YFS Argonaut Absolute Return

Fund Commentary

"Most great investors stick to an approach through thick and thin, and yet every approach goes out of favour sometimes, which means that every investor has periods in the dog house. To be a great investor, you must have an approach, and you have to stick to it, despite the times when it's not working "

Howard Marks, Founder of OakTree Capital, 2017

The Fund returned -2.2% over June compared with the IA Targeted Absolute Return sector return of +0.2% and the Morningstar Long/Short Europe sector return of +0.4%. The correlation to the market was -0.05 (0.16) whilst monthly annualised daily volatility was 9.8% (10.4%) vs. market 10.0% (13.8%).

Over the month, the Fund returned -3.9% from its long book and +1.4% from its short book (with +0.3% from FX hedging/other).

The best performing shorts were US drone manufacturer Kratos (-21%), Swedish property portal Hemnet (-25%) and bitcoin company Strategy (-42%). The worst performing short was airline Wizz (+17%).

Despite what was on paper the world's worst ever energy crisis during Q2 2026 (a subject we will no doubt return to in future commentaries) equity markets performed well at the headline level. Nearly all of the positive returns came from one theme, namely exposure to the AI Capex boom, yet low quality, high-beta and unprofitable speculative stocks also performed abnormally strongly. This created a "perfect storm" regime for our usually reliable investment process leading to poor investment outcomes. We would like to explain this in detail, with the help of data generated from our in-house quantitative analyst. We also accept that every investor will have some periods in the performance dog-house, though we remain highly motivated to mitigate this, through first accurately diagnosing the problem.

There are three key elements to the process: stock picking, macro-overlay and portfolio construction. We will address all three in turn.

Stock-picking

The key characteristics we believe are desirable in an attractive investment (for the long book) are: a cheap valuation; the prospect of the company earning more money than the market expects; a balance sheet able to fund value accretive growth and honest, aligned management. We look for the opposite characteristics in undesirable investments (for the short book).

This means that our long book should be cheaper than the market, getting superior earnings upgrades, with healthy cash generation and a high or improving ROE, that because of a robust balance sheet can be used to reward shareholders. Conversely, our short book should have the opposite characteristics.

Key Performance Numbers

-2.2 %	Monthly performance
-9.3 %	Year-to-date performance
11.8 %	5-year CAGR (net of fees)
- 0.1	5-year correlation to European equities*

*As at 30-Jun-26. *Euro Stoxx NR Index. Past performance is not a reliable indicator of future results.*

Key Fund Details†

GBP I	381.29
GBP A	337.23
GBP R	324.42
USD I	218.91
EUR I	298.73

Fund AUM (£m)	499m
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.
†Yealand, Bloomberg & Morningstar, calculation on a NAV basis with net income reinvested. All data shown as at 30 June 2026

*Euro Stoxx NR

Fig. 1 – WEIGHTED VALUATION METRICS OF AAR FUND vs. MSCI WORLD, BY LONG BOOK & SHORT BOOK, 30-Jun-26

NEXT 12M	LONG BOOK	SHORT BOOK	MSCI WORLD INDEX
P/E	9.9	20.6	19.5
EV/EBIT	10.2	30.6	16.1
EV/Sales	2.0	9.6	3.1
P/S	2.1	6.1	2.8
P/BV	2.1	5.9	3.8
ROE	26.0	10.1	18.2
FCF Yield	10.6	-5.0	3.7
Div Yield	5.0	2.4	1.7
% Change Cons. Est. EPS (Last 12m)	40.4%	-23.2%	-

Source: Argonaut Capital Partners, Bloomberg; All data as at 30-Jun-26.

If we look at the Absolute Return Fund at the end of June 2026, both long and short books continued to demonstrate these characteristics. In other words, our stock selection has continued to focus on attributes we deem valuable – and which have worked most of the time over 17 years – yet the problem has been that the market regime has recently decided not to reward them.

Although cheap stocks in the long book getting earnings upgrades have not made money, the most significant detractor from investment performance has been losing money in the short book from positions in high valuation, high volatility stocks, where analysts have been downgrading their profit forecasts.

Taking Q2-26 as a whole, the Fund's short book cost 11.4%, 70% of which came from low quality companies, 86% of which came from high volatility (or high-beta) names and 72% of which came from companies receiving earnings downgrades. It goes without saying that since we believe that share prices track earnings momentum, particularly when the starting point of valuation is favourable, that we expect this dynamic to reverse to the benefit of the Fund.

