

The Argo Fund / The Argo Feeder Fund Limited

Emerging Markets Debt & Macro

Monthly Letter & Risk Report

June 2020

Performance	
NAV Per Share	339.11
June Return	4.24%
YTD Return	4.55%
Annualised Return Since Inception	7.14%
Annualised Volatility Since Inception	11.60%
Sharpe Ratio Since Inception	0.51
Percentage of up months	67.93%
Fund Characteristics	
Structure	Master-Feeder
Jurisdiction	Cayman Islands
Launch Date	2000
AUM (all share classes)	\$105m
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%

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

The fund's top performer for June was Angola. The government had asked for G-20 debt relief early in the month and subsequently cut oil shipments to China as it sought further relief from its largest bilateral lender. Additionally, Angola was boosted by a recovery in oil prices from May with an uptick in demand. Bond prices continued to normalise on the back of the

news and we took the opportunity to take some profits and shave exposure at the end of the month.

Argentina's sovereign restructuring continued to develop last month as prices edged higher on increased expectations that a deal would be done. The government extended the deadline by 6 weeks after talks that were expected to lead to an improved offer and we believe it is in Argentina's interest to conclude the process quickly. We also expect that the Province of Buenos Aires restructuring will closely follow the resolution of the sovereign and the bonds are likely to trade in tandem.

After the huge recovery in US equity markets since March, we utilised S&P put options and shorted the EM equity ETF to hedge against portfolio downside risk, booking a profit after fears of a surge in COVID-19 cases following the end of lockdown in the US. The fund also took profits on its US High Yield ETF position following Fed support of the asset class.

Elsewhere we added a position in Sri Lanka in the belief that debt relief from China will be forthcoming after the China Development Bank approved a US\$500m disbursement in May.

We exited the Ukraine local currency bond, after a reduction in interest rates, as we prefer playing this name from the external debt side. The Ukrainian GDP warrants have also outperformed during the last couple of months as investors believe a volatile recovery in GDP growth rates will facilitate near-term cash flows due to the structure of the instrument.

On the local currency side, we took profit on our Brazilian FX position taking advantage of a strong rebound due to a heavily oversold positioning in one of the cheapest emerging currencies.

Our position in Bumi Resources, an Indonesian coal producer, was marked down in June as a result of deteriorating fundamentals in the coal market. Demand for coal has slumped in China due to the ongoing pandemic and the company was therefore unable to amortise principal in the latest repayment.

We exited our position in Brazilian telecommunications provider Oi following release of their latest restructuring plan and continuing deterioration in their financials. We also increased our holding in Ocyan after a selloff on expectation of a rebound in oil prices.

Overall we remain wary of another "risk-off" scenario and thus retain relatively high cash balances and low net exposure but remain invested in event-driven situations such as the restructurings in Argentina and Ecuador.

Portfolio Statistics

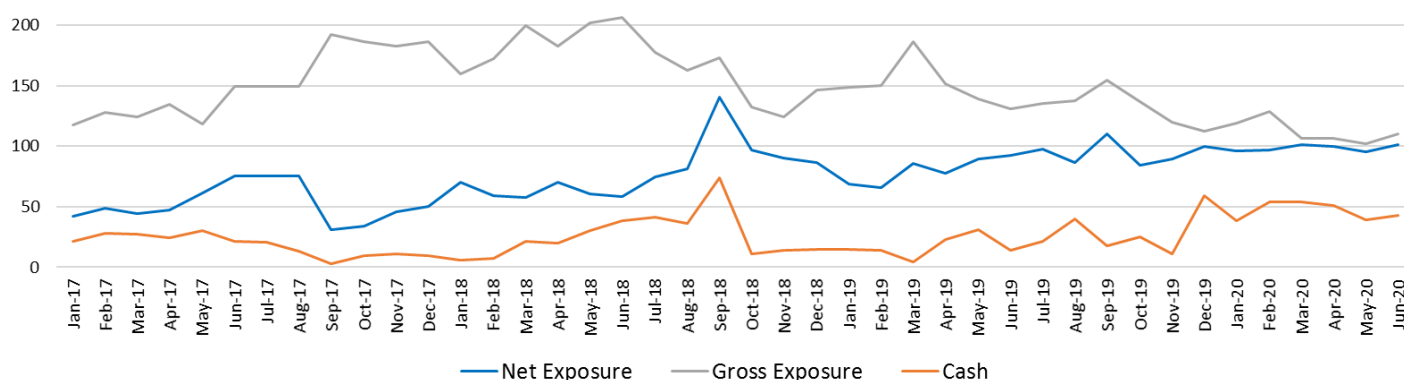
Duration	0.68
99% 1-month VaR	6.03%
Average Credit Rating ¹	CCC-
Average Yield to Maturity ²	2.85%
Annualised Downside Risk (1 Year)	9.32%
Monthly Turnover ³	38.69%
Cash	42.61%
Leverage:	
Gross Exposure Method	55.17%
Commitment Method	52.99%

