% on their headline rates respectively, but all gave the impression they had "itchy fingers" to start cutting. "We're strongly committed to bringing inflation down to two percent over time", repeated Fed Chairman Powell, leaving it to the market to guess what "over time" meant.

US macro data continues to defy expectations of a slowdown. The March ISM Manufacturing PMI saw its first expansionary reading (above 50) since September 2022. Q4 US GDP was revised up to +3.4%, with the Atlanta Fed GDP Now estimate for Q1 running at +2.8% (consensus was just 1.3% at the beginning of the year).

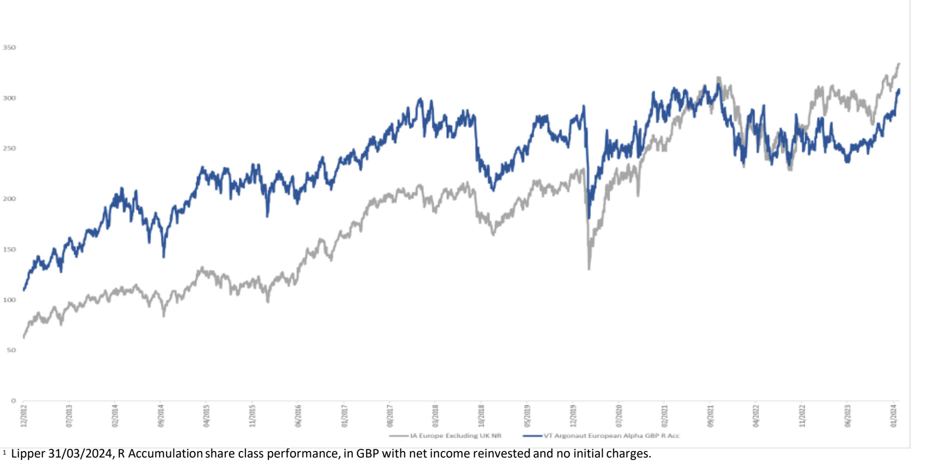
With measures of inflation still stuck at 3-4%, this means that the US economy is still experiencing a boom, with nominal growth of 6-7% supporting corporate earnings and credit, but at the cost of higher for longer rates. Fed Fund Futures have now gone from pricing in 6 ½ quarter point interest rate cuts starting in March at the start of the year to now just 2 ½ starting in June or July.

The Fund initiated some long gold mining positions in early March. With $300bn of Russian financial assets frozen (mostly in Euroclear) countries which dissent from US hegemony are highly incentivised to diversify their assets "outside" the Western banking system to avoid political default risk. Gold - with a market value of $15trillion - is the most liquid option. Note Chinese holdings of US Treasuries are now down to just $800bn (from $1.2trillion at peak in 2016).

"Itchy fingers" at the Fed, its non-committal commitment to the 2% inflation target as well as rumours that the PBOC will soon initiate its own QE (perhaps floating its currency at the same time) means that gold should remain well bid, whilst gold miners having significantly underperformed the physical commodity, offer a more geared distressed play.

The "itchy fingers" of central banks who want to step on the monetary accelerator cannot be easily reconciled with the current observation of booming nominal growth owing to imprudent fiscal stimulus.

[1] As declared by German Chancellor Olaf Scholz, a watershed moment marking the end of the post-cold war period of peace dividend.



[1] Lipper 31/03/2024, 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	3.4	9.8	6.3	-5.4	-1.0	2.1	20.5	-17.9	14.9	-1.00	16.1	4.0	31.7	174.7
Sector	3.3	6.1	13.5	-9.2	15.7	10.7	20.1	-12.4	17.4	16.8	9.3	-0.8	26	194.7
Quartile Rank	2	1	4	1	4	4	2	4	3	4	1	1	1	3

Source: Lipper 31/03/2024, Date from the 12th May 2005 – 16th July 2012 A class and 16th July 2012 – 31st March 2024 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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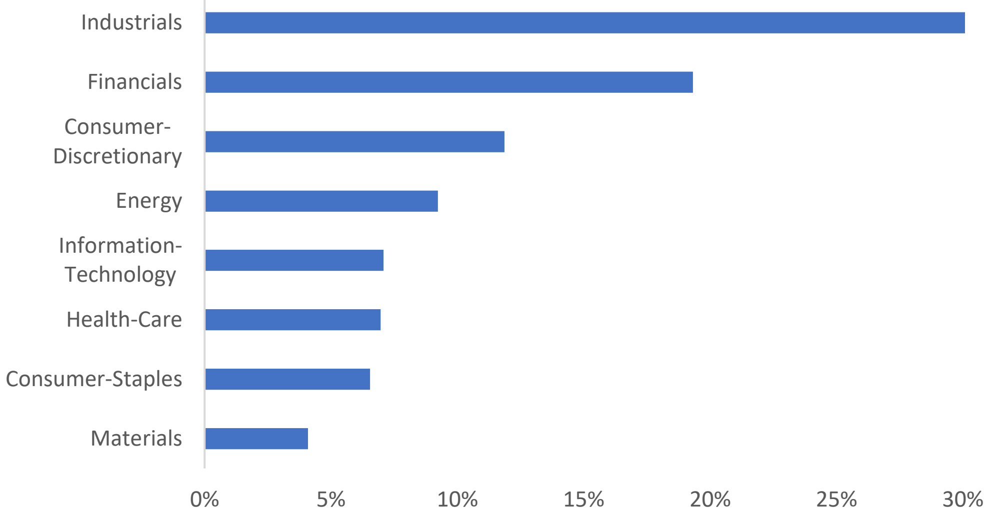
At 31 March 2024

Top Five holdings	Fund %
Rheinmetall AG	5.9
Hafnia	5.7
Torm Plc	5.7
Novo Nordisk	5.3
Buzzi	4.1

Country Breakdown	Fund %
Norway	23.9
Germany	17.1
Denmark	16.6
Italy	14.5
Netherlands	7.1
Greece	4.7
France	3.9
Hungary	3.9
Sweden	3.0
Other European	5.3

Market Cap	Fund %
Large Cap €5bn – €20bn	68.8
Mid Cap €1bn – €5bn	22.1
Small < €1bn	8.0
Cash	1.1

Sector Weights



Risk Analysis	Since Launch	1 Year
Beta	0.8	0.4
Standard Deviation (%)	15.9	8.5
Tracking Error	9.4	9.2
Jensen's Alpha	1.1	6.4
Sharpe Ratio	0.4	1.2
Information Ratio	-0.0	0.3

Source: Lipper, all figures at 31/03/2024, these figures are subject to rounding. Date from the 12th May 2005 – 16th July 2012 A class and 16th July 2012 – 31st March 2024 reflects class R units. Tracking error is calculated ex post.

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Source: Argonaut Capital Partners, all figures at 31/03/2024, these figures are subject to rounding.

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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.