

The Argo Fund / The Argo Feeder Fund Limited

Emerging Markets Debt & Macro

Monthly Letter & Risk Report

February 2021

Performance	
NAV Per Share	337.15
February Return	-0.18%
YTD Return	-1.50%
Annualised Return Since Inception	6.88%
Annualised Volatility Since Inception	11.47%
Sharpe Ratio Since Inception	0.49
Percentage of up months	66.94%
Fund Characteristics	
Structure	Master-Feeder
Jurisdiction	Cayman Islands
Launch Date	2000
AUM (all share classes)	\$121m
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%
Designated Investments	
Jurisdiction	Cayman Islands
Launch Date	December 2019
Return since inception	79.42%
ISIN	KYG0540S1167
Share Class	DI 1
Fixed investment period	36 months
Redemption	Upon realisation
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

Our positions in Argentina weighed on portfolio performance for a second consecutive month. It was reported that Argentina's vice-president, Cristina Fernández de Kirchner, and left-wing allies want to postpone the crucial IMF deal until the pandemic has eased, avoiding painful spending cuts before October's mid-term elections. This contradicts finance minister Martin Guzman's earlier comments over wishing to complete negotiations with the IMF by May and further eroded investor confidence in the current administration.

In Asia, prices of Sri Lankan sovereign bonds fell once again as they failed to renew a USD 400mn FX swap line with India. The government also continued to dismiss any need for an IMF program despite looming maturities. We continue to believe authorities still have refinancing options and ultimately would go to the IMF. Our position in distressed Indonesian real estate company Modernland recovered after the company's financial advisors revealed they were in negotiations with the ad-hoc group of bondholders and expect to offer a new restructuring proposal.

At the time of writing Argentina and Sri Lanka have largely rebounded on more positive news flow in March.

US Treasury yields continued climbing, reaching the highest levels since the onset of the Covid-19 crisis. The sell-off has been driven by increased inflation forecasts on the back of a large fiscal stimulus, vaccine rollout and consumer demand expectations. As the curve steepens, we expressed a view on this theme by lowering portfolio duration through shorts in several long-dated EM sovereigns.

The broad upswing in commodity prices has led some market participants to forecast a multi-year 'supercycle'. The recovery in prices over the past six months has been wide-ranging as investors expect a demand-driven V-shaped recovery and commodities serve as a natural hedge to inflation expectations. We have exposure to certain commodities through EM sovereign and corporates but added a soft commodity ETF to diversify further.

Our position in Ghana-focused oil producer Tullow Oil continued to outperform this month following a surge in oil prices after a tightening in global supplies. Additionally, Tullow announced it had agreed with banks to marginally reduce its debt capacity in its RBL facility to USD1.7bn. The continuation of the RBL facility at this level forms a key part of Tullow's strategic business plan review and removes one short-term overhang. We also participated in the new issue of Kosmos Energy, which has an interest in the same assets as Tullow. Likewise, our position in Brazilian drillship operator, Ocyan, continued to benefit from the upswing in oil prices and favourable contract news.