Notes:

1. Includes long and short positions & excludes cash
2. Excludes cash
3. % AUM
4. Excludes de minimis exposure in FX
- 5: Monte Carlo VaR as calculated by Bloomberg Risk Analytic and where not available calculated by Argo based on historic 3-month data.
- 6: As % of NAV
7. Gross performance in bps of average AUM of the period
- 8: Assuming normal market conditions

All figures as of 30th June 2020

Fund Exposure (%)



Month End Risk Exposures

NAV sensitivity for -100bps shift in the yield curve

Strategy ⁴

EM Corporate	EM Distressed	Macro Hedge	EM Sovereign	Total
0.42	0.54	0.00	-0.28	0.68

Region

Middle East & Africa	Asia	Europe	LatAm	US	Total
0.60	-0.39	0.21	0.26	0.00	0.68

99% 1 Month Component VaR (%)

By Strategy

EM Corporate	EM Distressed	FX	Macro Hedge	EM Sovereign	Total
2.15	3.00	0.01	-0.39	1.26	6.03

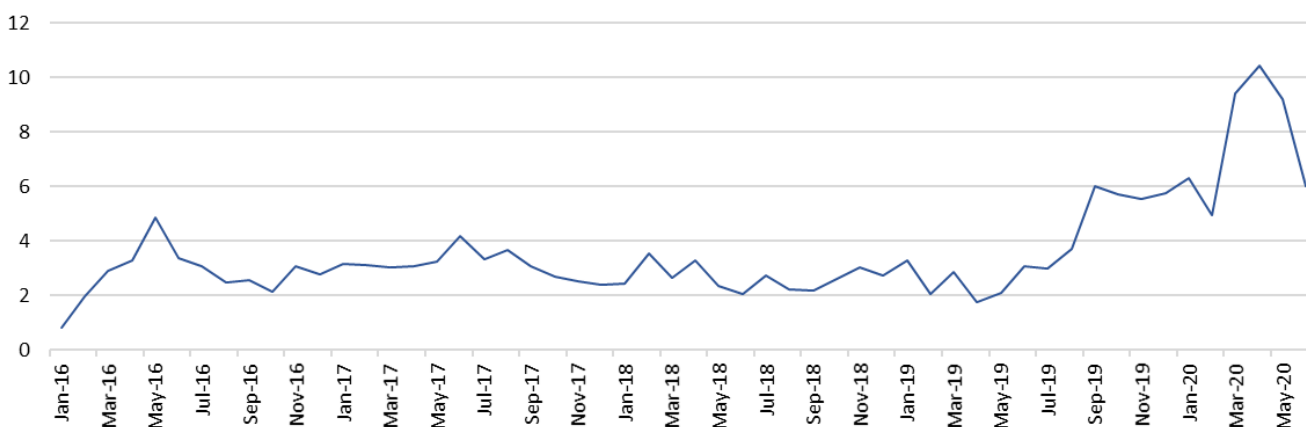
By Region

Middle East & Africa	Asia	Europe	LatAm	US	Total
4.52	-0.05	0.66	1.29	-0.39	6.03

By Maturity

0-1yr	1-3yr	3-5yr	5-7yr	7-10yr	10+yr	Total
-0.38	0.60	0.36	0.84	0.96	3.65	6.03

Monte Carlo 99% 1 Month VaR (%) ⁵



Top 5 Country Holdings ⁶

Country	Region	%
Argentina	LatAm	17.34%
Ukraine	Europe	6.70%
Angola	Middle East & Africa	6.09%
Lebanon	Middle East & Africa	5.03%
South Africa	Middle East & Africa	4.47%

Top 5 Holdings by Name ⁶

Position	Strategy	%
Argentina Sovereign Credit	EM Distressed	10.60%
Province of Buenos Aires	EM Distressed	6.74%
Angola Sovereign Credit	EM Distressed	6.09%