Fig. 2 – Q2-26 AAR FUND ATTRIBUTION BY QUALITY, VOLATILITY, EARNINGS REVISIONS & REGION

By Quality	
LONG BOOK	
Balanced	4.4%
High Quality	-3.5%
Low Quality	-4.9%
Unclassified	-1.0%
Subtotal	-4.9%
SHORT BOOK	
Balanced	-1.7%
High Quality	-1.9%
Low Quality	-7.9%
Unclassified	0.2%
Subtotal	-11.4%
NET	-16.3%

By Volatility	
LONG BOOK	
Low Vol	1.1%
High Vol	-5.0%
Unclassified	-1.0%
Subtotal	-4.9%
SHORT BOOK	
Low Vol	-1.8%
High Vol	-9.8%
Unclassified	0.2%
Subtotal	-11.4%
NET	-16.3%

By Earnings Revisions (Up/Down)	
LONG BOOK	
Up	-1.5%
Down	-2.9%
Unclassified	-0.6%
Subtotal	-4.9%
SHORT BOOK	
Up	-3.0%
Down	-8.1%
Unclassified	-0.2%
Subtotal	-11.4%
NET	-16.3%

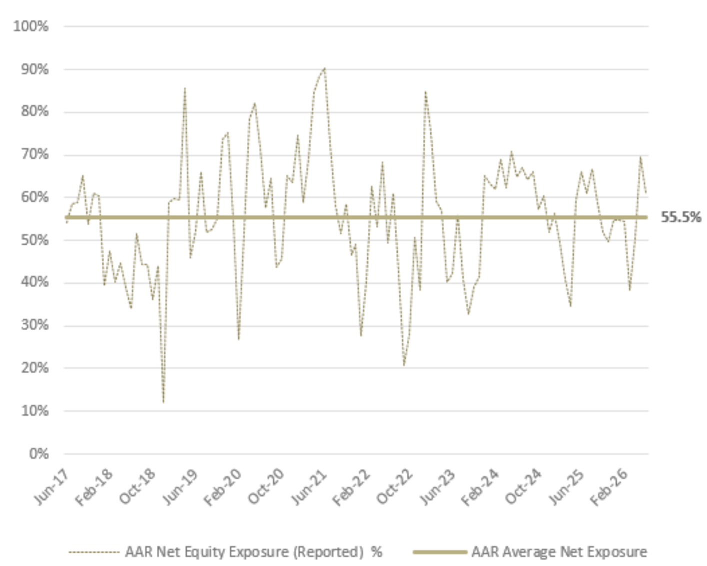
By Region	
LONG BOOK	
Europe	2.49%
North America	-7.45%
Unclassified	0.04%
Subtotal	-4.92%
SHORT BOOK	
Europe	-4.34%
North America	-7.04%
Unclassified	0.00%
Subtotal	-11.38%
NET	-16.3%

Source: Argonaut Capital Partners & Yealand Fund Services as at 30-Jun-26. All performance data above refers to YFS Argonaut Absolute Return Fund, uses the GBP I Acc share class. Attribution is gross of fees.

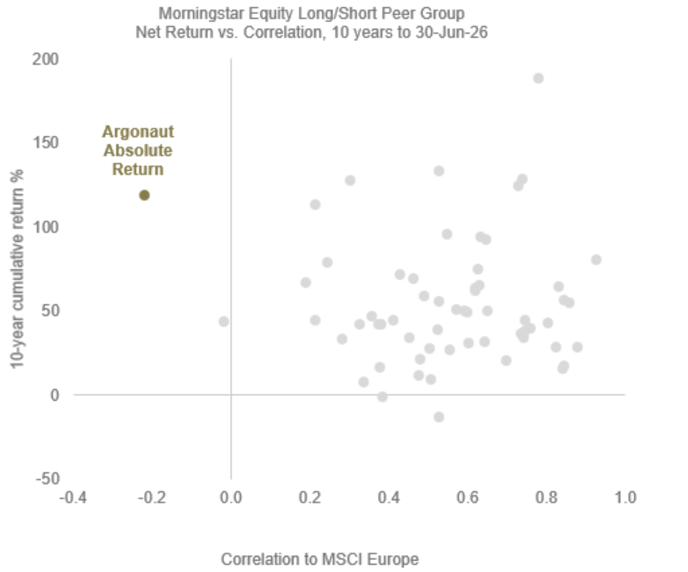
Aside from earnings momentum, there is a style bias implicit in our stock selection process, namely that our long book will typically be composed of higher quality and therefore lower volatility stocks, and our short book the opposite. This is deliberate: lower quality companies with weak profitability, cashflows, and balance sheets, with dishonest and incapable management tend to make good shorts. But from a portfolio construction perspective it has over time allowed the fund to run a generous headline net long equity exposure, yet successfully hedge market risk with high volatility (low quality) shorts – producing a low overall beta and also a negative correlation to the market as well as a positive downside capture ratio.