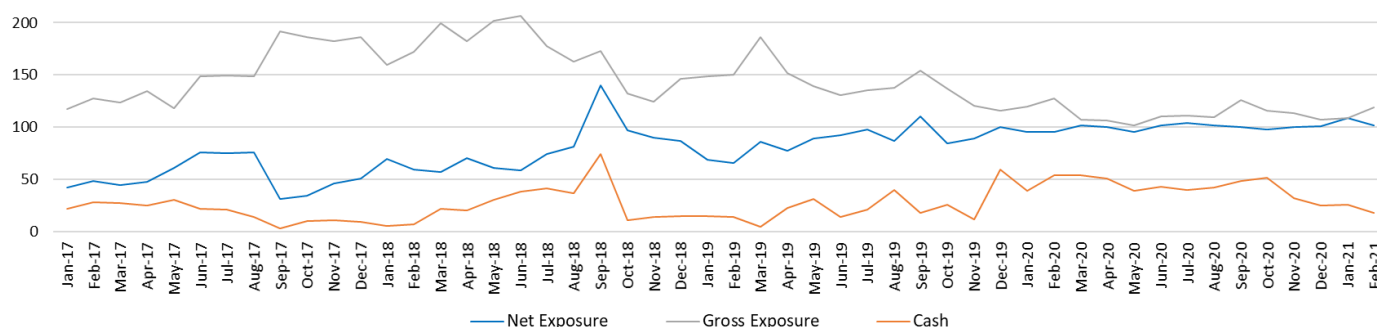
Portfolio Statistics	
Duration	0.77
99% 1-month VaR	8.48%
Average Credit Rating ¹	CCC-
Average Yield to Maturity	6.91%
Annualised Downside Risk (1 Year)	8.31%
Monthly Turnover ²	28.54%
Cash	18.09%
Leverage:	
Gross Exposure Method	77.07%
Commitment Method	68.24%

Notes:

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

All figures as of 28th February 2021

Fund Exposure (%)



Month End Risk Exposures

NAV sensitivity for -100bps shift in the yield curve

Strategy ³

EM Corporate	EM Distressed	Macro Hedge	EM Sovereign	Total
0.52	1.33	-0.31	-0.77	0.77

Region

Middle East & Africa	Asia	Europe	LatAm	US	Total
0.64	-0.31	0.65	0.10	-0.31	0.77

99% 1 Month Component VaR (%)

By Strategy

EM Corporate	EM Distressed	FX	Macro Hedge	EM Sovereign	Total
0.56	6.16	-0.15	-0.15	2.06	8.48

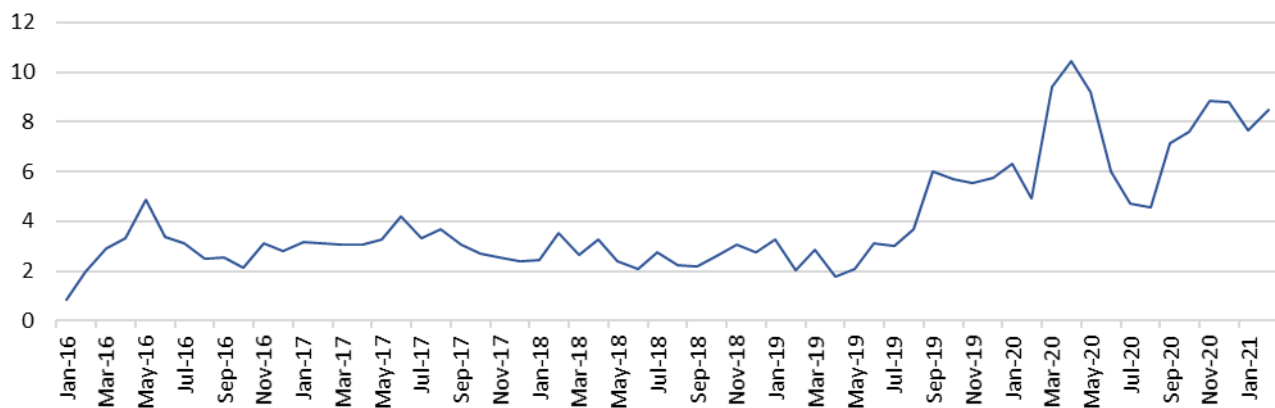
By Region

Middle East & Africa	Asia	Europe	LatAm	US	Total
1.76	0.54	0.93	5.54	-0.29	8.48

By Maturity

0-1yr	1-3yr	3-5yr	5-7yr	7-10yr	10+yr	Total
-0.44	0.38	0.92	1.33	2.90	3.39	8.48

Monte Carlo 99% 1 Month VaR (%) ⁴



Top 5 Country Holdings ⁵

Country	Region	%
Argentina	LatAm	16.68%
Ukraine	Europe	7.37%
Mexico	LatAm	6.26%
South Africa	Middle East & Africa	4.92%
Russia	Europe	4.57%

