

# The Argo Fund / The Argo Feeder Fund Limited

## Emerging Markets Debt & Macro

### Monthly Letter & Risk Report

April 2020

Performance	
NAV Per Share	304.68
April Return	1.70%
YTD Return	-6.07%
Annualised Return Since Inception	6.61%
Annualised Volatility Since Inception	11.53%
Sharpe Ratio Since Inception	0.46
Percentage of up months	67.66%
Fund Characteristics	
Structure	Standalone
Jurisdiction	Cayman Islands
Launch Date	2000
AUM (all share classes)	\$95m
Share Class	Class A
ISIN	KYG0540S1084
Subscription	Monthly
Redemption	Monthly
Redemption Notice	120 days
Minimum Investment	\$100,000 (or €/\$ equivalent)
Management Fee	2%
Performance Fee	20%

### Investment Strategy

The Argo Fund is a diversified global emerging markets debt and macro fund with a master/feeder structure. The Argo Fund seeks to capture alpha through long and short investment in EM corporate, sovereign and distressed credit and FX. The fund uses a macro hedging overlay strategy to actively manage portfolio duration, volatility and correlation.

### Monthly Commentary

The Argo Fund rebounded following the market shock in March to post a positive performance in April. Investor sentiment improved as the US government and Federal Reserve effectively removed 'left-tail' risk for investors through their substantial economic support package in late March.

As a result, we felt comfortable reducing our very high cash position and cut many of our macro shorts. The fund's short position in US High Yield bonds was the top performer for the month. We also closed our EM local currency bond exposure and took profit on EM equity position following a rally. Additionally, we initiated a short position in S&P index futures to hedge market risk.

We switched out of our Mexican sovereign bond into state-owned oil producer Pemex after the company was finally downgraded to 'junk' status in a widely anticipated move. Pemex offers a substantial spread pickup versus the sovereign and the incumbent administration has repeatedly emphasized the national importance of the company. We believe the government will continue its financial support following the US\$5bn bailout in 2019. Pemex is also highly correlated to oil and after the collapse we re-positioned in order to benefit from a rebound. In fact the supply side response has been faster than many in the market expected and oil has rebounded strongly back above \$30 a barrel.

In Africa, we continued to add Angola exposure on lower oil prices. Angola is heavily exposed to oil prices however with a flexible exchange rate and relatively low Eurobond service payments this year we thought the selloff was excessive. Further engagement with the IMF and a possible maturity extension from Chinese commercial creditors, we believe the country will continue to be supported by the international community. Elsewhere, our position in Tullow Oil was boosted by the company's agreement to sell Uganda assets to Total for US\$575mn.

Our distressed book suffered during April as the Argentina and Lebanon restructurings continued to slowly proceed. Argentina sovereign bonds dropped after a disappointing offer was announced by the government and subsequently firmly rejected by bondholder groups. However, by mid-May, these groups had put forward their own proposals, raising hopes that a compromise will be possible. Our thesis continues to be that the government wishes to avoid a hard default and all the economic pain that comes with it and so remains amicable to improving its offer.

We continued to add to our Lebanon position at a very low dollar price. Developments surrounding the reform program and bond restructuring have been slow amidst the coronavirus shock but negotiations with the IMF are underway and authorities have begun engaging with creditors.

We initiated a relative value CDS trade between Russia and Saudi Arabia. We believe Saudi Arabia will suffer disproportionately in a depressed oil price environment as they have borrowed excessively to close the fiscal gap in recent years and lack a floating FX regime to dampen external shocks. Conversely Russia has a lower oil breakeven price, large reserve buffers, lower external liabilities and a floating FX rate that helps it to weather the storm.

### Portfolio Statistics

Duration	0.85
99% 1-month VaR	10.46%
Average Credit Rating <sup>1</sup>	CCC+
Average Yield to Maturity <sup>2</sup>	3.32%
Annualised Downside Risk (1 Year)	7.87%
Monthly Turnover <sup>3</sup>	64.95%
Cash	50.74%
Leverage:	
Gross Exposure Method	50.69%
Commitment Method	47.54%