Fig. 3 – AAR FUND REPORTED NET EQUITY EXPOSURE & CORRELATION IN THE LAST 10 YEARS, JUN-16 TO JUN-26

AVERAGE REPORTED NET EQUITY EXPOSURE, JUN-16 TO JUN-26



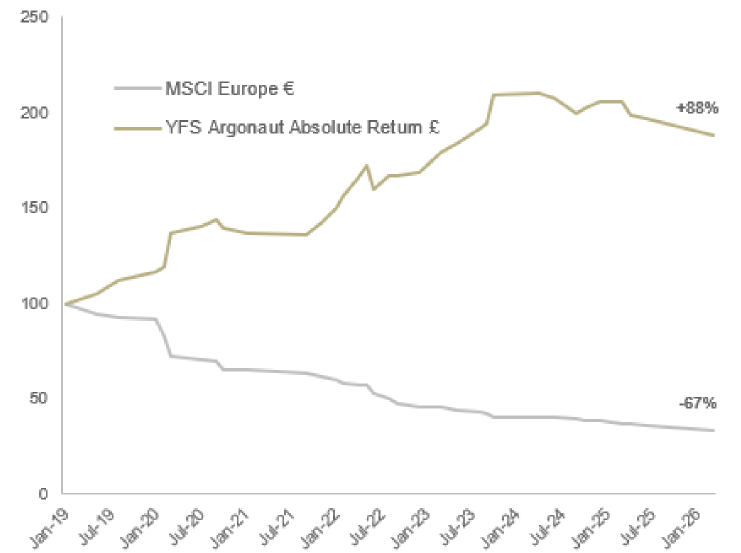
NEGATIVE CORRELATION TO EQUITIES, JUN-16 TO JUN-26



Source: Argonaut Capital, Bloomberg and Morningstar.

The result is that the fund has made healthy returns in negative market months as well as overall.

Fig. 4 – AAR FUND CUMULATIVE RETURN IN NEGATIVE MARKET MONTHS (MSCI EUROPE), JAN-19 TO JUN-26



The above chart shows the cumulative performance of AAR vs. MSCI Europe EUR TR Net Index for **negative market months only from 1-Jan-19 to 30-Jun-26**.

The Funds downside capture in this period was -75%.

Source: Argonaut Capital, Bloomberg & Morningstar as at 30-Jun-26. Performance data above uses the GBP I share class and is net of fees.

There is of course no free lunch in investing. We are aware that when the market decides to reward low quality, high-beta stocks, this has often been the Argonaut Absolute Return Fund's equivalent of kryptonite, as we find that we typically lose money on our short book and struggle to make any money in our long book.

This is when the strategy is at its most vulnerable and has historically resulted in uncorrelated drawdowns that seem inexplicable because of the headline net exposure and robust market performance at the index level. This is backed-up by historic analysis of the fund's drawdowns.

Our awareness of factor risk has resulted in us placing much emphasis on understanding macro conditions, diversifying our portfolio and more recently developing our own in-house quantitative and risk management tools. There have been several other periods of dislocation in the last 7 years and the fund has historically recovered strongly, driven by a process that has ultimately delivered over the long term.

Indeed, it is the enhanced focus on factor diversification since 2016 that has enabled the fund to deliver 7 years of double-digit net returns since 2019, even with notable drawdowns in 2020, 2022 and 2024.

