ARGO
CAPITAL MANAGEMENT

The Argo Fund / The Argo Feeder Fund Limited
XS2 - Distressed Debt Share Class
Monthly Letter & Risk Report
April 2022

Performance	
NAV Per Share	1,065.78
Monthly Return	-0.85%
Annualised Return	5.23%
Annualised Volatility	10.09%
Fund Characteristics	
Structure	Master-Feeder
Jurisdiction	Cayman Islands
Launch Date	2000
AUM (all share classes)	$124m
Share Class	Class X Series 2
ISIN	KYG0540S1241
Subscription	Monthly
Redemption	Monthly
Redemption Notice	90 days
Minimum Investment	$100,000 (or €/£ equivalent)
Management Fee	0.75%
Performance Fee	20%

Investment Strategy

The Argo Fund is a diversified global emerging markets debt and macro fund with a master-feeder structure and the ability to create segregated share classes.

In February 2021, Argo created the Class X Series 2 share class, which seeks to replicate the liquid distressed debt strategy employed within the main, Class A, long/ short, multi-strategy portfolio.

The Class X Series 2 share class invests into actively traded stressed, distressed and restructured EM corporate and sovereign public bonds aiming for a long bias with higher volatility and an emphasis towards capital gains as opposed to carry.

Monthly Commentary

The portfolio saw a loss of 85bps over the month. The market environment remained weak with the EMBI+ losing 7.12% bringing its YTD return to -22.17%. A number of corporate indices lost 2-3% and are down 10-12% YTD. The higher average duration of sovereign bonds is the main reason for the greater EMBI+ index loss, as the US 10yr Treasury yield rose from 1.5% in December to 2.9% at the end of April. About 55bps of the move occurred in April as the 10yr priced in a much quicker normalization of Fed Funds to at least 2-2.5% plus a modest term premium, with the front end of the curve having already repriced in March. Spreads have also widened with EMBI+ high yields names +48bps wider YTD to +763bps spread, while the CEMBI Diversified High Yield sub-index is +1bps to 453bps spread. Within corporates short-dated names have tightened YTD as have C-rated and lower.

Within the portfolio, Distressed cost 75bps, Restructured added 17bps and Stressed lost 26bps. Corporates gained 9bps and Sovereigns gave away 94bps. YTD, while the portfolio is down 4.7%, energy names have contributed positively, and a number of names have been rangebound. Holding Ukraine into the start of the war and the Chinese real estate basket have been the main detractors. As an event driven portfolio, we don't think these themes have a great deal of correlation to broad market indices over time but are not without volatility in the short term.

The biggest detractor was the basket of Chinese real estate names, which lost 57bps. Shimao bonds fell from the mid to the low 20s and cost 78bps. Fantasia partly offset with a 14bps gain. The sector continues to be under pressure with a combination of depressed sales volumes, slightly lower selling prices, cash flow stresses and recently outbreaks of Covid and ensuing strict lockdowns in some localities. At the end of March Shimao was late reporting its 2021 financial statements and its Hong Kong listed shares were suspended. The company has sold over Rmb10bn of assets and net of some maturity extensions has stayed current on its credits so far, although the bonds are trading as though the company is in default.

Two energy sector restructured credits performed. The Ocyan bond is secured over two deep water drill ships leased to Petrobras. The company expects day rates to improve in 2023/ 2024 and the bonds rose from 53 to 58c adding 44bps. The Bumi bond matures in December and rose from 93c to 95c; we also received some principal repayment as part of the quarterly cash sweep and the position added 42bps.

Ukraine detracted 41bps. Russia's apparent initial invasion plans were stalled by Ukrainian troops in March, which led to a bounce in Ukrainian credits, however in April the bonds traded off several points as Russia refocused its forces on the eastern front.

We hold the Ukraine GDP warrants, which are a leveraged play on Ukrainian economic recovery and are also the lowest priced USD bond. We bought a position before the war, since it was already quite discounted and including our purchases at the lows post the start of the conflict, we expect substantial profits can be earned if Ukraine continuous to successfully defend itself. The catalyst will be if any signs of a ceasefire or reduction in hostilities allow economic life to resume. Significantly the Ukrainian authorities have been vocal about their desire to honour their sovereign obligations.

Month End Risk Exposures[1]

Top 5 Country Holdings

Country	Region	%
Indonesia	Asia	14.86%
Argentina	LatAm	13.65%
Lebanon	Mid-East	13.06%
Mexico	LatAm	11.82%
Brazil	LatAm	9.55%

Top 5 Holdings by Name

Position	Strategy	%
Lebanon Sovereign	Distressed	13.06%
TV Azteca	Distressed	11.82%
Province of Buenos Aires	Restructured	9.39%
Ocyan	Restructured	9.55%
Bumi	Restructured	6.39%

Monthly Performance Attribution[1]

Largest Movers (bps)

Position	Strategy	Region	Performance
Shimao	Distressed	Asia	-78bps
Ocyan	Restructured	LatAm	+44bps
Bumi	Restructured	Asia	+42bps
Ukraine	Distressed	East Europe	-41bps

YTD Performance Attribution by Strategy (bps)[1]

Strategy	2021	2022
EM Stressed	241	-81
EM Distressed	711	-602
EM Restructured	196	231

Benchmarks	2021	2022
ICE BoA EM Corp Plus TR Index	-0.81%	-11.85%

Liquidation Profile (% AUM) [1]

Performance History (Net Return)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2022	0.01%	-7.09%	3.42%	-0.85%									-4.72%
2021		-0.19%	0.60%	1.88%	0.89%	2.41%	0.39%	6.07%	0.81%	1.94%	-2.62%	-0.69%	11.86%

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Date of Issue: 17/05/2022

 1. Portfolio data based on unaudited, internal Argo estimates.