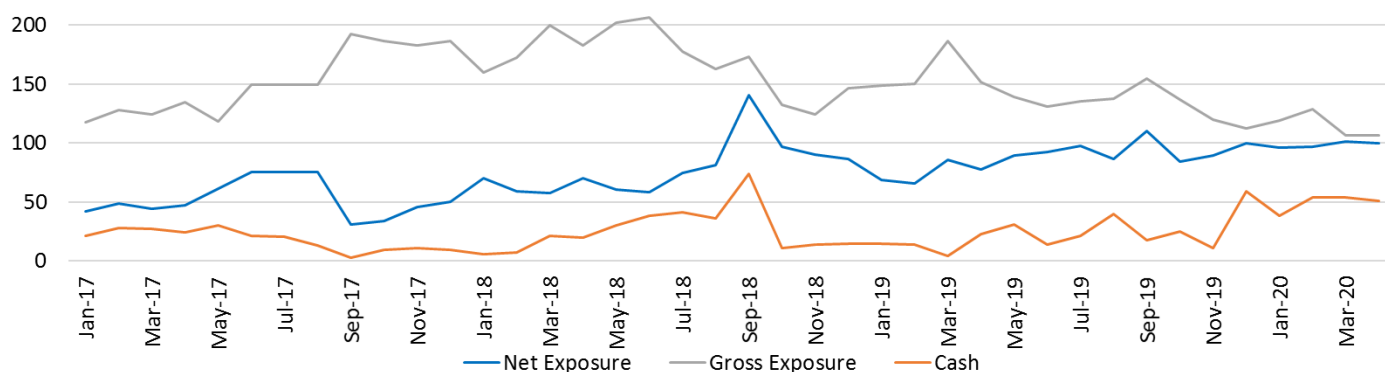
### Notes:

1. Includes long and short positions & excludes cash
2. Excludes cash
3. % AUM
4. Excludes de minimis exposure in FX
- 5: Monte Carlo VaR as calculated by Bloomberg Risk Analytic and where not available calculated by Argo based on historic 3-month data.
- 6: As % of NAV
7. Gross performance in bps of average AUM of the period
- 8: Assuming normal market conditions

All figures as of 30<sup>th</sup> April 2020

Figures published are for the Feeder Fund from December 2019

### Fund Exposure (%)



### Month End Risk Exposures

NAV sensitivity for -100bps shift in the yield curve

#### Strategy <sup>4</sup>

EM Corporate	EM Distressed	Macro Hedge	EM Sovereign	Total
0.33	0.52	0.00	0.00	0.85

#### Region

Middle East & Africa	Asia	Europe	LatAm	US	Total
-0.02	0.06	0.20	0.61	0.00	0.85

### 99% 1 Month Component VaR (%)

#### By Strategy

EM Corporate	EM Distressed	FX	Macro Hedge	EM Sovereign	Total
1.18	8.70	0.01	0.00	0.57	10.46

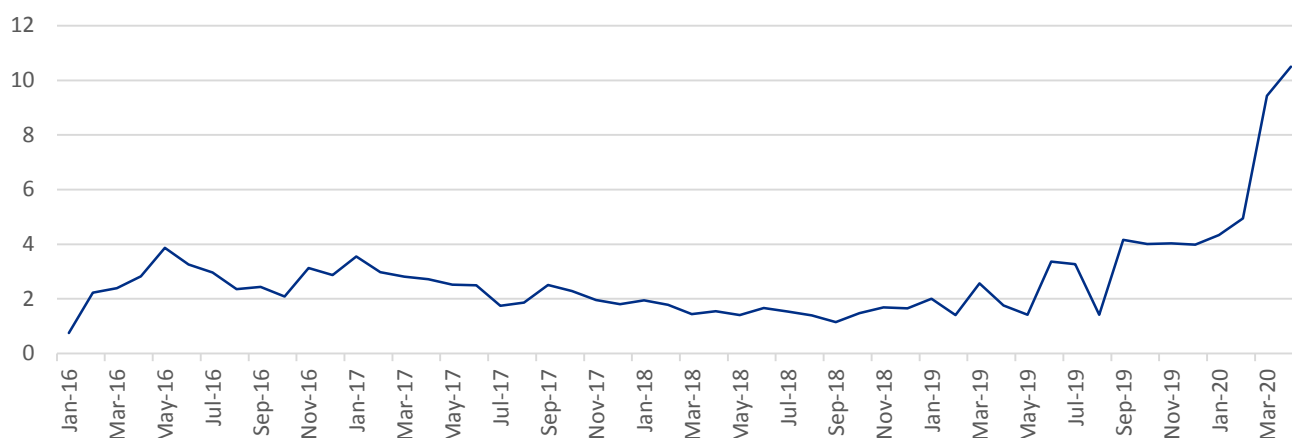
#### By Region

Middle East & Africa	Asia	Europe	LatAm	US	Total
1.63	0.24	0.42	8.17	0.00	10.46

### By Maturity

0-1yr	1-3yr	3-5yr	5-7yr	7-10yr	10+yr	Total
0.00	2.20	2.53	0.83	3.41	1.49	10.46

### Monte Carlo 99% 1 Month VaR (%) <sup>5</sup>



### Top 5 Country Holdings <sup>6</sup>

Country	Region	%
Argentina	LatAm	10.99%
Ukraine	Europe	9.35%
Sudan	Middle East & Africa	4.25%
Lebanon	Middle East & Africa	4.12%
Egypt	Middle East & Africa	4.08%