Fig. 5 – LARGEST 10 DRAWDOWNS FOR AAR FUND VS. MSCI EUROPE & SUBSEQUENT PERFORMANCE FROM TROUGH, 2009-26

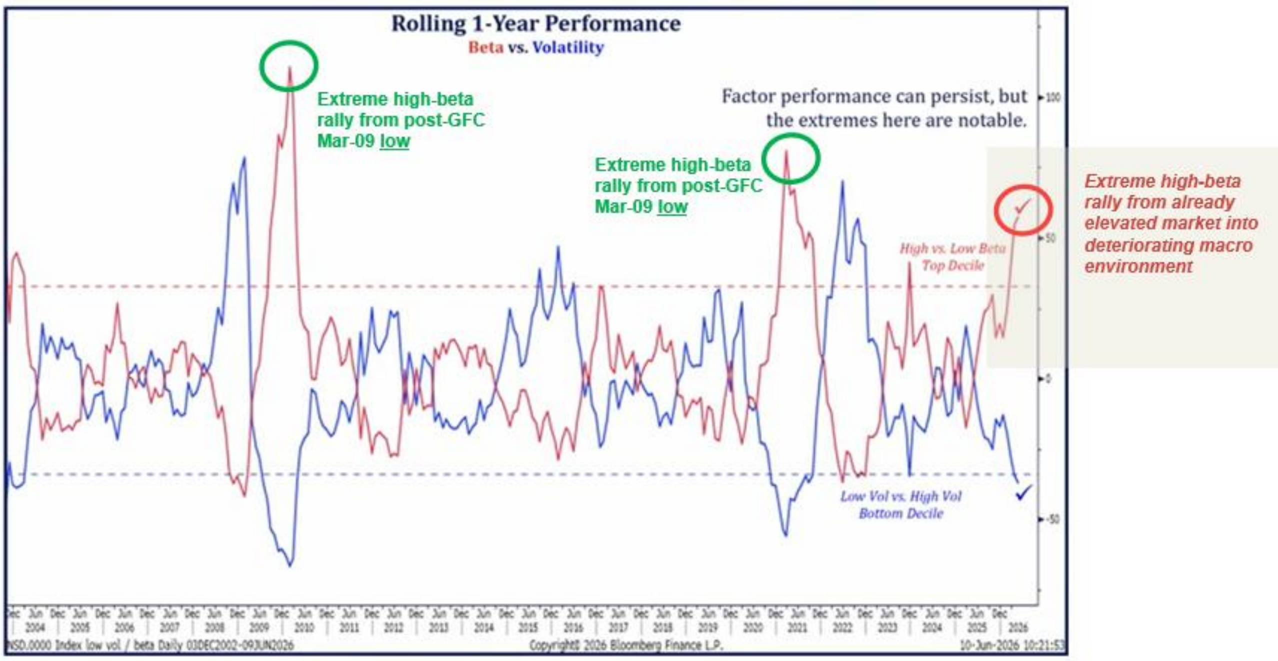
					AAR Net Performance From Trough Date (%)				
#	Peak Date	Trough Date	Fund Drawdown	MSCI Europe	1 Year	2 year	3 Year	4 Year	5 Year
1	26-Sep-15	21-Apr-17	-31.1	25.4	28.3	11.3	50.3	49.7	93.4
2	25-May-22	25-Jan-23	-22.6	8.2	34.8	56.1	83.1	--	--
3	25-Feb-26	01-Jul-26	-19.5	-0.4	--	--	--	--	--
4	02-Oct-20	28-Jul-21	-16.9	19.4	23.1	25.0	55.3	77.7	--
5	05-Mar-22	17-Mar-22	-13.5	9.7	6.0	35.0	48.7	69.2	--
6	14-Oct-09	04-Sep-10	-13.2	-5.6	13.4	18.1	40.0	71.2	110.3
7	06-Apr-24	06-Aug-24	-11.1	-3.7	24.4	--	--	--	--
8	19-Mar-20	08-Apr-20	-9.8	7.3	7.0	29.1	25.6	65.3	65.0
9	02-Apr-14	16-Oct-14	-8.8	-10.9	23.0	2.6	4.2	6.8	10.9
10	15-Apr-22	26-Apr-22	-8.1	-2.0	0.3	26.8	31.4	42.2	--

Source: Argonaut Capital, AAR uses GBP I share class; Performance data in GBP as at 30-Jun-26.

Macro

Given that high-beta rallies can be Argonaut's Achilles heel, we have thought long and hard about the macro conditions which in our view naturally facilitate junk rallies. After all, if we are aware of the possibility of regime change risk then we can mitigate the potential effect by tactically increasing our tolerance for lower quality stocks in the long book and higher quality stocks in the short book.

Fig. 6 – LATE-CYCLE BID FOR RISK ASSETS IS UNUSUAL – S&P 500: HIGH BETA IN TOP DECILE, LOW BETA IN BOTTOM DECILE



Source: Strategas, Argonaut Capital.

If I look back over my investment career (which began in 1998) excluding the current period, there have been three high-beta macro regimes that have stood out (March 2003, March 2009 and April 2020). They share the following characteristics. First, they normally occur after periods of junk factor underperformance and market drawdowns. Second, the catalyst more often than not is policy panic at central banks (and also government). Third, they occur when overall investor risk appetite is low and positioning is bearish. Fourth, on the principle that the rising tide floats all boats, it is the most marginal bombed-out assets that lead the market. Fifth, they prove to also anticipate a cyclical earnings recovery (in other words they are a leading indicator of earnings momentum).

None of these dynamics existed in April 2026, whereby the performance of the high-beta factor was already elevated and the market leadership of AI Capex had already been well established since October 2022. Moreover, economic conditions had worsened (we can debate by how much and for how long) since the start of the year: an energy supply crisis through the SoH still we note not fully resolved, accelerating inflation and, if not monetary tightening, then at least the prospect of rate cuts being taken away. The equity rally we witnessed in Q2 2026 has been the acceleration from elevated levels of an already well established high-beta factor despite a demonstrable worsening macro. In this regard, the only historic analogue is the end of cycle behaviour witnessed in the dot.com (99-00) and to a lesser extent just the GFC (07-08) both of which (unlike 03, 09 and 20 which were broad rallies) saw crowding into just a single dominant narrative (tech 99-00 and commodities 07-08). History therefore tells us to be especially wary of narrow high-beta rallies from elevated levels on weak macro fundamentals.

