

Fund Factsheet

FP Argonaut Absolute Return

At 31 December 2017

Barry Norris

Lead Fund Manager



Greg Bennett

Deputy Fund Manager



Investment team

Barry Norris founded Argonaut in 2005 and manages the FP Argonaut Absolute Return 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 provide positive absolute returns in Sterling share class currency over a 3 year rolling period, utilising a variety of asset classes and regardless of market conditions. The fund will not be managed against any formal benchmark. Capital invested in the fund is at risk and there is no guarantee that the investment objective will be met over the 3 year rolling periods or in respect of any other time period. Historically, the fund has delivered lowly correlated returns to European equity markets.

Fund overview

Sector	IA Targeted Absolute Return
Launch date	18 Feb 2009 (GBP A Acc) 28 May 2009 (GBP I Acc)
Fund size	£92.4m
No. of long holdings	42
No. of short holdings	36
Share class	Class A/Class R/ Class I
Sedol codes	A (Acc) – B7MCO9 R (Acc) – B7FT1K7 I (Acc) – B79NKW0
Bloomberg	A (Acc) – IMEAAAG LN R (Acc) – IMEARAG LN I (Acc) – IMEIAIAG LN
ISIN	A (Acc) – GB00B7MCO90 R (Acc) – GB00B7FT1K78 I (Acc) – GB00B79NKW03
Initial charge	5.25% (A Share Class Shares only)
Ongoing charge (as at 15/02/17)	A Class Shares – 1.72% R Class Shares – 0.97% I Class Shares – 0.97%
AMC	A Class Shares – 1.50% R Class Shares – 0.75% I Class Shares – 0.75%
Performance fee	20% of anything above the hurdle rate subject to the price exceeding the high water mark (HWM)
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.

Source: Internal. All information as at 31/12/17 unless otherwise stated.

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

Fund Commentary

The fund returned +0.26% over the month, generating positive returns on both sides of our book. Correlation to the MSCI Pan European Index over the month was modest at 0.23* despite our net long positioning.¹

Our biggest winner was our long-held short position in retail conglomerate Steinhoff, which saw a spectacular 86% fall in its share price following its CEO's resignation, refusal of auditors to sign off its accounts and speculation that management had habitually used off-balance sheet vehicles to inflate company profits and syphon-off shareholder assets for personal gain. We had long been suspicious of Steinhoff's opaque reporting, disregard of normal standards of corporate governance and value destructive acquisition policy.

The successful Steinhoff short was partially offset by a continuation of profit taking in previously winning positions, particularly in the technology sector, as funds closed positions and generally reduced risk before the end of the calendar year. We would expect this technical move to quickly reverse in the New Year with renewed risk appetite.

The most notable macro feature of the month was the passing of the Trump initiated tax reform bill which will lower the statutory US corporate tax rate from 35% to 21%. This prompted significant short-term outperformance of US equities versus European. We also witnessed the Federal Reserve hiking the federal funds rate to 1.5%: its third 25bps increase of 2017 and its third December annual increase in a row. In the commodities complex, we saw further strength across the board, particularly in crude oil and industrial metals.

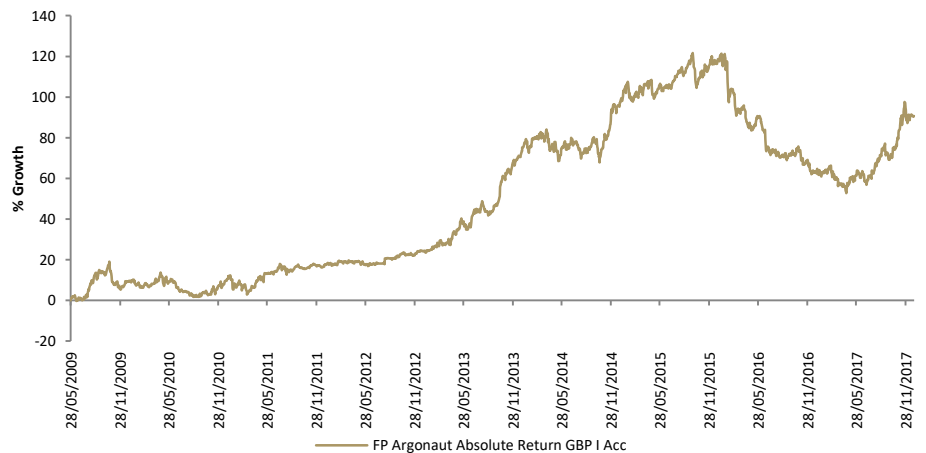
Looking back on 2017, we are struck by the absence of significant macro volatility, perhaps for the first time in a decade in Europe. This has allowed us to worry less about market direction and risk premiums and refocus on stock analysis with increasingly encouraging results.

