

# The Argo Fund / The Argo Feeder Fund Limited

## Emerging Markets Debt & Macro

### Monthly Letter & Risk Report

January 2021

Performance	
NAV Per Share	337.75
January Return	-1.33%
YTD Return	-1.33%
Annualised Return Since Inception	6.92%
Annualised Volatility Since Inception	11.49%
Sharpe Ratio Since Inception	0.50
Percentage of up months	67.21%
Fund Characteristics	
Structure	Master-Feeder
Jurisdiction	Cayman Islands
Launch Date	2000
AUM (all share classes)	\$122m
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	83.33%
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

Ecuador sovereign bond prices suffered due to uncertainty over the upcoming presidential election. With a population weary from the economic crisis caused by the pandemic, markets feared a return to socialism under Andres Arauz, a protégé of leftist former president Rafael Correa. Arauz has promised to revive the heavy social spending of Correa's decade in power and to tear up the IMF-backed austerity plan. However, just before the election he presented a more moderate view to international investors, resulting in bond prices recovering substantially. At the February 7<sup>th</sup> first round, Arauz led the vote and reached the second-round runoff against conservative candidate Guillermo Lasso, which will be held on April 11<sup>th</sup>. We expect some near-term volatility in the credit and will maintain a small position, looking for more policy clarity.

Bond prices fell in Argentina on persistently negative news flow throughout the month. Majority state-owned oil and gas company YPF sought a debt exchange but was denied the dollars by the Central Bank underscoring the precarious FX reserves position. Also, as an increase to utility bills was pushed back from January to March, the government continues to fail in its plan for fiscal consolidation. As vice-president Kirchner appears to have an increasing role in policy-making decisions, investors are becoming pessimistic over the prospects for a new IMF program in May.

Our position in Brazilian drillship operator Ocyan was the fund's top performer in January as the company announced it was awarded a new charter contract with Petrobras to start in July 2021. This removes a key short-term overhang for the company and clearly provides a more optimistic backdrop for the amortisation of the 2026 notes, particularly considering the improved oil price outlook. Elsewhere in the distressed book, a surge in passenger traffic to Mexico from the US has increased optimism for the Mexican tourism business, boosting our position in hotelier Grupo Posadas.

The Turkish lira outperformed this month as the central bank reaffirmed its commitment to tight policy despite a lower inflation forecast. Governor Agbal has promised orthodox and decisive policy-making after a prolonged period of influence from President Erdogan.

We actively managed our macro hedge book in January. We placed a tactical short on EM equity, which we subsequently took profit on and entered put spreads in US equity to limit premium cost, whilst retaining protection against a correction. We also shorted the US investment grade bond index at tight valuations on the expectation of higher treasury yields due to rising inflation expectations. On the same rationale, we also shorted the long end in Peru and Mexico.

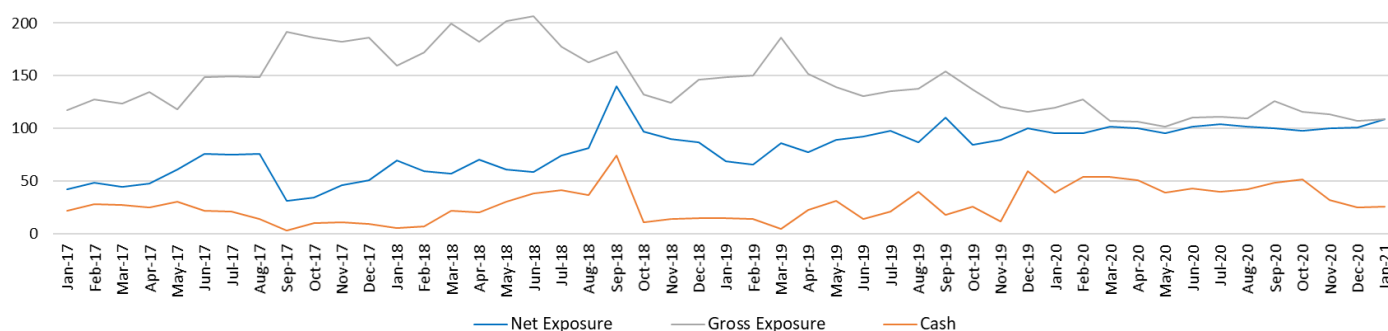
Portfolio Statistics	
Duration	1.28
99% 1-month VaR	7.66%
Average Credit Rating <sup>1</sup>	CCC
Average Yield to Maturity	5.76%
Annualised Downside Risk (1 Year)	8.29%
Monthly Turnover <sup>2</sup>	22.41%
Cash	25.42%
Leverage:	
Gross Exposure Method	64.19%
Commitment Method	63.54%