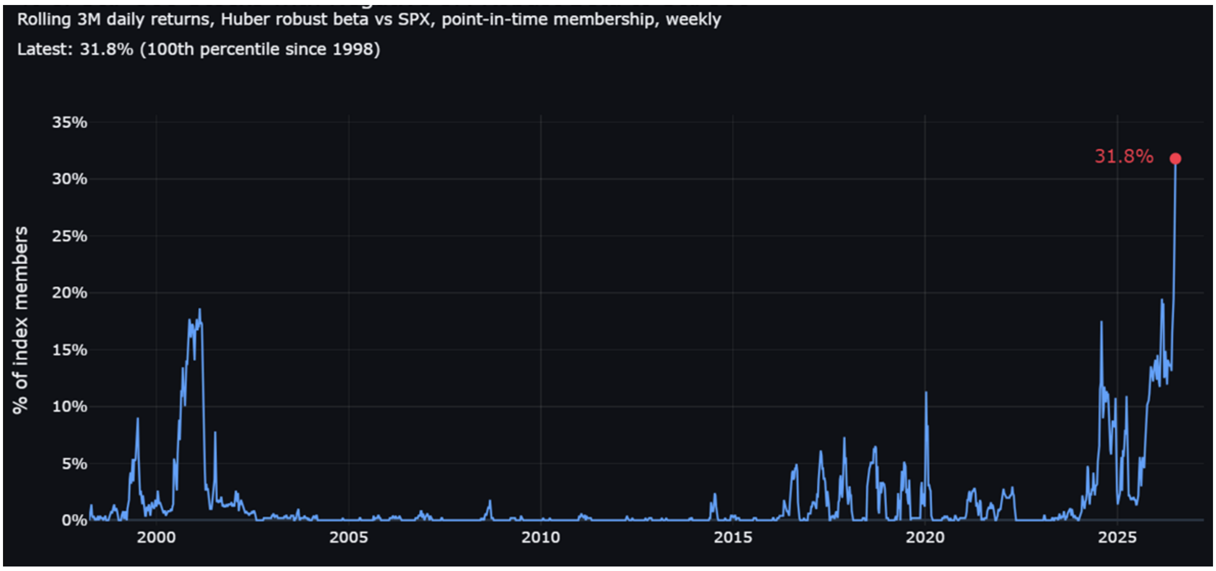
Portfolio Construction

When the high-beta factor has outsized performance it will always be problematic for Funds seeking to generate uncorrelated returns. Put simply if you are long the stock market's riskiest stocks, you cannot hedge your market exposure effectively with the least risky. To generate positive returns there would need to be a tactical acceptance that returns would need to be more correlated with the market.

According to Gavekal Research, global stock markets increased in value by $7trillion since the start of the year, but only $500bn came from the performance of non-semiconductor stocks. It is precisely because the Q2 2026 rally was so narrow – in a theme our research indicates we should be wary of – that portfolio diversification has also been problematic. With the S&P reaching consecutive all-time highs with just 5% of individual stocks hitting all-time highs, investment performance in Q2 2026 was essentially bifurcated between those who had semiconductors and those who did not. When "alpha generation" becomes crowded into one industry, diversification becomes less useful since outcomes are binary.

The narrow leadership of AI Capex and semiconductors has also led to high levels of hedge fund leverage amongst believers and retail speculation in the sector, which has further increased its volatility. Often this has been funded by selling everything else. To put this into perspective, over the last 3 months, 32% of the S&P 500 had demonstrated rolling negative betas, which is higher than the 19% at the peak of the dot.com boom. In other words, in Q2-26 the AI Capex boom sucked more capital out of the rest of the market than the dot.com bubble did at its peak.

Fig. 7 – % OF S&P500 STOCKS WITH A NEGATIVE 3M BETA, 1998 TO 2026



Source: Argonaut Capital, 30-Jun-26

The curious bear markets in defence and gold (in the middle of a geopolitical crisis) that began in March, is presumably because there has only been room for one winning narrative, again making portfolio diversification challenging. The size of the AI theme in global stock markets (e.g. semiconductor (20% of S&P) and technology (50%+ of S&P)) increasingly means that mainstream equity funds and technology funds are the same thing: good for them in Q2 but systematically disastrous if and when the bubble bursts.

Why we worry about the AI Capex boom

We were early enthusiasts for AI Capex beneficiaries (we talked about this on the Merryn Talks Money Podcast in December 2024) and it is a fair point to ask why we sold out of our previous positions since AI "picks and shovels" have undoubtedly been the single biggest source of market earnings upgrades, and not every stock (though as a reminder more than half the S&P's total market capitalisation is concentrated in mostly technology stocks trading above 10x sales) are on nosebleed valuations. We simply have become increasingly convinced that the AI Capex boom is more fragile and therefore more unsustainable than the market believes, not because we won't use AI but because the business models of the leading LLM's will never generate enough profit to pay for the Capex, inevitably in our view leading to a boom and bust cycle, irrespective of what happens over the longer-term.

The historic parallel is that most of the companies building the internet during the dot.com (98-00) proved to be appalling investments but this has not stopped the value of the internet accruing to the consumer, it negatively impacting previously profitable industries or ultimately winners emerging from the economic wreckage during the long technology bear market (00-08).

Our confidence in the AI Capex boom was first undermined by the "sputnik moment" in January 2025 with the release of DeepSeek, which demonstrated the LLM business model could be both less capital and compute intensive and open-sourced. Although with a kind of patriotic amnesia the American AI industry ignored the Chinese threat, we think both cost-efficiency and the greater security of open source will prove to be a competitive advantage for LLM's, irrespective of their nationality. As Gary Marcus has consistently argued the "scale is all you need" LLM business model should have already been consigned to the dustbin of economic history yet presumably hasn't because its stupidity is good for Nvidia (the Capex boom) and the circular funding ecosystem of US AI.