Top 5 Holdings by Name ⁵

Position	Strategy	%
Argentina Sovereign	EM Distressed	10.17%
Ukraine	EM Sovereign	7.37%
Province of Buenos Aires	EM Distressed	6.51%
Pemex	EM Corporate	5.41%
Eskom	EM Corporate	4.92%

Performance Attribution ⁶

Largest Contributors (bps)

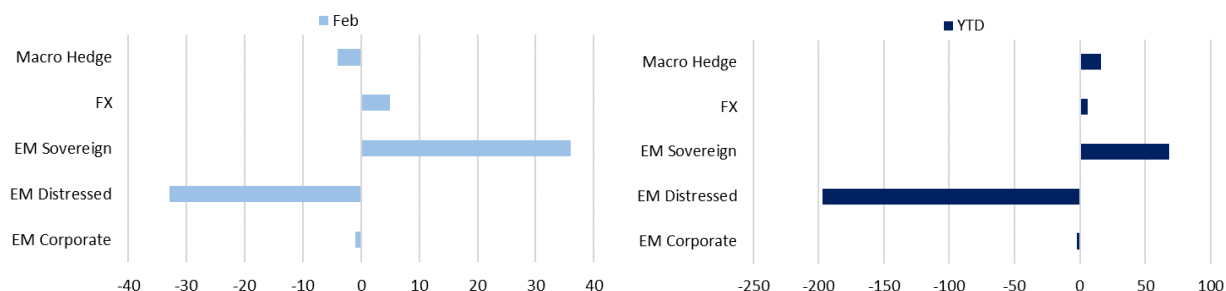
Position	Long/Short	Strategy	Region	Performance
Tullow Oil	Long	EM Distressed	Middle East & Africa	+59
Ocyan	Long	EM Distressed	LatAm	+31
Chile	Short	EM Sovereign	LatAm	+30
Peru	Short	EM Sovereign	LatAm	+25
Mexico	Short	EM Sovereign	LatAm	+18

Largest Detractors (bps)

Position	Long/Short	Strategy	Region	Performance
Province of Buenos Aires	Long	EM Distressed	LatAm	-59
Argentina Sovereign Credit	Long	EM Distressed	LatAm	-55
CDX:HY	Short	Macro Hedge	US	-21
Mexico Sovereign Local	Long	EM Sovereign	LatAm	-17
Egypt Sovereign Credit	Long	EM Sovereign	Middle East & Africa	-11

Performance Attribution by Strategy

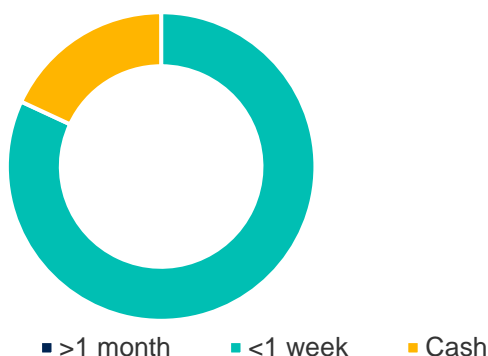
Gross Performance Attribution (bps)



Performance History (Net Return)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	-1.33%	-0.18%											-1.50%
2020	-0.95%	-0.80%	-6.00%	1.70%	6.79%	4.24%	-0.33%	0.92%	-2.67%	-1.95%	2.50%	2.58%	5.53%
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) ⁷



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Comparatives

	MTD	YTD
The Argo Fund	-0.18%	-1.50%
JPM EMBI+	-3.68%	-5.44%
JPM CEMBI	-0.10%	-0.17%
JPM EMFX	-0.55%	-2.01%
Barclays EM USD Aggregate	-1.42%	-2.26%
HFRI EM Total	1.72%	3.14%

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