The Argo Fund / The Argo Feeder Fund Limited

XS2 - Distressed Debt Share Class
Monthly Letter & Risk Report

October 2022

Performance	
NAV Per Share	831.87
Monthly Return	-5.60%
Annual Return	-9.99%
Annualised Volatility	15.84%
Fund Characteristics	
Structure	Master-Feeder
Jurisdiction	Cayman Islands
Launch Date	2000
AUM (all share classes)	$109m
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 560bps over the month. Distressed detracted 609bps, Stressed added 30bps and Restructured gained 19bps. Sovereigns lost 229bps and Corporates 331bps.

The EM US dollar bond market sold-off in the first three weeks of October as US 10-yr Treasury yields rose over 4.2%, which caused selling by real money investors. However, as attention turned to peaking headline inflation, sovereign high-yield bonds rallied into month end, with the EMBI+ HY sub-index gaining 3.12% for the month.

The distressed names sold-off with the market and then did not fully participate in the month-end rally and only around 25% of the portfolio ended the month in positive territory.

Shimao, a Chinese real estate developer, was the worst detractor. The company floated an initial proposal to reprofile its US dollar bonds in August, which, given that involves the incremental repayment of par over time, could deliver a relatively high recovery. The bonds moved from 8c to 13c on that news. Subsequent restructuring talks news flow has been slow and in a weak market environment the Shimao bond fell to 5c. Ultimately, we think the government continuing with the muddle through policy is the most likely market outcome, using various support measures to ensure in-progress projects are delivered. As projects complete, cash flows are released up towards the holding company. The single digit bond price does not account for most positive recovery scenarios.

Ukraine saw its GDP warrants fall from 29c to 25c. We remain hopeful that a negotiated outcome can end the war and resolve the two countries' differences. But so far external political intervention to initiate renewed negotiations has been lacking and both sides are stuck in reciprocal escalations and significant losses are being taken.

Ghana sold-off with the 2025 bond falling from 43c to 29c. The government is engaged in discussions with the IMF for a loan facility and as part of this indicated they would create a local bondholder committee, which spurred foreign investors to sell local bond holdings. The currency fell 34% over the month and has declined over 50% year to date. While the Eurobond debt is only a minority of the debt service, the Eurobonds also fell. Given the fall in the US dollar value of Ghana's GDP, it is likely a Eurobond restructuring will be requested and subsequently there have been news reports indicating a 30% principal haircut of the Eurobonds may be tabled as an initial negotiating request. At 29c the bonds are trading at a significant discount to any such restructuring.

We have traded around Zambia and Sri Lanka several times this year and bought back into both during the month. A recent S&P report[1] showed demand for copper, driven by electrification, could double by 2035. Zambia's main US dollar earnings are from copper and much of the debt was run up on infrastructure projects needed to facilitate subsequent mine expansions. Restructuring negotiations with bondholders are ongoing. The 2027 bond closed at 39c and carries around 20 points of PDI.

 1. S&P Global: The Future of Copper report.

ARGO
CAPITAL MANAGEMENT

Month End Risk Exposures[1]

Top 5 Country Holdings

Country	Region	%
Argentina	LatAm	16.09%
Brazil	LatAm	12.09%
Mexico	LatAm	11.49%
Indonesia	Asia	9.29%
Lebanon	Mid-East	8.70%

Top 5 Holdings by Name

Position	Strategy	%
Ocyan	Restructured	12.03%
TV Azteca	Distressed	11.49%
Modernland	Restructured	8.93%
Province of Buenos Aires	Restructured	8.75%
Lebanon Sovereign	Distressed	8.70%

Monthly Performance Attribution[1]

Largest Movers (bps)

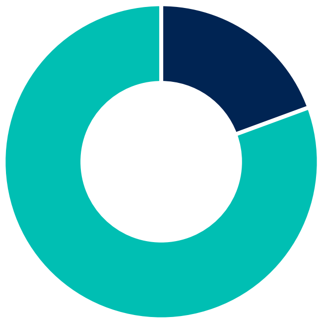
Position	Strategy	Region	Performance
Shimao	Distressed	Asia	-236bps
Ukraine	Distressed	East Europe	-96bps
Ghana Sovereign	Distressed	Africa	-90bps
Zambia Sovereign	Distressed	Africa	-69bps
Sri Lanka Sovereign	Distressed	Asia	-34bps

Performance Attribution by Strategy (bps)[1]

Strategy	2021	2022
EM Stressed	241	-142
EM Distressed	711	-2408
EM Restructured	196	-459

Benchmarks	2021	2022
CEMBI Diversified HY sub-index	1.18%	-18.60%
EMBI Plus HY sub-index	-6.59%	-23.32%

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%	-5.03%	-13.13%	0.30%	6.45%	-6.14%	-5.60%			-25.63%
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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1. Portfolio data based on unaudited, internal Argo estimates.