As we subsequently got to understand the business models of the leading American LLM's Open AI and Anthropic (the ultimate customer for more than 50% with some estimates of up to 80% of all US AI Capex) we became more concerned about their absence of gross margin and therefore the scalability in their business models, meaning they might not be able to pay even for existing data centre commitments unless investors with long time horizons were prepared to subsidise their cash-burn, which is now at an epic level. We also noted the common misconception that it was the "hyperscalers" with their previously pristine balance sheets who were funding the AI Capex boom, when in fact they were largely building datacentres to rent out to cash-burning LLM customers (Open AI's own projections have it losing a cumulative $115bn to projected break-even in 2029).

The problem with AI is not whether consumers or enterprises find it useful: it is the inability of the LLM business model to deliver the product at a low enough price to stimulate demand and for the LLM to make a profit, in the absence of economic moat, generating enough cash-flow to pay for the Capex. This is not Anthropic and it is definitely not Open AI, which with its $1.1trillion of spending commitments, slowing revenue growth and stalling customer growth, we believe could go bust without a US Federal government bailout (which is presumably why they are actively courting Trump to become an investor (even for free) in Open AI). The WSJ reported on June 10th that Open AI was considering "drastic" token price cuts to win back market share from Anthropic, demonstrating the absence of pricing power in the LLM industry.

Both Open AI and Anthropic have both filed "confidential" S-1 in recent weeks with the aim of raising capital at trillion dollar valuations to fund their cash burn. Presumably they were told that they must be able to demonstrate at least a path to profitability, which is why their revenue models have abruptly changed from "token maximisation" (funding explosive growth by giving the product away below cost) to charging per token.

Somewhat inevitably, there has been client pushback against the imposition of "metered access" at above cost when previously enterprises and consumers enjoyed "all you can eat" access at a fraction of compute (and training) cost. Many corporations (e.g. Microsoft, Uber) realising AI isn't as cheap as they previously thought have reportedly moved workloads to Chinese LLM's offering 90% of the capabilities for 10-20% of the cost. Data now suggests that US LLM token volume is flatlining with Chinese LLM's growing very quickly, now accounting for more than 50% of token market share. It seems to us that most enterprises and consumers do not need to pay 10x for the "frontier model" when the rest of the industry is only months behind and that in any commodity industry the lowest cost producer always wins.

It is also clear that being "Open-Source" has also become more relevant as on June 13th the US Government shut down access with 90 minutes notice access to Anthropic's latest Fable 5 and Mythos 5 models. French President Macron warned that if the US could "turn off the switch" unilaterally it represented a sovereign risk for allied nations. Enterprises are becoming increasingly aware of the risk of not being able to run models on their own servers and also the risk of sharing their data with LLM's (recently highlighted by Palantir CEO Alex Karp on CNBC). We note that Nvidia is building its own open-source LLM for enterprises. This has the potential to be a formidable competitor to Open AI and Anthropic. Moreover, whilst "compute" is likely to be commoditised, we do not dismiss the potential for valuable monopolistic type businesses to be built in the future at the application layer.

We believe that the "trillion dollar" IPO's of Anthropic and Open AI will be "open kimono" events for the market. We are told that Open AI and Anthropic have now pushed back their IPO's to later in the year or 2027, presumably because if they were to publish a prospectus and subject their accounts and forecasts to the rigour of public scrutiny, it just wouldn't fly. Anyone thinking they are investing in the next tech company about to make monopolistic profits will likely be very disappointed. As Gary Marcus recently wrote on his Substack:

"*Everybody is building essentially the same technical solution with essentially the same data, so there is no moat. If there is no moat, nobody is going to take 90% of the market. With no clear winners, nobody can charge monopoly prices: instead, you get price wars and commodity pricing*."

We should also add that without the prospect of "monopolistic" profits, there is less incentive to spend more money on Capex and some risk of customer default. There is also an operational and execution problem, which comes from the likely over-ordering of "picks and shovels", where there are some tentative signs of problems.

Given the previous "token maximisation" phase and the 2-3 years it takes to build an AI datacentre, it is not surprising that the AI industry has consistently complained about the "scarcity of compute" but we did wonder how quickly all of these semiconductors on order could be deployed, and queried whether customers were over-ordering at now much higher prices relative to actual demand. Some investors were puzzled that in such a scarce environment for compute, Space X had decided to rent out its Colossus I and II data centres to Anthropic. Meta subsequently announced that it would set up its own "neocloud" division, renting out its excess data centre capacity to third parties, with presumably Zuckerberg having changed his mind from his statement at its AGM in May that:

"*We haven't done that yet because we think we have a use for the compute. But obviously if we get to a point where we feel that we have overbuilt, then that is an option that we have, and that is partially what gives us confidence in investing in building this out*."