Ukraine GDP Warrants	EM Sovereign	5.86%
Lebanon Sovereign Credit	EM Distressed	5.03%

Performance Attribution ⁷

Largest Contributors (bps)

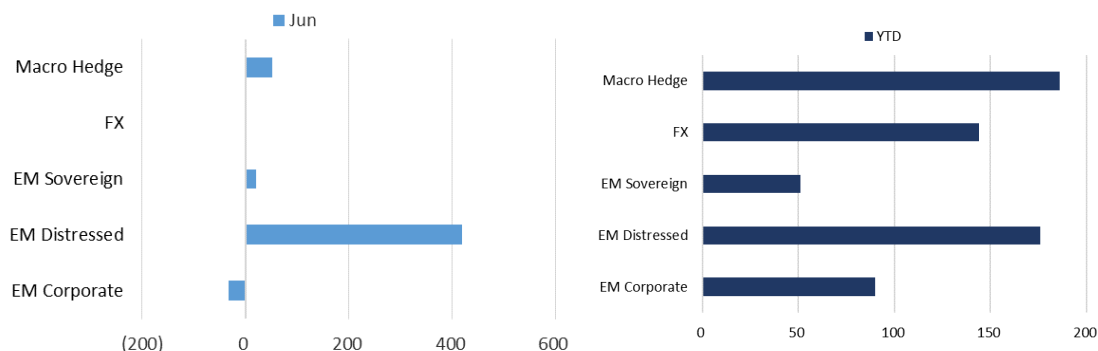
Position	Long/Short	Strategy	Region	Performance
Angola Sovereign Credit	Long	EM Distressed	Middle East & Africa	+205
Province of Buenos Aires	Long	EM Distressed	LatAm	+82
Argentina Sovereign Credit	Long	EM Distressed	LatAm	+75
Ukraine GDP Warrants	Long	EM Sovereign	Europe	+45
Long S&P Put Option	Short	Macro Hedge	US	+42

Largest Detractors (bps)

Position	Long/Short	Strategy	Region	Performance
Bumi Resources	Long	EM Corporate	Asia	-70
East African Sovereign	Short	EM Sovereign	Middle East & Africa	-25
Kenya Sovereign Credit	Short	EM Sovereign	Middle East & Africa	-14
Saudi Arabia 5yr CDS	Short	EM Sovereign	Middle East & Africa	-9
RUB	Long	FX	Europe	-4

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
2020	-0.95%	-0.80%	-6.00%	1.70%	6.79%	4.24%							4.55%
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) ⁸



■ >1 month ■ <1 week ■ Cash

Contact Information

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

020 7016 7660
ArgoInvestorRelations@argocm.com
www.argocm.com
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Comparatives

	MTD	YTD
The Argo Fund	4.24%	4.55%
JPM EMBI+	1.72%	-0.40%
JPM CEMBI	2.75%	-0.16%
JPM EMFX	-0.88%	-11.59%
Barclays EM USD Aggregate	2.49%	-0.43%
HFRI EM Total	4.02%	-4.91%

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