

## FP Argonaut European Alpha

At 31 December 2018

**Barry Norris**

Lead Fund Manager

**Greg Bennett**

Co-Fund Manager



### Investment team

Barry Norris founded Argonaut in 2005 and manages the FP 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. Greg Bennett, CFA also helps run the fund.

### 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
Benchmark	MSCI 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	£74.8m
Share class	Class A/Class R/Class I
No. of holdings	31
Sedol codes	A (Acc) – B4ZRCDO R (Acc) – B7MW8T7 I (Acc) – B76L737
Bloomberg	A (Acc) – IMAEAAG LN R (Acc) – IMAERAG LN I (Acc) – IMAEIALN
ISIN	A (Acc) – GB00B4ZRCDO5 R (Acc) – GB00B7MW8T72 I (Acc) – GB00B76L7377
Initial charge	5.25% (A Class Shares)
Ongoing charge GBP (as at 31/08/17)	A Acc Class Shares - 1.95% R Acc Class Shares - 0.95% I Acc Class Shares - 0.95%
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

The Ignis Argonaut unit trusts were restructured into the subfunds of FP Argonaut Funds, an open-ended investment company (OEIC) on 14 July 2012. Any past performance or references to the period prior to 14 July 2012 relate to the Ignis Argonaut unit trusts.

All information as at 31/12/2018, unless otherwise stated and measured against the fund's benchmark index.

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

### Fund Commentary

The fund returned -5.45% over the month, compared to the IA Europe ex UK sector median of -5.26% and the MSCI Europe ex UK index return of -4.76%.<sup>1</sup>

In our long book, our biggest winner was Takeaway.com (+27%) which reacted positively to the announcement of its purchase of competitor Delivery Hero's German assets that would give the company a dominant position in Europe's largest food delivery platform market. Liberbank (+6%) also performed relatively strongly following the announcement of a potential in-market merger with Spanish peer UniCaja. Litigation finance outfit Burford Capital (+9%) also rebounded from recent weakness following the announcement of a funding deal with a sovereign wealth fund that should allow the company to continue to grow its assets at an ambitious pace. This was offset by general market weakness.

The most notable macro event during the month was the further tightening of monetary policy by central banks against a background of a rapidly slowing global economy with the ECB ending their asset purchasing programme, the first rate hike in Sweden since 2011 and the Fed taking the US key rate to 2.5%. Given the precipitous slowing of the Chinese economy and the European industrial complex witnessed over the previous weeks, this smacks of a policy mistake which will hasten a downward deflationary spiral in the global economy. There are also few

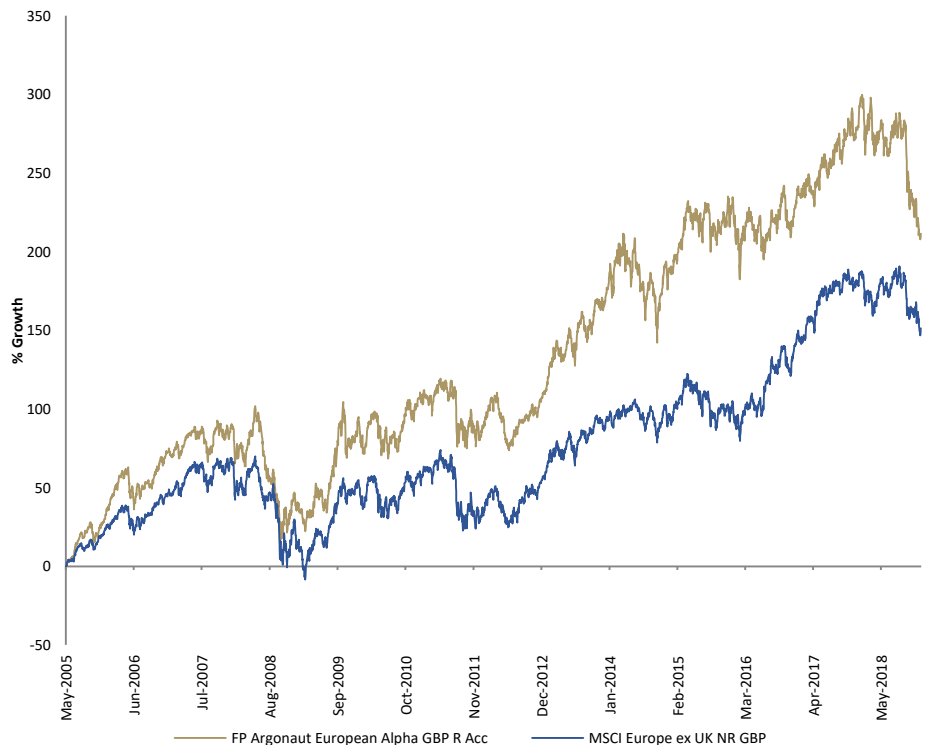
tangible signs that trade disputes between the UK and the EU and the US and China will meaningfully de-escalate near term.

The outlook for aggregate corporate profits is now flashing red with significant downgrades to expectations likely for 2019. Without greater confidence in policy makers we do not expect the market to look through deteriorating corporate profitability. Overall, the portfolio has repositioned from late cycle to end of cycle, with our long book fully repositioned on idiosyncratic earnings surprise and stocks able to thrive in a more deflationary environment. Moreover, we expect our investments to surprise positively rather than just less negatively than the market. This entails taking significant active risk in terms of deviation from the benchmark index but should demonstrate the benefits of active fund management.

