

VT Argonaut Absolute Return



Fund Commentary

“Capital will always go where it’s welcome and stay where it’s well treated. Capital is not just money. It’s also talent and ideas.”

“Wriston’s Law”, Walter Wriston, Former Chairman and CEO of Citicorp

“This Budget delivers one of the largest increases in spending, tax, and borrowing of any single fiscal event in history.”

UK Office of Budget Responsibility, October 2024¹

The Fund returned +1.4% over October compared with the IA Targeted Absolute Return sector which returned -0.2% and the Morningstar Long/Short Europe sector return of -0.8%. The correlation to the market was negative at -0.25 (-0.13) whilst monthly annualised daily volatility rose to 10.6% (9%) vs. market 9.1% (13%).

The Fund returned -1.8% from its long book and +3.2% from its short book.

The best performing longs were gas turbine manufacturer GE Vernova (+14%); Argentinian banks Galicia (+31%) and Macro (+29%); and home fitness outfit Peloton (+34%). The worst performing longs were JustEatTakeaway (-21%) and tanker operators Torm (-20%) and Frontline (-11%).

The best performing shorts were US cosmetics company Estee Lauder (-28%); Italian booze-Co Campari (-18%); Austrian defence component manufacturer Renk (-17%) and troubled US REIT Medical Properties Trust (-17%).

On 18th September, when the Federal Reserve declared victory on inflation with an aggressive 50bps rate cut, the 10-year US Treasury yielded 3.71% and the 30-year fixed mortgage was 6.6%. Rates futures expected 180 bps of further cuts. Since then, however, US economic data has been surprisingly robust, with first estimate of Q3 real GDP +2.8% (+4.6% nominal). Now only 108bps of further cuts are expected, whilst the 10-year Treasury and the 30-year fixed mortgage yield 4.35% and 7.28% respectively.

In other words, whilst it was expected that the new Fed easing cycle should reflate the US housing and commercial property markets and make refinancing debt easier for marginal assets, so far, the cost of borrowing, given its greater sensitivity in the US to longer term rates, has actually increased. To regain control of longer-term interest rates it might be necessary for the Fed to strike a more hawkish tone at their next meeting on November 7th. We also observe that inventory of unsold new homes is fast increasing and that market expectations are that US housebuilders are on trough rather than peak earnings. We have initiated some short positions.

We previously warned about being suckered into Chinese related assets following the policy announcements intended to get the local stock-market up ahead of the 70th birthday celebrations of the communist state. <https://www.youtube.com/watch?v=RVompSNE96M>

Q3 European and American corporate earnings season has so far been notable for the increase in profit warnings related to waning Chinese demand across many different industries. Ominously, this seems as much political as economic, a result of policy shift to autarky. As the CEO of auto parts supplier Aptiv put it: “Our Chinese customers are demanding only Chinese sourced product”. This is a penny which is yet to drop.

Key Performance Numbers

1.4%	Monthly performance
3.5%	Year-to-date performance
11.4%	5-year CAGR (net of fees)
-0.4	5-year correlation to European equities*

*As at 31-Oct-24. *Euro Stoxx NR Index. Past performance is not a reliable indicator of future results.*

Key Fund Details†

GBP I	322.29
GBP A	288.17
GBP R	274.48
USD I	185.04
EUR I	258.83

Fund AUM (£m)	191m
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 £ I share class.

†Valu-Trac, Bloomberg & Morningstar, calculation on a NAV basis with net income reinvested. All data shown as at 31 October 2024

October also witnessed the much anticipated first UK budget of the new Labour government, increasing public spending by £70bn per annum and tax by £36bn, which according to the Office for Budget Responsibility (OBR), will take spending to 45% of GDP and tax to 38% GDP, “its highest level on record and 5 percentage points higher than before the pandemic”.