During the month, we increased our gross exposure to 170% and left our net exposure at 60%.

*Correlation compares the hedged GBP I Acc share class daily returns against the MSCI Pan Europe TR EUR

¹ Lipper 31/12/2017, I Accumulation share class performance, in GBP with net income reinvested and no initial charges.

Performance



	1 Month	3 Month	1 Year	3 Year	5 Year	Since Launch	2017	2016	2015	2014	2013
Fund	0.3	12.8	17.3	-3.2	53.6	90.7	17.3	-25.6	11.0	13.6	39.7
Sector	0.0	0.7	3.4	8.0	18.9	37.7	3.4	1.9	2.5	2.8	7.1
Lipper L/S Euro*	0.9	0.6	6.6	20.7	28.0	34.2	6.6	10.9	2.2	-3.1	9.3
Quartile Rank	2	1	1	4	1	1	1	4	1	1	1

Risk Analysis	2017	2016	2015	2014	2013
Correlation**	0.30	0.28	0.08	0.22	0.24
Downside Capture Ratio (%)**	-205	117	-16	-40	-35
Standard Deviation (%)	9.9	10.8	8.3	10.8	9.9
Sharpe Ratio	1.3	-2.7	1.2	1.2	3.4
Sortino Ratio	1.9	-1.8	1.2	1.2	6.1

Source: Argonaut Capital Partners & Lipper 31/12/17, I Accumulation share class performance, in Sterling with net income reinvested and no initial charges. The sector is the IA Targeted Absolute Return (TAR), 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. *Lipper Global Alternative Long/Short Equity Europe quoted in Sterling. **MSCI Pan Euro quoted in € and the FP Argonaut Absolute Return GBP I Acc quoted in Sterling. Correlation is calculated on a daily basis. Downside Capture Ratio is calculated on a monthly basis, using compounded returns of the fund during negative market months (MSCI Pan Euro TR EUR), divided by the compounded returns of the market during those months, expressed as a percentage.



FP Argonaut Absolute Return

At 31 December 2017

Glossary:

Long position

Positions that will deliver a positive return if the stock goes up in value and a negative return if the stock falls in value

Short position

Positions that will deliver a positive return if the stock falls in value and a negative return if the stock goes up in value

Gross exposure

The overall exposure of the fund - the sum of the value of the long positions and the short positions

Net exposure

The directional market exposure of the fund - the value of the long positions minus the value of the short positions

Top Five Long Positions	Fund %
Sophos Group	6.3
TCS Group	5.1
Liberbank	5.1
Aixtron	5.0
Tennant	5.0

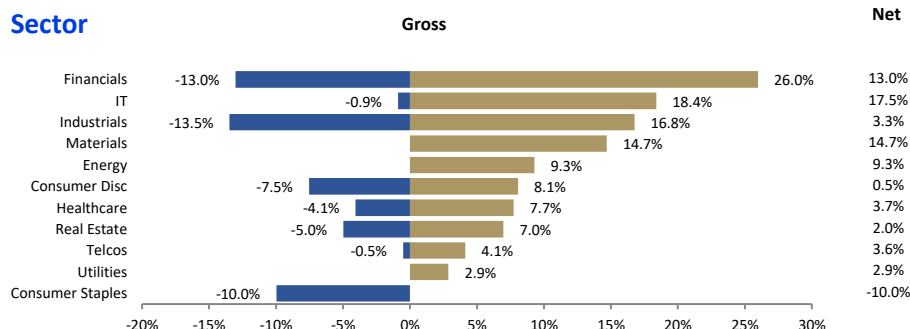
Exposure	Fund %
Long Exposure	114.9
Short Exposure	-54.5
Net Exposure	60.3
Gross Exposure	169.4