We increased our portfolio liquidity meaningfully during the month and are now holding a significant cash position in US dollars, which unlike most European currencies pays a positive interest rate and is not subject to Brexit risk. We are mindful that the period immediately after the end of a bear market is often the fattest part of the stock market cycle and that during 2019 there will likely be a fantastic opportunity to redeploy this liquidity. But, currently this would seem likely only after further market dislocation and following more appropriate policy response.

<sup>1</sup> Lipper 31/12/2018, R Accumulation share class performance, in GBP with net income reinvested and no initial charges.

### Performance



£	Cumulative					Since Launch	Calendar				
	1 Month	3 Month	1 Year	3 Year	5 Year		2017	2016	2015	2014	2013
<b>Fund</b>	-5.4	-17.6	-17.9	-6.6	12.9	211.4	14.9	-1.0	16.1	4.0	31.7
<b>Sector</b>	-5.4	-13.0	-12.4	20.1	30.2	166.7	17.4	16.8	9.3	-0.8	26.0
<b>MSCI Euro ex UK</b>	-4.8	-11.0	-9.9	23.8	29.2	151.2	15.8	18.6	5.1	-0.7	25.3
<b>Quartile Rank</b>	3	4	4	4	4	1	3	4	1	1	1

Source: Lipper 31/12/2018, Date from the 12<sup>th</sup> May 2005 – 16<sup>th</sup> July 2012 A class and 16<sup>th</sup> July 2012 – 31<sup>st</sup> December 2018 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.

**Fund Factsheet**

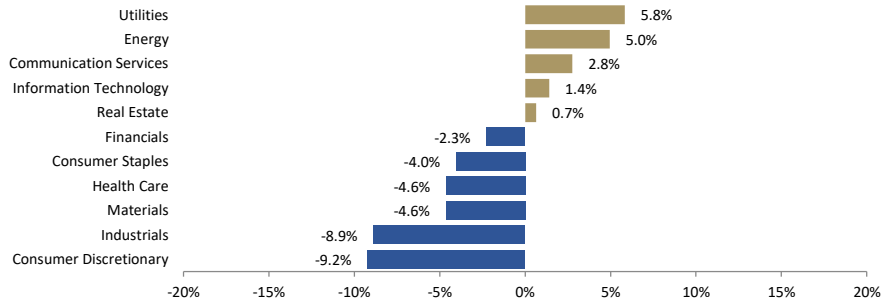
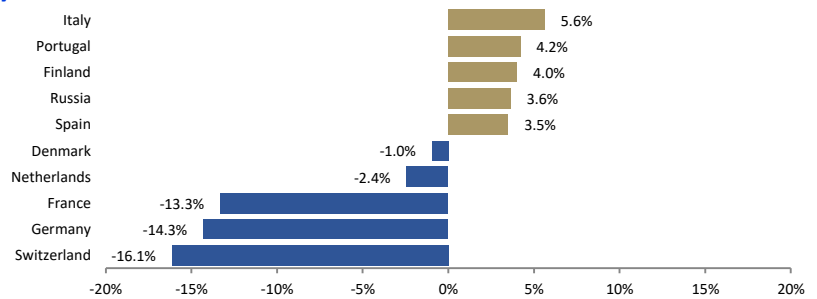
# FP Argonaut European Alpha

**At 31 December 2018**

Top Five holdings	Fund %
Essity	6.0
Inwit	5.8
Edenred	5.5
Liberbank	5.2
Grifols	5.0

Country Breakdown	Fund %
France	10.5
Spain	10.2
Italy	10.0
Finland	6.7
Sweden	6.7
Germany	4.9
Portugal	4.6
Russia	3.6
United Kingdom	3.6
Hungary	3.5

Market Cap	Fund %
Mega Cap > €20bn	10.8
Large Cap €5bn – €20bn	41.6
Mid Cap €1bn – €5bn	26.7
Small < €1bn	2.8
Cash	18.1

**Active Positions – top over/underweights Fund vs. Index**
**Sector**

**Country**


Risk Analysis	Since Launch	5 Year	1 Year
Beta	0.87	0.93	1.08
Standard Deviation (%)	16.90	13.11	14.05
Tracking Error	8.62	7.96	7.32
Jensen's Alpha	2.32	-2.11	-7.94
Sharpe Ratio	0.45	0.21	1.37
Information Ratio	0.18	-0.31	-1.20

Source: Lipper, all figures at 31/12/2018, these figures are subject to rounding. Date from the 12<sup>th</sup> May 2005 – 16<sup>th</sup> July 2012 A class and 16<sup>th</sup> July 2012 – 31<sup>st</sup> December 2018 reflects class R units. Tracking error is calculated ex post.

Source: Argonaut Capital Partners, all figures at 31/12/2018, these figures are subject to rounding.

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

Other ISINs for this fund:

GB00B6TQCC60	GB00B6T6S066
GB00B5LJR434	GB00B6VYPP25
GB00BVPB156	GB00B7JXMD51
GB00B76L7377	GB00B4ZRC005

**Glossary**

**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.

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