Paying lip service to “growth” and “investment”, the Labour agenda will in our opinion only accelerate the reallocation of capital from the productive to the unproductive economy, “crowding out” - an economic concept repeated 16 times in the OBR analysis - private sector activity resulting in medium term downgrades to economic growth. This pursuit of equality of outcome has never and will never be compatible with economic growth. As Charlie Munger was fond of saying, “show me the incentive and I’ll show you the outcome”.

Our pre-election views on the impact of the Labour government on the UK economy <https://www.argonautcapital.co.uk/blog/articles/2024/06/24/turning-out-the-lights> contained a significant error in so far as we permitted the possibility of a “honeymoon period” on Hayek’s “Road to Serfdom.”

The Labour government would do well to consider “Wriston’s Law” that “capital will always go where it’s welcome and stay where it’s well treated” given their naïve assumption that government spending can create economic growth and private capital will invest in a country where the government is hostile to a positive post-tax rate of return on useful economic activity.

Nowadays, fund managers often say that they invest in companies rather than countries, but it is our observation that politics has not only become more important again but there are only a handful of countries that are becoming more welcoming to capital.

Last May, we noted the landslide victory of the pro-business New Democracy Party. Greece is now enjoying the fastest economic growth rate in the EU and its banks have and continue to be attractive and undervalued recovery plays. So, the Argonauts returned to Greece after 3,000 years.

We also were delighted when Milei was elected President of Argentina. It is a measure of his economic success so far that the yield on 10-year Argentinian dollar debt has fallen from 19.2% to just 13.1% in just the last two months. The development of Argentina’s shale reserves which would appear at least comparable to those in the US and the remonetisation of the economy with demand for loans expected to grow 50-70% next year off a very low base are in our opinion amongst the most compelling global investment opportunities. Whilst Milei retains his popularity, we are confident that the government will ensure our capital is not only welcome but well-treated.

In a separate but not perhaps unrelated development, it has also been revealed that Chancellor Reeves’ highest ranking banking position was not as claimed as an “economist” but instead heading up a complaints department at HBOS.²

We made some significant changes to the portfolio during the month. We sold out of our gold mining stocks, on the basis that after a strong run, the risk reward has in the short-term diminished, undermined by dollar strength, rising real rates, and underwhelming cost management at Newmont/ African political risk at Barrick. We also sold out of our oil tanker exposure, having weighed the likelihood of an Israeli-Iran war against the negative Chinese demand signs. With the prospect of a cessation of the Ukraine conflict building and European governments wavering in their military commitments, we are no longer net long the European defence sector. All of this makes the fund less of a hedge against geopolitical conflagration but reflects changing facts and should these change again, we can always revisit.

At the time of writing, we do not know the outcome of the US Presidential elections, but although the polling is close, prediction markets currently have Trump’s chances at as high as 70%, largely because Trump was previously well behind in the polls in both 2020 and 2016, but also because if he is witnessed outside the lens of mainstream media, he seems, in our opinion, a more effective and charismatic communicator with a deeper talent pool behind him than Harris and in his own previous campaigns. Whereas Harris is the continuity candidate, albeit with foreign adversaries more likely to test her mettle, a Trump victory, particularly with a sweep of Congress and Senate, will likely reshape the global economy in a fashion that in general will enhance American capitalism but in a disruptive manner through tariffs that will create new winners and losers.

Barry Norris

**Argonaut Capital
November 2024**



1 <https://obr.uk/efo/economic-and-fiscal-outlook-october-2024/>

2 <https://conservativepost.co.uk/rachel-reeves-under-fire-as-cv-claims-exposed-former-colleagues-say-she-lied-about-role-as-economist/>

VT Argonaut Absolute Return



PERFORMANCE (%)

	1M	3M	1YR	3YR	5YR	YTD	ITD	ITD CAGR
Argonaut AR Fund	1.4	-2.6	5.7	42.2	71.9	3.5	222.3	7.9
EURO STOXX NR	-4.4	-0.7	20.2	13.8	43.4	7.8	220.1	7.8
IA Targeted Absolute Return	-0.2	0.7	8.9	11.6	22.7	5.3	103.8	4.2

