

# The Argo Fund / The Argo Feeder Fund Limited

## Emerging Markets Debt & Macro

### Monthly Letter & Risk Report

#### March 2020

Performance	
NAV Per Share	299.57
March Return	-6.00%
YTD Return	-7.64%
Annualised Return Since Inception	6.55%
Annualised Volatility Since Inception	11.56%
Sharpe Ratio Since Inception	0.46
Percentage of up months	67.52%
Fund Characteristics	
Structure	Standalone
Jurisdiction	Cayman Islands
Launch Date	2000
AUM (all share classes)	\$94m
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 introduction of enhanced measures to combat COVID-19 brought the global economy to a sudden stop, leading to sharp market volatility in March. This volatility was exacerbated by a sharp drop in oil prices. Governments reacted to these events with fiscal stimulus, most notably in the US, where lawmakers agreed a US\$2trn package.

We started March with more than 50% of NAV in cash and actively hedged the portfolio using CDX credit indices for both EM and US HY, resulting to a neutral position in terms of credit exposure.

In the short book, our long-held positions in Vedanta Resources (copper to oil) conglomerate and the East African sovereign performed very well protecting our book, becoming the fund's top performers for the month. Apart from our CDX shorts we added shorts in South Africa and Pakistan that have weak credit fundamentals. The positions were profitable, and we closed them out as the market rebounded.

Given the oversupply in the oil market, particularly in the light of the likely contraction in demand as GDP collapses, we exited our position in Kosmos Energy, an emerging market oil producer

Ecuador, Argentina and Lebanon were the cause of our losses. The ferocity of the sell-off particularly in the high yield part of EM was unprecedented, with the EMBI global spread index collapsing from the mid-200 to over 600. After the selloff we added to our Ecuador and Lebanon positions substantially and we like to hold them at these very cheap levels.

Ecuador announced they would delay interest payments towards the end of the month, utilising the grace period amidst the ongoing COVID-19 crisis. The economy relies on oil exports and a plunge in crude prices in recent weeks threatens to slash government revenues. The government paid a redemption as they used the grace period on coupon repayments and has received support from the IMF and creditors as they seek a consensual negotiation of their debt in order to overcome the oil/virus downturn.

Argentina bond prices continued to fall as reports suggested authorities would be seeking a harsher restructuring proposal due to the COVID-19 shock. Strategically, the Argentine authorities will have to make the choice between a fair proposal and the default abyss destined to turn back the country 15 years. In Lebanon, the government officially defaulted for the first time in their history. We feel this was probably the most sensible move in order to reset expectations and find a way forward.

After the initial market selloff, we entered several trades in names we considered to be oversold. We initiated a position in Ukrainian GDP warrants, which offered attractive value given the recent government land reform progress and continued support from the IMF. Likewise, Angola was trading at levels that were disconnected with its underlying situation having traded down in line with oil price movement. Elsewhere we added exposure to EM equities and Banco do Brasil perps, which are regarded as a bellwether of the Brazilian economy.

In local markets, our short positions in EMFX outperformed as investors sought the relative safety of the US dollar and we exited our local bond positions in Indonesia. We quickly sold our local bond position in Nigeria avoiding losses as it was obvious to us that they would have to devalue in light of dramatically lower oil revenues.

### Portfolio Statistics

Duration	-0.24
99% 1-month VaR	9.43%
Average Credit Rating <sup>1</sup>	CCC
Average Yield to Maturity <sup>2</sup>	7.99%
Annualised Downside Risk (1 Year)	7.64%
Monthly Turnover <sup>3</sup>	151.42%
Cash	53.87%
Leverage:	
Gross Exposure Method	45.44%
Commitment Method	39.99%

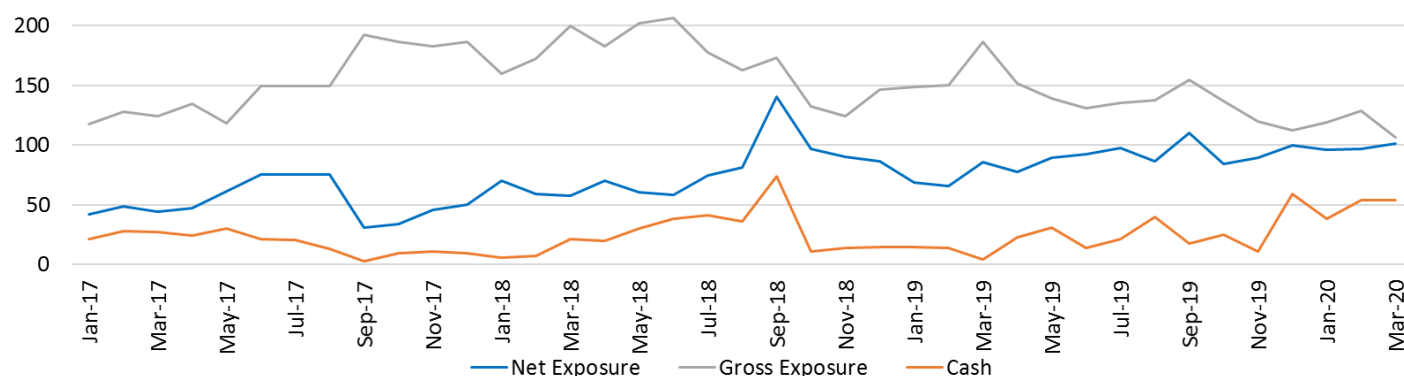
### Notes:

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 31<sup>st</sup> March 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
0.21	0.38	-0.61	-0.22	-0.24

#### Region

Middle East & Africa	Asia	Europe	LatAm	US	Total
-0.06	-0.16	0.04	0.54	-0.60	-0.24