#### 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 Risk Analytic and where not available calculated by Argo based on historic 3-month data.
- 5: As % of NAV
6. Gross performance in bps of average AUM of the period
- 7: Assuming normal market conditions

All figures as of 31<sup>st</sup> January 2021

## Fund Exposure (%)



## Month End Risk Exposures

NAV sensitivity for -100bps shift in the yield curve

### Strategy <sup>3</sup>

EM Corporate	EM Distressed	Macro Hedge	EM Sovereign	Total
0.51	1.22	-0.47	0.02	1.28

### Region

Middle East & Africa	Asia	Europe	LatAm	US	Total
0.36	0.21	0.61	0.45	-0.35	1.28

## 99% 1 Month Component VaR (%)

### By Strategy

EM Corporate	EM Distressed	FX	Macro Hedge	EM Sovereign	Total
0.89	4.82	0.13	-0.07	1.89	7.66

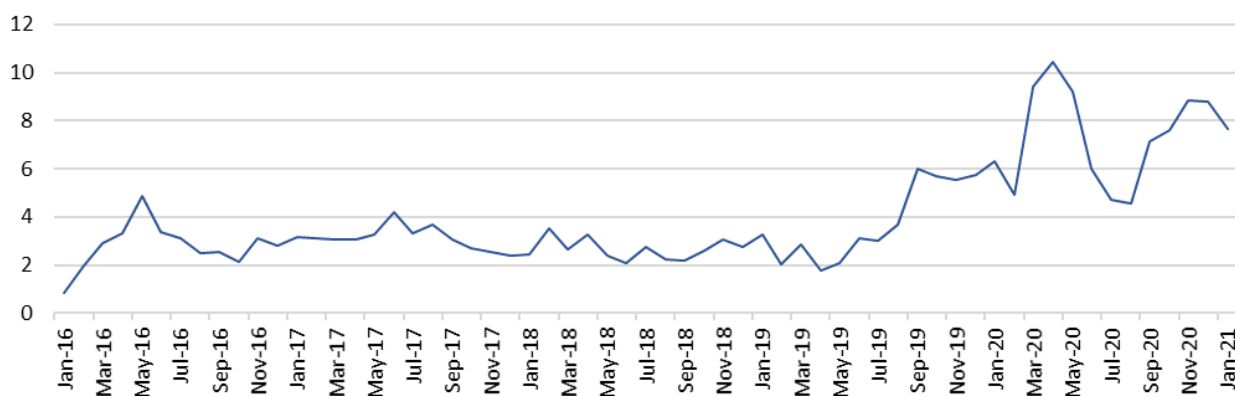
### By Region

Middle East & Africa	Asia	Europe	LatAm	US	Total
1.44	0.48	1.23	4.74	-0.23	7.66

### By Maturity

0-1yr	1-3yr	3-5yr	5-7yr	7-10yr	10+yr	Total
-0.07	0.42	0.54	1.00	2.14	3.63	7.66

### Monte Carlo 99% 1 Month VaR (%) <sup>4</sup>



### Top 5 Country Holdings <sup>5</sup>

Country	Region	%
Argentina	LatAm	16.16%
Mexico	LatAm	6.19%
Ukraine	Europe	5.90%
US	US	-5.04%
South Africa	Middle East & Africa	5.01%