DISCRETE YEARLY PERFORMANCE (%)

	1-year to	31 Oct 20	31 Oct 21	31 Oct 22	31 Oct 23	31 Oct 24
Argonaut AR Fund		29.0	-6.3	22.2	10.1	5.7
EURO STOXX NR		-12.7	44.2	-14.6	10.9	20.2
IA Targeted Absolute Return		1.7	7.8	-0.7	3.1	8.9

KEY STATISTICS SINCE INCEPTION

Annualised Net Return	7.9
Annualised Volatility	12.6
Correlation vs. European equities	-0.1
Annualised Long Alpha	3.4
Annualised Short Alpha	7.7
Best Month	15.0
Worst Month	-10.8
Average ROIC	12.8
Upside Capture	17.8
Downside Capture	-23.7

Source: Argonaut Capital Partners & 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	-1.1	-1.5	-3.2	0.0	-3.9	1.4			3.5	0.2	-1.6	10.6	0.0
	CAGR Since Inception												7.9	-0.1	12.8	12.6	0.4

Source: Argonaut Capital Partners, Bloomberg & Morningstar as at 31-Oct-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
Tenaris SA	4.9%
GE Vernova Inc.	4.9%
Alphabet Inc.	4.8%
AerCap Holdings	4.7%
First Citizens BcShs	4.7%

MARKET CAP BREAKDOWN

	LONG	SHORT
>\$50bn	37.0%	-2.9%
\$20-50bn	17.2%	-10.8%
\$5-20bn	44.0%	-17.4%
\$1-5bn	15.5%	-22.1%
<\$1bn	1.4%	-4.6%

FUND EXPOSURES

	% NAV
Long Exposure	115.1%
Short Exposure	-57.8%
Gross Exposure	172.9%
Net Exposure	57.3%
Beta Adj. Net Exposure	-0.25%

TOP 5 SHORT POSITIONS

	% NAV
Real Estate	-2.7%
Real Estate	-2.7%
Financials	-2.4%
Industrials	-2.4%
Utilities	-2.4%

DAYS TO LIQUIDATE

	% PORTFOLIO
Less than 1 day	88.1%
1-5 days	11.8%
More than 5 days	0.1%

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

OTHER

# of long positions	35
# of short positions	58

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. 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

Barry Norris, CFA

20 North Audley St, W1K 6LX
London

ENQUIRIES

T: +44 (0)203 875 7809

F: +44 (0)1343 880 267

E: sales@argonautcapital.co.uk

W: argonautcapital.co.uk



EQUITY EXPOSURE BY GEOGRAPHY (%)

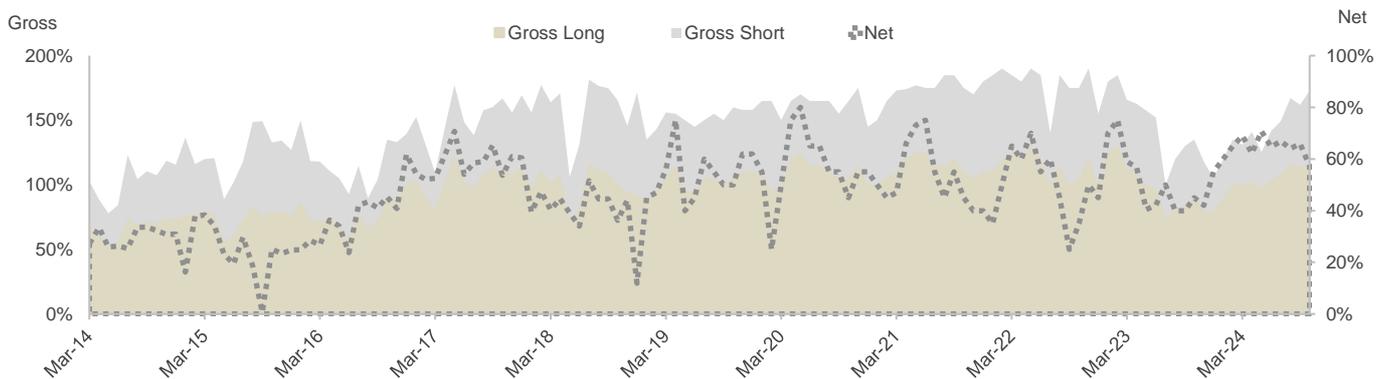
Country	Long	Short	Gross	Net
United States	55.3	-25.0	80.3	30.3
United Kingdom	14.7	-4.1	18.8	10.6
Germany	9.0	-6.8	15.8	2.2
Ireland	7.8	0.0	7.8	7.8
Greece	7.3	0.0	7.3	7.3
Italy	4.9	-0.3	5.2	4.6
Sweden	4.7	-6.4	11.1	-1.7
Hungary	4.6	0.0	4.6	4.6
Other	6.8	-15.2	22.0	-8.4
Total	115.1	-57.8	172.9	57.3