Market Cap Fund %	Long	Short
Mega Cap > €20bn	25.8	2.0
Large Cap €5bn - €20bn	30.9	14.8
Mid Cap €1bn - €5bn	56.4	23.6
Small Cap < €1bn	1.8	14.1

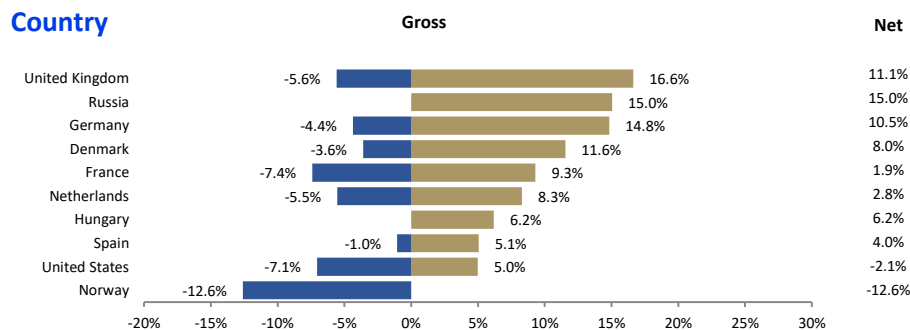
Days to Liquidate	% of Invested Portfolio
Less than 1 day	79.1
1-5 days	97.1
More than 5 days	100

Days to liquidate positions in the portfolio using 20% of the 90 days average trading volume

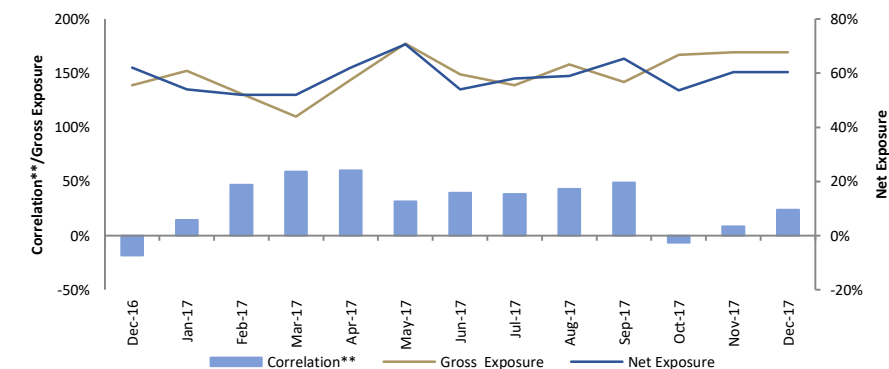
Long/Short Positions



Country



Overall Fund Exposure



**MSCI Pan Euro quoted in € and the FP Argonaut Absolute Return GBP I Acc quoted in £. Correlation is calculated on a daily basis

Source: Argonaut Capital Partners, all figures at 31/12/17, these figures are subject to rounding.

Dealing Contact:

+44 (0)844 620 0290

(UK Only)

+44 (0)1268 447403

(from outside the UK)

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Important Information

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.

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Investors should refer to the Key Investor Information Document (KIID) and Supplementary Information Document (SID) before investing. For a copy, please telephone Fund Partners Ltd on 0844 620 0290 or visit www.argonautcapital.co.uk Alternatively write to Fund Partners Ltd - Argonaut, PO Box 11954, Chelmsford, CM99 2DR.

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