### Top 5 Holdings by Name <sup>6</sup>

Position	Strategy	%
Argentina Sovereign Credit	EM Distressed	7.03%
Ukraine GDP Warrants	EM Sovereign	5.22%
Republic of Sudan	EM Distressed	4.25%
Lebanon Sovereign Credit	EM Distressed	4.12%
Egypt T-bill	EM Sovereign	4.08%

### Performance Attribution <sup>7</sup>

#### Largest Contributors (bps)

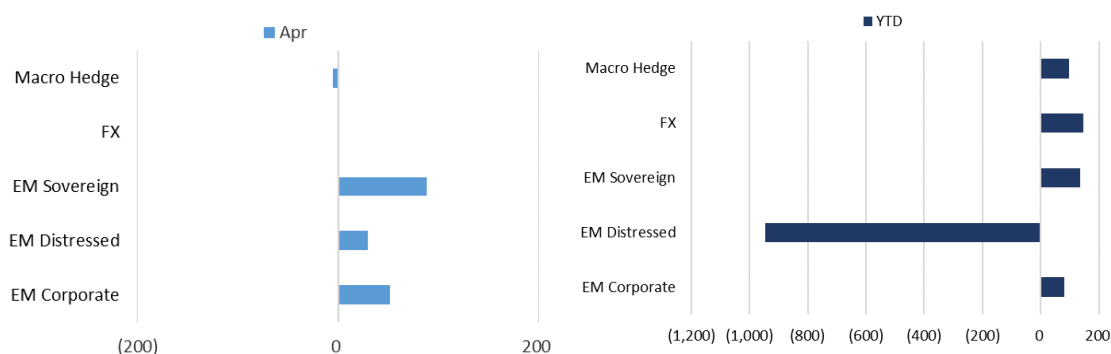
Position	Long/Short	Strategy	Region	Performance
CDX:HY	Short	Macro Hedge	US	+40
East African Sovereign	Short	EM Sovereign	Middle East & Africa	+38
Tullow Oil	Long	EM Distressed	Middle East & Africa	+35
Province of Buenos Aires	Long	EM Distressed	LatAm	+31
Ukraine Sovereign Local	Long	EM Sovereign	Europe	+30

#### Largest Detractors (bps)

Position	Long/Short	Strategy	Region	Performance
Lebanon Sovereign Credit	Long	EM Distressed	Middle East & Africa	-34
S&P Futures	Short	Macro Hedge	US	-33
Argentina Sovereign Credit	Long	EM Distressed	LatAm	-32
CDX:EM	Short	Macro Hedge	Global	-18
Chile 5yr CDS	ShortLong	EM Sovereign	LatAm	-4

## Performance Attribution by Strategy

Gross Performance Attribution (bps)



## Performance History (Net Return)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	-0.95%	-0.80%	-6.00%	1.70%									-6.07%
2019	2.74%	1.26%	-0.89%	-0.06%	0.00%	1.17%	0.86%	-5.74%	1.14%	-0.93%	-0.37%	3.27%	2.18%
2018	1.85%	-0.22%	0.04%	-0.15%	-1.50%	-1.93%	-0.56%	-1.96%	0.67%	0.47%	-2.31%	-0.12%	-5.65%
2017	1.53%	0.72%	1.88%	1.61%	-1.22%	0.10%	0.88%	1.24%	1.15%	1.00%	-0.05%	1.41%	10.70%
2016	10.44%	0.17%	2.22%	5.03%	1.13%	19.17%	2.09%	1.30%	0.66%	0.76%	-0.27%	1.70%	52.30%

## Liquidation Profile (% AUM) <sup>8</sup>



■ >1 month ■ <1 week ■ Cash

## Contact Information

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## Comparatives

	MTD	YTD
The Argo Fund	1.70%	-6.07%
JPM EMBI+	-0.88%	-7.87%
JPM CEMBI	4.09%	-6.49%
JPM EMFX	-0.76%	-13.74%
Barclays EM USD Aggregate	2.60%	-7.13%
HFRI EM Total	5.35%	-10.22%

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