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

EQUITY EXPOSURE BY SECTOR (%)

Industry	Long	Short	Gross	Net
Financials	38.8	-4.4	43.2	34.4
Industrials	25.4	-8.1	33.5	17.3
Information Technology	13.8	-4.9	18.7	8.9
Utilities	12.6	-4.8	17.4	7.8
Energy	9.7	-4.0	13.7	5.7
Healthcare	9.2	-4.1	13.3	5.1
Consumer Discretionary	4.7	-12.2	16.9	-7.5
Materials	0.9	-7.1	8.0	-6.2
Other	0.0	-8.2	8.2	-8.2
Total	115.1	-57.8	172.9	57.3

GROSS & 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 & Bloomberg. All data shown as at 31 October 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	--	--	--
ISA available	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
Depositary	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

This is a marketing communication and it is not intended to be viewed as a piece of independent investment research.

Argonaut Capital Partners LLP has approved this communication which is for private circulation only, and in the UK is directed to persons who are professional clients or eligible counterparties for the purposes of the Conduct of Business Sourcebook of the Financial Conduct Authority of the United Kingdom (the "FCA") and it is not intended for and must not be distributed to retail clients.

It does not constitute an offer to sell or an invitation to buy or invest in any of the securities or funds mentioned herein and it does not constitute any personal recommendation or investment taxation or any other advice. The tax treatment of an investment in any of the securities or funds mentioned herein depends on the individual circumstances of each investor and may be subject to change in the future. The information and any opinions have been obtained from or are based on sources believed to be reliable, but accuracy cannot be guaranteed. The capital you invest is at risk and you may lose some or all the money you invest. Past performance does not guarantee future results and the value of all investments and the income derived from them can decrease as well as increase.

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.](#)

Investments that have an exposure to currencies other than the base currency of the Fund may be subject to exchange rate fluctuations. This communication and the information contained therein is a financial promotion for the purposes of the Financial Services and Markets Act 2000 of the United Kingdom and the rules of the FCA. The distribution of this communication may, in some countries, be restricted by law or regulation. Accordingly, anyone who comes into possession of this communication should inform themselves of and observe these restrictions. Argonaut Capital Partners is not liable for a breach of such restrictions or for any losses relating to the accuracy, completeness or use of information in this communication, including any consequential loss.

Please always refer where appropriate to the relevant Fund prospectus and relevant key investor information document(s) before you invest. The Fund's prospectus and key investor information documents are available in English and may be obtained at argonautcapital.co.uk.

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. 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.

Issued by Argonaut Capital Partners LLP. Registered in Scotland No. S0300614. Registered office: 4th Floor, 115 George Street, Edinburgh, EH2 4JN. Argonaut Capital Partners LLP is authorised and regulated by the Financial Conduct Authority. The information contained in this document is believed to be accurate at the time of writing.