If data centre capacity has now caught up with demand and LLM market share is being taken by less compute intensive models, might the AI industry be about to get less rather than more capital intensive? Are Open AI and Anthropic who are losing market share and struggling to fund existing commitments going to ask hyperscalers to build even more data centre capacity for them? Concerned with their underperformance relative to AI Capex beneficiaries, will the management of hyperscalers be tempted to say they can get more out of existing capex commitments rather than continuing to destroy their own share prices? When the first hyperscaler to slow spending sees its share price rewarded, what happens to the share prices of semiconductor stocks?

We are aware that managing risk in an investment mania is a different skill set from identifying an investment bubble. Being early in identifying an investment truth does not necessarily mean instant rewards. Many of us identified Wirecard as a fraud years before it went bust, yet only a few had the position on at the end. For this reason our AI related short positions although egregious, are currently small and occupy a modest proportion of our overall short portfolio given our high conviction levels elsewhere and need to maintain diversification. That said, we stand ready to increase position sizes should the market structure deteriorate or when there are obvious fundamental signs like Hyperscalers becoming more prudent with their public pronouncements on Capex. We also believe that, just as investors crowded into AI Capex in Q2, any broadening of the market – particularly if geopolitical risks continue to diminish – will see AI Capex plays being used as a source of funding.

Our investment process has delivered more often than not over the last 17 years and while we always continue to seek to improve, in looking to generate uncorrelated, differentiated returns to equity markets we also accept there can be bumps in the road. Moreover, these bumps have historically not been correlated to stock markets and most other equity funds in general.

We cannot guarantee to avoid drawdowns, nor predict when irrationality will end though we can however reduce gross exposure, be patient and exercise our judgement formed in over 30 years of investing that the risk/reward in the AI trade is poor, certainly inferior to the rest of the market.

When things turn properly – rather than a mere momentum unwind that we've seen in recent days – particularly given the size of AI stocks on global stock markets, it will be a fantastic time to have a short book. Indeed, we believe that as in 2000-2003 bear market, long/short equity with a value bias will be the best play to be.

Barry Norris
July 2026

LSEG Lipper Fund Awards
Winner 2026
United Kingdom

ALPHA MANAGER 2026
Barry Norris

YFS Argonaut Absolute Return

PERFORMANCE (%)

	1M	3M	1YR	3YR	5YR	YTD	ITD	ITD CAGR
Argonaut AR Fund	-2.2	-14.5	1.7	42.4	75.0	-9.3	281.3	8.1
EURO STOXX NR	3.7	14.6	22.4	56.6	67.9	11.7	350.5	9.2
IA Targeted Absolute Return	0.2	2.6	6.6	22.8	26.4	4.6	140.2	4.8

DISCRETE YEARLY PERFORMANCE (%)

1-year to	30 Jun 22	30 Jun 23	30 Jun 24	30 Jun 25	30 Jun 26
Argonaut AR Fund	26.9	-3.2	27.6	9.8	1.7
EURO STOXX NR	-13.3	23.6	11.5	14.8	22.4
IA Targeted Absolute Return	0.9	2.0	8.6	5.8	6.6

KEY STATISTICS SINCE INCEPTION

Annualised Net Return	8.1
Annualised Volatility	12.8
Correlation vs. European equities	-0.1
Average Long Alpha	4.0
Average Short Alpha	6.0
Best Month	15.0
Worst Month	-10.8
Average ROIC	11.5
Upside Capture	18.6
Downside Capture	-25.0

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	9.4	2.1	15.5	0.2	8.8	11.1	0.7
2025	4.0	0.6	-0.3	-3.5	4.3	-0.7	1.5	3.8	2.2	0.9	1.6	1.5	16.9	0.2	11.4	12.1	1.5
2026	8.1	2.9	-4.6	-8.4	-4.7	-2.2							-9.3	0.1	-19.6	13.7	-2.0
											CAGR Since Inception		**8.1**	**-0.1**	**11.5**	**12.8**	**0.4**

Source: Argonaut Capital Partners, Bloomberg & Morningstar as at 30-Jun-26. All performance data above refers to YFS 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, as at market close. Standard Deviation calculated by annualising monthly returns in base currency. Figures for 2026 YTD calculated using daily returns. YFS 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
Raiffeisen Bank	7.4%
OTP Bank	7.3%
Archer-Daniels-Midland Co	7.2%
Darling Ingredients	6.9%
Pandora A/S	4.9%

TOP 5 SHORT POSITIONS

	% NAV
Consumer Discretionary	-2.3%
Industrials	-1.9%
Industrials	-1.6%
Industrials	-1.5%
Utilities	-1.4%

MARKET CAP BREAKDOWN

	LONG	SHORT
>$50bn	3.1%	-3.9%
$20-50bn	38.3%	-6.3%
$5-20bn	35.6%	-10.2%
$1-5bn	20.3%	-9.6%
<$1bn	0.0%	-6.3%

