

The Argo Fund / The Argo Feeder Fund Limited

Emerging Markets Debt & Macro

Monthly Letter & Risk Report

February 2022

Performance	
NAV Per Share	341.08
February Return	-5.70%
YTD Return	-5.36%
Annualised Return Since Inception	6.63%
Annualised Volatility (Trailing 12-month)	8.66%
Sharpe Ratio (Trailing 12-month)	0.13
Percentage of up months	67.32%
Fund Characteristics	
Structure	Master-Feeder
Jurisdiction	Cayman Islands
Launch Date	2000
AUM (all share classes)	\$123m
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%
Designated Investments	
Jurisdiction	Cayman Islands
Launch Date	December 2019
Return since inception	92.20%
ISIN	KYG0540S1167
Share Class	DI 1
Fixed investment period	36 months
Redemption	Upon realisation
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

Contrary to our earlier belief that Putin would not attempt a full-scale invasion in Ukraine during February we formed the view that there was an increasing chance of military conflict. Russian forces began their “special operation” towards the end of February. Both Ukrainian and Russian assets sold off sharply on the news and have continued to trade at depressed levels since. Prior to the invasion we had exited our Ukrainian local bond position and switched into the lower priced (relatively) more liquid dollar instruments reducing our capital at risk. Additionally, as early as mid-January we reduced our 3.5% Russia position by switching our Russia local bond position into a ruble call option to limit our downside in a tail risk event, but then quickly liquidated this at no capital loss. That said we went into February with a 9.55% position in Ukraine which lost us 5.97% of NAV. Post-invasion, we decided to add to our dollar instruments at much lower prices. In the event of a swift resolution to the conflict, the GDP warrants could be in line for a high payout given the sensitivity to GDP growth volatility.

On the positive side, the macro hedge book alleviated some of the downside volatility from the conflict. Our CDX and EM sovereign shorts outperformed, and we took profit on a number of positions and added a base metals ETF to benefit from the surge in commodity prices post-sanctions.

Elsewhere we also saw weakness in high beta EM credit on this market shock and the ensuing rise in commodities prices. The rise in oil prices has forced Pakistan to reverse the removal of fuel subsidies as prescribed under the IMF program and similarly will weaken Nigeria’s fiscal position this year. Egypt is also a food importer with Ukraine and Russia comprising 80% of their total imported wheat.

Our position in Tullow Oil was also impacted this month as the market disliked the fact that the company has hedged 2/3 of their forecasted output for 2022. Whilst we appreciate the company will see limited upside from the higher oil prices, management still guides significant free cashflow this year.

In Asia, Chinese developer Shimao continued to sell off as they had difficulty renegotiating the terms of a trust loan, despite a series of recently announced asset sales. We continued to add Bumi on buoyant coal prices and believe the company will repay the bonds at par this year. Finally, we reduced our Sri Lanka position as we believe the country is headed for a default given the authorities have so far ignored the gravity of the economic pressures facing the country.

Portfolio Statistics	
Duration	1.30
99% 1-month VaR	11.08%
Average Credit Rating ¹	C
Average Yield to Maturity	10.11%
Annualised Downside Risk (1-Year)	7.26%
Monthly Turnover ²	55.58%
Cash	11.08%
Leverage:	
Gross Exposure Method	120.70%
Commitment Method	63.78%

Notes:

1. Includes long and short positions & excludes cash
2. % AUM
3. Excludes de minimis exposure in FX
4. Monte Carlo VaR from Bloomberg and internal estimates
5. As % of NAV
6. Gross performance in bps of average AUM of the period
7. Assuming normal market conditions

All figures as of 28th February 2022

Month End Risk Exposures

NAV sensitivity for -100bps shift in the yield curve

Strategy ³

EM Corporate	EM Distressed	Macro Hedge	EM Sovereign	Total
0.39	1.77	-0.53	-0.33	1.30

Region

Middle East & Africa	Asia	Europe	LatAm	US	Total
0.81	0.64	-0.50	1.24	-0.89	1.30

99% 1 Month Component VaR ⁴ (%)