99% 1 Month Component VaR (%)

#### By Strategy

EM Corporate	EM Distressed	FX	Macro Hedge	EM Sovereign	Total
1.11	9.99	0.07	0.58	-2.32	9.43

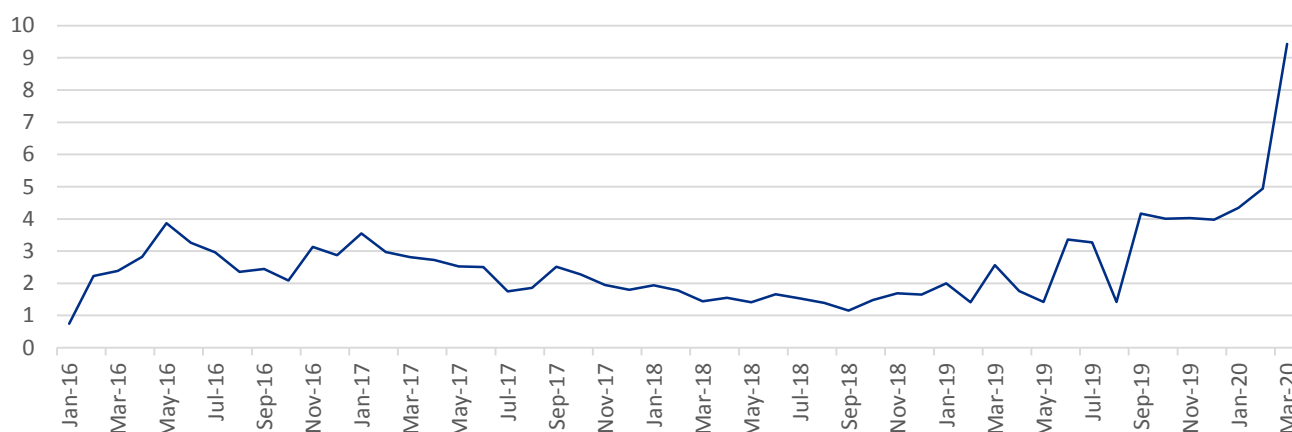
#### By Region

Middle East & Africa	Asia	Europe	LatAm	US	Total
0.87	0.15	0.09	7.74	0.58	9.43

### By Maturity

0-1yr	1-3yr	3-5yr	5-7yr	7-10yr	10+yr	Total
0.58	2.10	2.42	0.77	2.55	1.01	9.43

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



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

Country	Region	%
Argentina	LatAm	11.42%
Ukraine	Europe	9.42%
Egypt	Middle East & Africa	6.26%
Sudan	Middle East & Africa	4.33%
East African Sovereign	Middle East & Africa	-4.26%

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

Position	Strategy	%
Argentina Sovereign Credit	EM Distressed	7.60%
Ukraine GDP Warrants	EM Distressed	5.33%
Republic of Sudan	EM Distressed	4.33%
East African Sovereign	EM Sovereign	-4.26%
Province of Buenos Aires	EM Distressed	3.82%

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

#### Largest Contributors (bps)

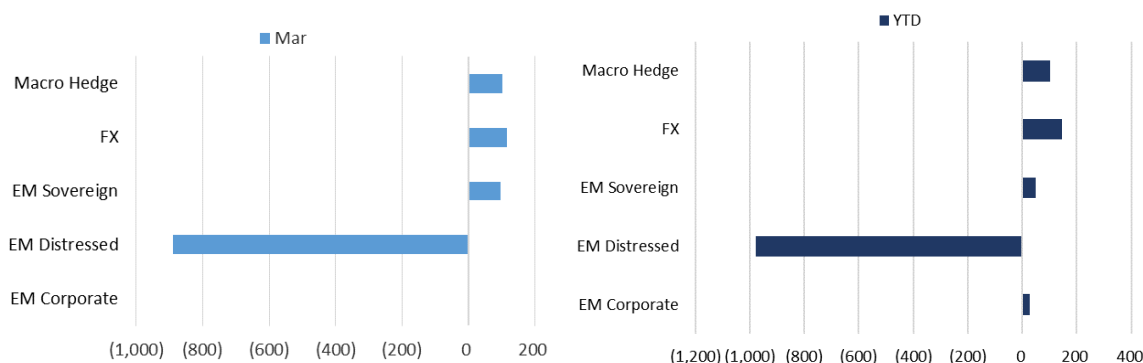
Position	Long/Short	Strategy	Region	Performance
East African Sovereign	Short	EM Sovereign	Middle East & Africa	+121
Vedanta Resources	Short	EM Corporate	Asia	+112
CDX:HY	Long	Macro Hedge	Global	+107
South Africa 5yr CDS	Long	EM Sovereign	Middle East & Africa	+88
Pakistan Sovereign Credit	Short	EM Sovereign	Asia	+42

#### Largest Detractors (bps)

Position	Long/Short	Strategy	Region	Performance
Argentina Sovereign Credit	Long	EM Distressed	LatAm	-280
Ecuador Sovereign Credit	Long	EM Distressed	LatAm	-249
Province of Buenos Aires	Long	EM Distressed	LatAm	-173
Lebanon Sovereign Credit	Long	EM Distressed	Middle East & Africa	-104
Ocyan	Long	EM Corporate	LatAm	-80

## 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%										-7.64%
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	-6.00%	-7.64%
JPM EMBI+	-9.93%	-8.67%
JPM CEMBI	-11.52%	-10.17%
JPM EMFX	-8.37%	-13.08%
Barclays EM USD Aggregate	-7.69%	-9.48%
HFRI EM Total	-11.61%	-13.87%

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