

The Argo Fund / The Argo Feeder Fund Limited

Emerging Markets Debt & Macro

Monthly Letter & Risk Report

September 2021

Performance	
NAV Per Share	369.48
September Return	0.29%
YTD Return	7.95%
Annualised Return Since Inception	7.15%
Annualised Volatility (Trailing 12-month)	11.35%
Sharpe Ratio (Trailing 12-month)	1.81
Percentage of up months	67.46%
Fund Characteristics	
Structure	Master-Feeder
Jurisdiction	Cayman Islands
Launch Date	2000
AUM (all share classes)	\$136m
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	91.24%
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

The fund's top performer in September was Lebanon as a new government was announced – over a year after the previous administration quit following the Beirut port explosion. Lebanon's sectarian power-sharing system had prevented attempts to form a government in the wake of Hassan Diab's resignation. Despite this positive development, the country is facing fuel and medicine shortages, unemployment and high inflation. That said, we believe there is more upside in bond prices, which at current levels already discount a large principal haircut.

The province of Buenos Aires bond exchange was finally completed in September with a 93% acceptance rate. The bonds ended the month lower after some post-restructuring profit-taking, although the name was also dragged down by sovereign underperformance. The primary (PASO) vote in September delivered a rebuke to the government coalition, suggesting they could lose control of the legislature after the November midterm elections. The result caused a crisis in the ruling coalition with VP Kirchner openly fighting with President Fernandez. The uncertain political outlook and likely fiscal expansion ahead of the midterms will further complicate negotiations over a new IMF program in the coming months.

Our position in Bumi Resources, the Indonesian coal miner, continued to strengthen as the company indicated it would partially redeem the notes in October, although a lower figure than suggested by some analysts. Nevertheless, we view this voluntary payment as positive given the company has promised to make further payments in the coming quarters and the coal price outlook continues to improve given Chinese power shortages.

Our short rates positions added to performance this month after US Treasuries began to sell off as markets began to discount central banks' description of rising inflation as 'transitory'. Likewise, our short Polish rates positions have strengthened as the market believes the central bank will be forced to hike at their next meeting.

We closed our Brazil equity ETF after a slight bounce. President Bolsonaro is under increasing pressure and inflation continues to rise. We also exited our position in Angola, taking profits after a huge move since we initiated the position during the pandemic-induced selloff.

The fund was active in new issues during September. We participated in different corporates & sovereigns, primarily taking profits quickly in a strong market environment. Given the uncertain market outlook into Q4, we continue to maintain our short book and added further downside protection through CDX.NA.HY.

Portfolio Statistics	
Duration	0.11
99% 1-month VaR	8.38%
Average Credit Rating ¹	CCC-
Average Yield to Maturity	8.29%
Annualised Downside Risk (1 Year)	4.28%
Monthly Turnover ²	18.38%
Cash	12.48%
Leverage:	
Gross Exposure Method	106.06%
Commitment Method	72.96%

Notes:

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

All figures as of 30th September 2021

Month End Risk Exposures

NAV sensitivity for -100bps shift in the yield curve

Strategy ³

EM Corporate	EM Distressed	Macro Hedge	EM Sovereign	Total
0.47	1.65	-1.23	-0.78	0.11

Region

Middle East & Africa	Asia	Europe	LatAm	US	Total
0.80	0.61	-0.36	0.40	-1.34	0.11

99% 1 Month Component VaR ⁴ (%)

By Strategy

EM Corporate	EM Distressed	FX	Macro Hedge	EM Sovereign	Total
0.25	6.28	0.31	0.15	1.39	8.38

