The Argo Fund / The Argo Feeder Fund Limited
XS3 – Macro Share Class
Monthly Letter & Risk Report
August 2022

Performance	
NAV Per Share	1,028.67
Monthly Return	2.87%
Annualised Return	N/A
Annualised Volatility	N/A
Fund Characteristics	
Structure	Master-Feeder
Jurisdiction	Cayman Islands
Launch Date	2000
AUM (all share classes)	$117m
Share Class	Class X Series 3
ISIN	KYG0540S1324
Subscription	Monthly
Redemption	Monthly
Redemption Notice	30 days
Minimum Investment	$100,000 (or €/£ equivalent)
Management Fee	1%
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 August 2022, Argo created the Class X Series 3 share class, which seeks to replicate as a stand-alone portfolio the liquid macro themes and strategies employed within the main, Class A, long/ short, multi-strategy portfolio.

The Class X Series 3 share class invests into and trades liquid securities in EM interest rates, FX, indices, derivatives and global macro level instruments. The strategy uses a long/ short trading approach and aims to generate uncorrelated, absolute returns with an attractive risk/ reward profile over time.

Monthly Commentary

The portfolio had a good inaugural month in August, returning 2.86%. Returns were driven by our belief that the market would be forced to price in tighter monetary policy from the Federal Reserve and that this would drive a realignment of asset class valuations.

Over the month, the market moved its expectation of short-term interest rates for mid-2023 from 3.25% to 4%. The ensuing risk-off environment benefitted our short position in US equities, which was expressed via S&P500 index put options and our short position in US high yield, where both credit spreads widened, and benchmark yields rose.

A short position in Hungary's dollar-denominated bonds gained. It benefitted from a rise in US Treasury yields and a small credit spread widening. We continue to hold this position as the country's macroeconomic fundamentals are deteriorating. Hungary has large fiscal and current account deficits, a high debt/ GDP ratio, low levels of international reserves and as a very open economy is exposed to a downturn, particularly via European industrial supply chains. Prime Minister Orban's views and policies also generate headline risk and his position on the Ukraine conflict is at odds with the EU's stance. In our view the pricing of the bonds does not reflect the elevated economic and political risks.

We also saw gains from long positions in the US dollar against the Indian rupee and the Chinese renminbi. As a large importer of oil, India's balance of payments position has weakened, and the Reserve Bank of India has used considerable foreign exchange reserves to slow the currency's decline this year. We held the view that declining reserve levels limits the RBI's capacity to defend the 80 USD/INR level. The Chinese currency weakened over the month due to its increasingly divergent monetary policy relative to the US. The PBoC continues to pursue low rates, while President Xi continues a lockdown and zero-Covid policy, which is dragging growth. The PBoC is caught between being expected to support a highly valued real estate market and maintaining domestic final demand yet is seeing portfolio outflows, which are pressuring the currency lower.

These gains were partially offset by a small loss in a long position in the local currency EM bond index.

Looking forwards, as we expand the number of positions in the book, we maintain the view that it will be difficult for global assets to rally convincingly until we see compelling evidence of slowing economy in the US and a resulting pivot in the Federal Reserve tightening cycle. While some commodity price inflation has eased, most hard economic data suggests that the US economy continues to grow, with upwards pressure on service sector inflation driven by a tight labour market.

As such we think equity markets will remain challenged and increasingly volatile. In rates and FX we continue to look at real interest rate differentials as a key driver of returns. We continue to be short the Indian rupee and Chinese renminbi. In Brazil we think the hiking cycle is over and inflation is falling. The October election may prove to be a focal point for Brazilian assets. We are receiving rates and are short the currency.

Many EM macro markets are moving and we see a strong opportunity set for the strategy.

ARGO
CAPITAL MANAGEMENT

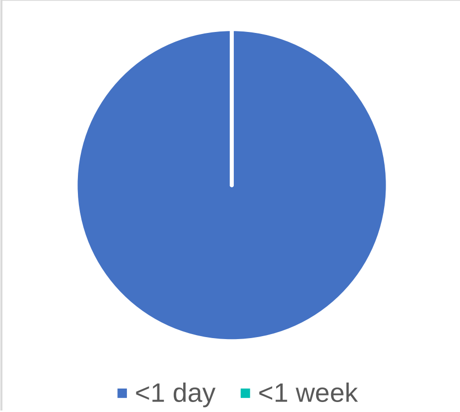
Monthly Performance Attribution[1]

Largest Movers (bps)

Position	Strategy	Region	Performance
S&P Put Options	Equity Indices	US	155
US High Yield Index	Credit Indices	US	62
Hungary Sovereign	External Debt	East Europe	52
China FX	Currency	Asia	50
JP Morgan EMLI	Local Bond Index	Emerging Markets	-39

Benchmark Returns	August	2022
EMBI Plus Index	-2.45%	-25.55%
HFRI Macro Index	1.49%	9.25%

Liquidation Profile (% AUM) [1]



Performance History (Net Return)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2022								2.87%					2.87%

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