

The Argo Fund / The Argo Feeder Fund Limited

XS2 - Distressed Debt Share Class

Monthly Letter & Risk Report

June 2021

Performance	
NAV Per Share	1,056.92
June Return	2.41%
Return Since Inception	5.69%
Sharpe Ratio Since Inception	-
Fund Characteristics	
Structure	Master-Feeder
Jurisdiction	Cayman Islands
Launch Date	2000
AUM (all share classes)	\$133m
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 gained 2.41% in June. Stressed debt gained 21bps, Distressed 121bps and Restructured 99bps. By asset class Sovereign debt detracted 35bps, Corporate debt added 276bps.

Modernland, a distressed Indonesian real estate company, reached a restructuring agreement with its bondholder committee and the deal subsequently passed in July. The restructuring involved a four-year maturity extension, a coupon modification to a mix of cash and PIK and an improvement in

the security package, supported by an asset sale plan.

The company's finances had been impacted by Covid-19 and a slow-down in home sales but it has a substantial land bank which covers the par value of the bonds.

The portfolio holds the 2021 and 2024 bonds which traded from 42c to 56c and from 40c to 46c respectively. Valuing the new bonds at an 18% exit yield renders price targets of 76c and 52c for the new 2025 and 2028 bonds. Further upside may be available from yield normalisation and potential early principal repayment.

The Ocyan 2026 bond traded up from 45c to 52c over the month. The bond collateral is two deep water drill ships that have historically been leased to Petrobras. Ocyan won one re-lease contract earlier this year and the second re-lease for 1095 days was concluded in July.

While deep water day rates remain depressed, Ocyan has cut costs, the rigs remain operational and fully maintained and the new lease day rates will generate free cash flow of upwards of \$8m per year.

The company is expected to fully repay the 2021 bond in September which will make the 2026 bond the senior secured claim. The bond has a 7.35% coupon and a yield to maturity of around 20%. We see further upside in the position.

Buenos Aires traded from 42c to 45c. The last offer from the authorities saw only minor differences between the authorities and the bondholder group and a further offer was expected.

In terms of detractors Zambia drifted lower as the country has experienced a Covid breakout and copper prices continued to drop from the highs. The market is waiting for the August elections to pass and then expects to engage the new government in restructuring negotiations.

Sri Lankan bonds traded back towards the bottom end of their wide trading range. Recent data showed a worsening trade deficit, which again raised concerns about reserve losses and ability to service external debt. The country has subsequently imposed even more severe import restrictions on discretionary items, implemented a quasi-currency peg and reiterated its intention to honor all maturing obligations. A return of tourism and further bilateral financing lines would be significant positive catalysts.

Month End Risk Exposures¹

Top 5 Country Holdings

Country	Region	%
Argentina	LatAm	15.11%
Indonesia	Asia	12.64%
Zambia	Africa	9.23%
Brazil	LatAm	9.01%
Ghana	Africa	6.48%

Top 5 Holdings by Name

Position	Strategy	%
Province of Buenos Aires	Distressed	9.86%
Zambia Sovereign	Distressed	9.23%
Ocyan	Restructured	9.01%
Tullow Oil	Stressed	6.48%
Bumi Resources	Restructured	5.24%

Performance Attribution¹

Largest Movers (bps)

Position	Strategy	Region	Performance
Modernland	Corporate Distressed	Asia	+118
Ocyan	Corporate Restructured	LatAm	+108
Province of Buenos Aires	Sovereign Distressed	LatAM	+47
Zambia	Sovereign Distressed	Africa	-32

Performance Attribution by Strategy (bps)¹

Strategy	YTD
EM Stressed	143
EM Distressed	319
EM Restructured	95

Benchmarks	YTD
ICE BoA Distressed EM Corp Plus TR Index	0.56%

Liquidation Profile (% AUM)¹



■ <1 month ■ <1 week

Performance History (Net Return)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021		-0.19%	0.60%	1.88%	0.89%	2.41%							5.69%

Contact Information

Argo Capital Management
2nd Floor, 24-25 New Bond Street
London, W1S 2RR

ArgoInvestorRelations@argocm.com
www.argocm.com
Tel: 0207 016 7660
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