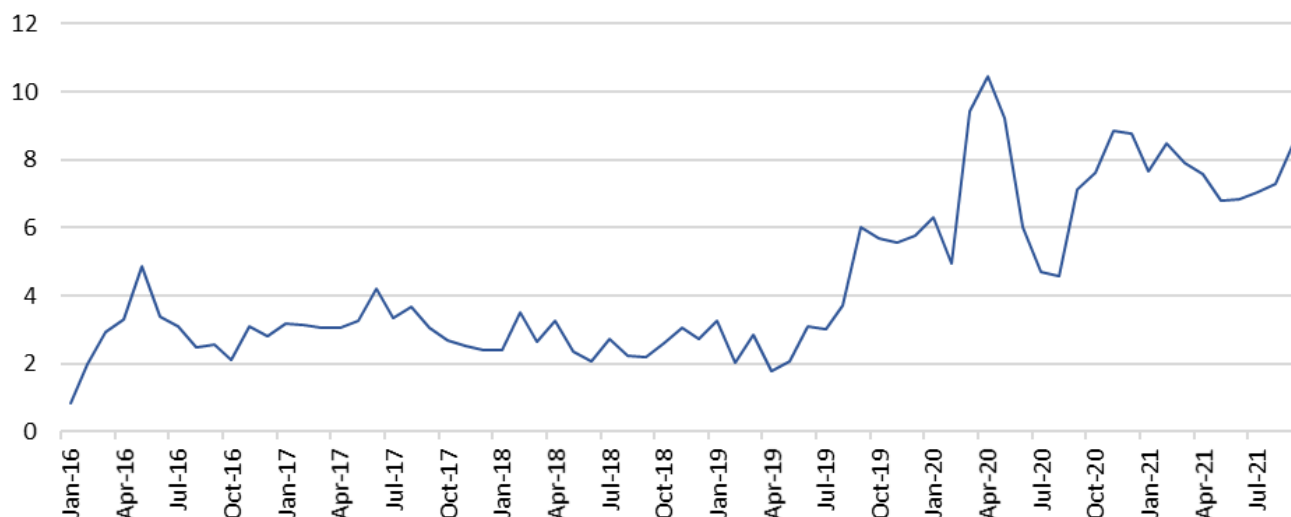
By Region

Middle East & Africa	Asia	Europe	LatAm	US	Total
1.75	0.77	0.51	5.14	0.21	8.38

By Maturity

0-1yr	1-3yr	3-5yr	5-7yr	7-10yr	10+yr	Total
0.17	0.28	0.57	2.15	1.50	3.71	8.38

Monte Carlo 99% 1 Month VaR (%)



Top 5 Country Holdings ⁵

Country	Region	%
Argentina	LatAm	18.89%
US	US	-18.35%
Mexico	LatAm	7.38%
Ukraine	Europe	6.69%
Brazil	LatAm	6.03%

Top 5 Holdings by Name ⁵

Position	Strategy	%
UST Bond Futures	Macro Hedge	-13.06%
Province of Buenos Aires	EM Distressed	9.56%
Argentina Sovereign	EM Distressed	9.32%
Ocyan	EM Distressed	6.03%
Lebanon Sovereign	EM Distressed	5.58%

Performance Attribution ⁶

Largest Contributors (bps)

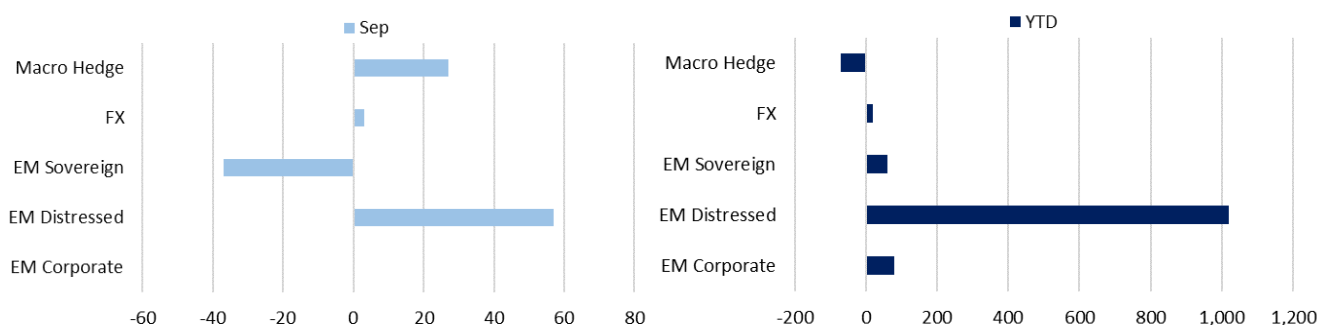
Position	Long/Short	Strategy	Region	Performance
Lebanon Sovereign	Long	EM Distressed	Middle East & Africa	+121
Ocyan	Long	EM Distressed	LatAm	+26
UST Bond Futures	Short	Macro Hedge	US	+29
Peru Sovereign	Short	EM Sovereign	LatAm	+16
Bumi Resources	Long	EM Distressed	Asia	+16

Largest Detractors (bps)

Position	Long/Short	Strategy	Region	Performance
Argentina Sovereign	Long	EM Distressed	LatAm	-58
Province of Buenos Aires	Long	EM Distressed	LatAm	-40
Ecuador Sovereign	Long	EM Sovereign	LatAm	-26
Egypt Sovereign	Long	EM Sovereign	Middle East & Africa	-22
Ukraine Sovereign Credit	Long	EM Sovereign	Europe	-18

Performance Attribution by Strategy

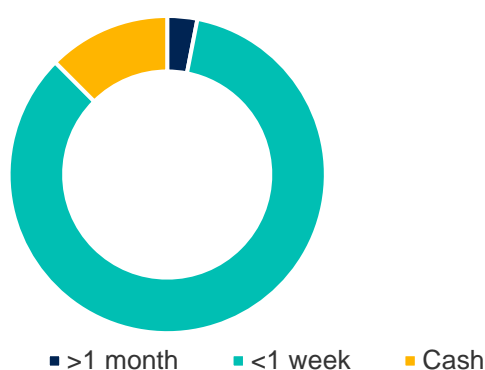
Gross Performance Attribution (bps)



Performance History (Net Return)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	-1.33%	-0.18%	-0.09%	3.95%	1.80%	0.14%	0.22%	2.98%	0.29%				7.95%
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



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Comparatives

	MTD	YTD
The Argo Fund	0.29%	7.94%
JPM EMBI+	-3.07%	-4.20%
JPM CEMBI	-0.67%	1.53%
JPM EMFX	-2.92%	-4.64%
Barclays EM USD Aggregate	-1.66%	-1.14%
HFRI EM Total	-0.84%	7.18%

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