By Strategy

EM Corporate	EM Distressed	FX	Macro Hedge	EM Sovereign	Total
0.24	10.25	0.24	-0.39	0.74	11.08

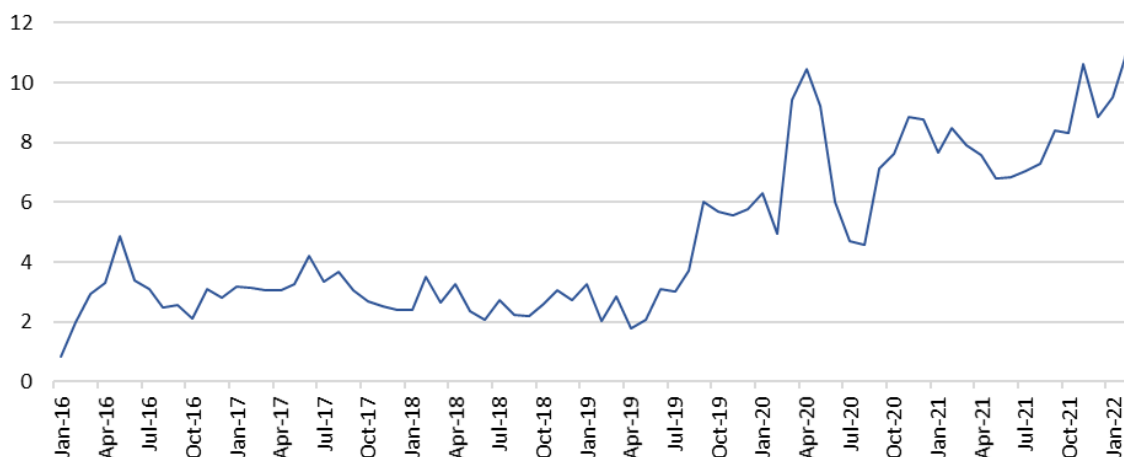
By Region

Middle East & Africa	Asia	Europe	LatAm	US	Total
2.61	2.17	1.41	5.49s	-0.60	11.08

By Maturity

0-1yr	1-3yr	3-5yr	5-7yr	7-10yr	10+yr	Total
1.18	0.81	1.32	1.60	1.78	4.39	11.08

Monte Carlo 99% 1 Month VaR (%)



Top 5 Country Holdings ⁵

Country	Region	%
Argentina	LatAm	19.68%
Mexico	LatAm	8.78%
US	US	-6.87%
Indonesia	Asia	6.05%
Lebanon	Middle East & Africa	5.40%

Top 5 Holdings by Name ⁵

Position	Strategy	%
Province of Buenos Aires	EM Distressed	10.21%
Argentina Sovereign	EM Distressed	9.47%
Ocyan	EM Distressed	6.86%
iBoxx US IG ETF	Macro Hedge	-5.93%
Pemex	EM Corporate	5.80%

Performance Attribution ⁶

Largest Contributors (bps)

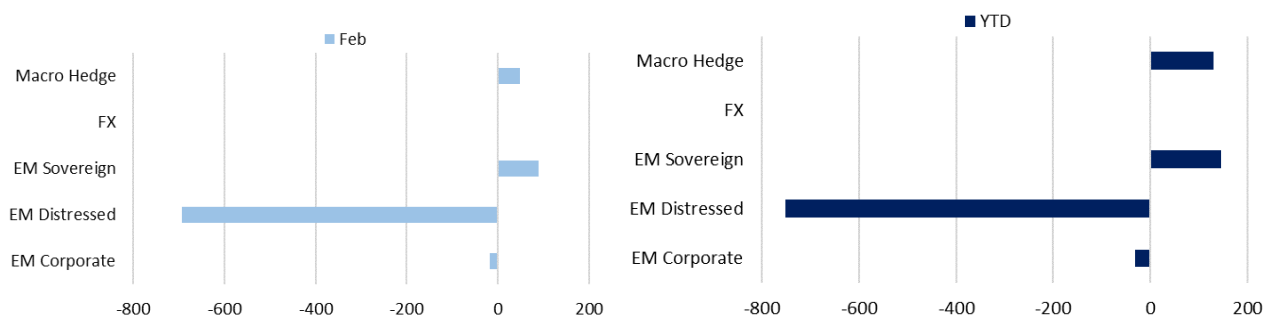
Position	Long/Short	Strategy	Region	Performance
CDX:EM	Short	EM Sovereign	US	+70
Lebanon Sovereign	Long	EM Distressed	Middle East & Africa	+47
EMB ETF	Short	EM Sovereign	US	+26
Peru Sovereign	Short	EM Sovereign	LatAm	+25
S&P Put Options	Short	Macro Hedge	US	+17