### Top 5 Holdings by Name <sup>5</sup>

Position	Strategy	%
Argentina Sovereign	EM Distressed	9.84%
Province of Buenos Aires	EM Distressed	6.32%
Pemex	EM Corporate	5.37%
Eskom	EM Corporate	5.01%
Ukraine	EM Sovereign	5.01%

### Performance Attribution <sup>6</sup>

#### Largest Contributors (bps)

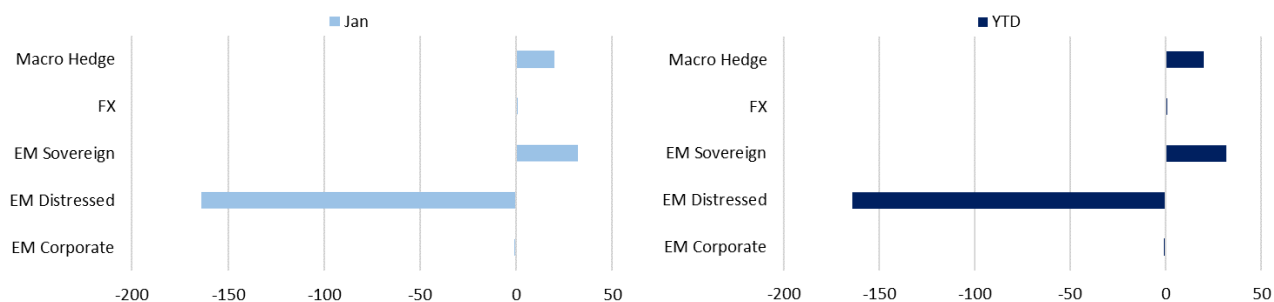
Position	Long/Short	Strategy	Region	Performance
Ocyan	Long	EM Distressed	LatAm	+40
Turkish Lira	Long	FX	Europe	+20
Eskom	Long	EM Corporate	Middle East & Africa	+24
Angola Sovereign	Long	EM Sovereign	Middle East & Africa	+19
Sri Lanka Sovereign	Long	EM Distressed	Asia	+14

#### Largest Detractors (bps)

Position	Long/Short	Strategy	Region	Performance
Province of Buenos Aires	Long	EM Distressed	LatAm	-70
Argentina Sovereign	Long	EM Distressed	LatAm	-60
Ecuador Sovereign	Long	EM Distressed	LatAm	-60
Brazil Equity ETF	Long	Macro Hedge	LatAm	-15
Modernland Realty	Long	EM Distressed	Asia	-13

## Performance Attribution by Strategy

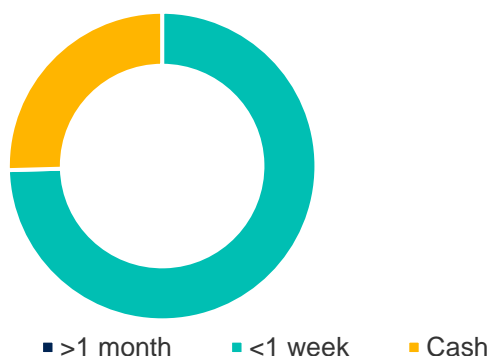
### Gross Performance Attribution (bps)



## Performance History (Net Return)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2021	-1.33%												-1.33%
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) <sup>7</sup>



## Contact Information

Argo Capital Management  
2nd Floor  
24-25 New Bond Street  
London, W1S 2RR  
  
020 7016 7660  
ArgoInvestorRelations@argocm.com  
[www.argocm.com](http://www.argocm.com)  
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## Comparatives

	MTD	YTD
The Argo Fund	-1.33%	-1.33%
JPM EMBI+	-1.82%	-1.82%
JPM CEMBI	-0.07%	-0.07%
JPM EMFX	-1.48%	-1.48%
Barclays EM USD Aggregate	-0.85%	-0.85%
HFRI EM Total	1.46%	1.46%

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