DAYS TO LIQUIDATE

	% PORTFOLIO
Less than 1 day	58.8%
1-5 days	37.9%
More than 5 days	3.3%

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

FUND EXPOSURES

	% NAV
Long Exposure	97.3%
Short Exposure	-36.3%
Gross Exposure	133.6%
Net Exposure (Reported)	61.0%
Net exposure Beta-Adj. (6m beta)	14.2%

OTHER

# of long positions	30
# of short positions	48

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

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LSEG Lipper Fund Awards Winner 2026 United Kingdom
LSEG Lipper Fund Awards Winner 2025 United Kingdom
LSEG Lipper Fund Awards 2024 Winner United Kingdom

EQUITY EXPOSURE BY GEOGRAPHY (%)

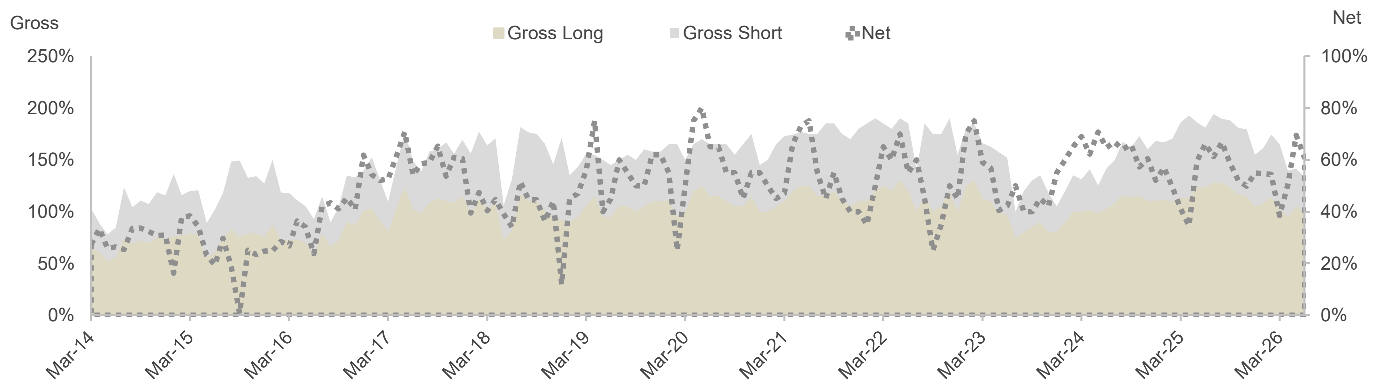
Country	Long	Short	Gross	Net
United States	35.9	-14.5	50.4	21.4
Austria	9.5	0.0	9.5	9.5
Greece	9.4	0.0	9.4	9.4
United Kingdom	7.9	-5.8	13.7	2.1
Hungary	7.3	0.0	7.3	7.3
Denmark	6.9	-3.0	9.9	3.9
Norway	5.4	-0.4	5.8	5.0
Finland	4.5	0.0	4.5	4.5
Other	10.5	-12.6	23.1	-2.1
Total	**97.3**	**-36.3**	**133.6**	**61.0**

EQUITY EXPOSURE BY SECTOR (%)

Industry	Long	Short	Gross	Net
Financials	30.1	-5.0	35.1	25.1
Energy	19.5	0.0	19.5	19.5
Consumer Staples	18.6	-2.2	20.8	16.4
Consumer Discretionary	11.1	-9.6	20.7	1.5
Industrials	9.9	-7.6	17.5	2.3
Utilities	6.1	-3.4	9.5	2.7
Materials	2.0	-0.4	2.4	1.6
Information Technology	0.0	-5.3	5.3	-5.3
Other	0.0	-2.8	2.8	-2.8
Total	**97.3**	**-36.3**	**133.6**	**61.0**

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

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 30 June 2026.

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	IMEAAAG 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	1.60%	0.85%	0.85%	0.85%	0.85%
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)	Yealand Fund Services
Prime Broker	UBS
Auditor	Moore Kingston Smith LLP
Custodian	Caceis
Depositary	NatWest Trustee & Depository Services
Accountant	Yealand Fund Services
Legal Counsel	CMS

FUND OVERVIEW

Objective: the YFS 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. **The Fund uses derivatives and may be leveraged, which increases the risk of capital loss.**

IMPORTANT INFORMATION

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

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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.

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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. It is not suitable for Retail Investors. Yealand Fund Services is the Authorised Corporate Director (ACD) of YFS Argonaut Funds and is authorised and regulated by the Financial Conduct Authority. Registered office: Fountain Suite B, Lynch Wood Park, Lynch Wood, Peterborough, Cambridgeshire, PE2 6FZ.

Investors should refer to the Key Investor Information Document (KIID) and Supplementary Information Document (SID) before investing. For a copy, please telephone Yealand Fund Services on 01733 316 100 or visit www.argonautcapital.co.uk. Alternatively write to Yealand Fund Services – Argonaut, Fountain Suite B, Lynch Wood Park, Lynch Wood, Peterborough, Cambridgeshire, PE2 6FZ. 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.

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