Largest Detractors (bps)

Position	Long/Short	Strategy	Region	Performance
Ukraine Sovereign	Long	EM Distressed	Europe	-594
Shimao	Long	EM Distressed	Asia	-64
Argentina Sovereign	Long	EM Distressed	LatAm	-47
Tullow Oil	Long	EM Distressed	Middle East & Africa	-26
Brazil IRS	Long	EM Sovereign	LatAm	-24

Performance Attribution by Strategy

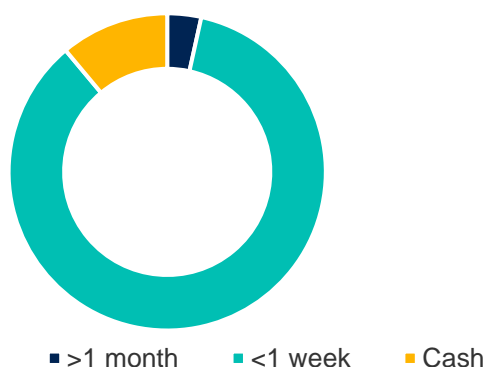
Gross Performance Attribution (bps)



Performance History (Net Return)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2022	0.36%	-5.70%											-5.36%
2021	-1.33%	-0.18%	-0.09%	3.95%	1.80%	0.14%	0.22%	2.98%	0.29%	0.32%	-3.65%	0.91%	5.29%
2020	-0.95%	-0.80%	-6.00%	1.70%	6.79%	4.24%	-0.33%	0.92%	-2.67%	-1.95%	2.50%	2.58%	5.53%
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) ⁷



Contact Information

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

020 7016 7660
ArgoInvestorRelations@argocm.com
www.argocm.com
Date of Issue: 28/03/2022

Comparatives

	MTD	YTD
The Argo Fund	-5.70%	-5.36%
JPM EMBI+	-11.29%	-14.74%
JPM CEMBI	-4.84%	-6.43%
JPM EMFX	-9.19%	-10.53%
Barclays EM USD Aggregate	-7.81%	-8.59%
HFRI EM Total	-2.05%	-4.55%

Disclaimer:

This document is issued by Argo Capital Management Limited which is authorised and regulated by the Financial Conduct Authority ("FCA"). It is intended only for Eligible Counterparties and Professional Clients (as defined by the FCA), and any other party must not rely on it. In particular, the document is not intended for the use of Retail Customers. An investment in shares of the fund must be made on the terms of the Prospectus and no reliance can be placed on this document. All opinions expressed and data provided in this report are subject to change without notice. Argo Capital Management Ltd, its employees, directors and shareholders may have a position or deal as market maker in the securities discussed. The securities mentioned may not be suitable for all types of investors. Past performance is no guarantee of future results. This information is not a representation by us or an offer or the solicitation of an offer to sell or buy a security. Furthermore, Argo Capital Management Ltd is not responsible for any monetary loss afflicted by any person or entity who acts or refrains from acting as a result of material in this report.

The representative in Switzerland is ARM Swiss Representatives SA, Route de Cité-Ouest 2, 1196 Gland, Switzerland. The paying agent in Switzerland is Banque Heritage SA. The Prospectus, the Articles of Association and annual financial statements can be obtained free of charge from the representative in Switzerland. The place of performance and jurisdiction is the registered office of the representative in Switzerland with regards to the Shares distributed in and from Switzerland.