

# The Argo Fund / The Argo Feeder Fund Limited

## Emerging Markets Debt & Macro

### Monthly Letter & Risk Report

January 2022

Performance	
NAV Per Share	361.70
January Return	0.36%
YTD Return	0.36%
Annualised Return Since Inception	6.94%
Annualised Volatility (Trailing 12-month)	6.45%
Sharpe Ratio (Trailing 12-month)	0.83
Percentage of up months	67.45%
Fund Characteristics	
Structure	Master-Feeder
Jurisdiction	Cayman Islands
Launch Date	2000
AUM (all share classes)	\$128m
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	89.80%
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

In January, US Treasury yields rose on the back of increasing inflation prints and the Fed took a hawkish shift with the first rate hike now expected in March. Our short EM credit and macro positions outperformed, offsetting weakness elsewhere in the portfolio. We took profit on our S&P futures position earlier in the month before re-entering the trade with put options as the market rebounded. We also added to our IG and EM sovereign shorts whilst exiting our local currency bond position.

We received the allocation of new notes from the PDI in the Modernland restructuring and the terms of the bonds have been updated to include the lower coupon and extended maturity. The new notes currently trade at a yield of 22% and we remain optimistic for the company's deleveraging plan given the news of the USD60mn joint venture stake disposal at the end of December.

We also continued to add to our position in Bumi Resources as the company announced another large principal repayment in January. Despite the government's announcement (and subsequent reversal) of a coal export ban, we believe this will only have a minor effect on Bumi and are expecting full principal repayment this year.

The build-up of Russian forces along the Ukrainian border weighed heavily on bond prices during the month. Whilst our base case remains that a full-scale invasion is unlikely to occur, market participants have been reducing risk in both Ukrainian and Russian assets. We switched our Russian local bond position into an fx option. Likewise, we switched our Ukrainian local bonds into GDP warrants as prices were particularly attractive – indeed the finance ministry appears to agree as they continue to buy back the warrants at depressed levels.

Our Argentinian positions sold off a few points during the month before rebounding as an understanding was eventually reached with the IMF. The two sides agreed a fiscal path and are finalising the terms of a new deal before submitting to Congress for approval in March. Whilst we believe there could be more turbulence ahead, we are hopeful that the IMF deal will pass, and bond prices should be lifted by positive developments.

Portfolio Statistics	
Duration	1.32
99% 1-month VaR	9.49%
Average Credit Rating <sup>1</sup>	CC
Average Yield to Maturity	9.02%
Annualised Downside Risk (1-Year)	4.62%
Monthly Turnover <sup>2</sup>	38.68%
Cash	10.91%
Leverage:	
Gross Exposure Method	154.23%
Commitment Method	32.16%

**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 31<sup>st</sup> January 2022

## 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
0.39	1.72	-0.55	-0.24	1.32

**Region**

Middle East & Africa	Asia	Europe	LatAm	US	Total
0.82	0.71	0.17	0.54	-0.92	1.32

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

**By Strategy**

EM Corporate	EM Distressed	FX	Macro Hedge	EM Sovereign	Total
0.23	8.61	0.20	-0.48	0.93	9.49

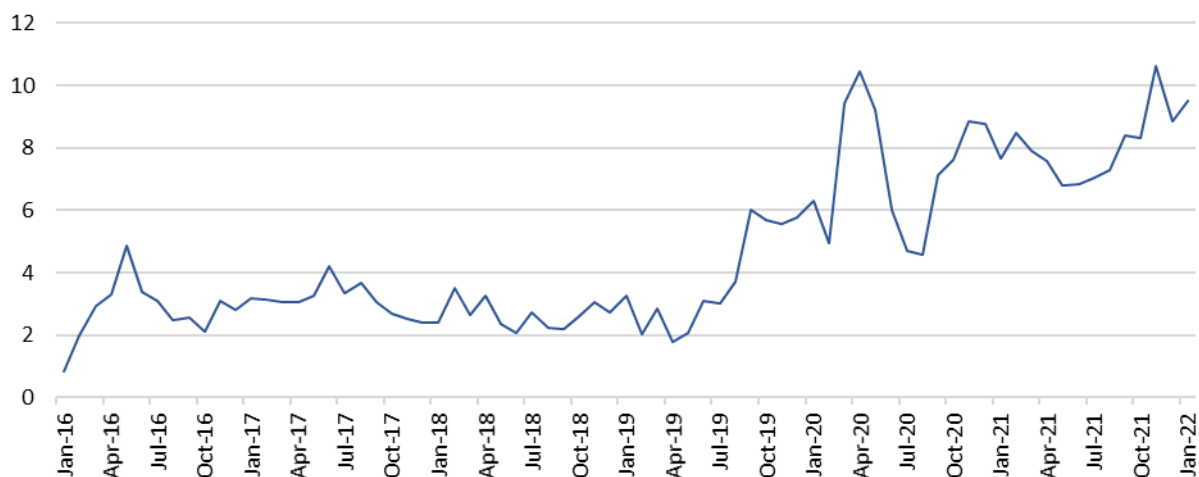
**By Region**

Middle East & Africa	Asia	Europe	LatAm	US	Total
2.23	2.24	0.35	5.34	-0.67	9.49

**By Maturity**

0-1yr	1-3yr	3-5yr	5-7yr	7-10yr	10+yr	Total
0.82	0.60	1.31	1.67	1.51	3.58	9.49

### Monte Carlo 99% 1 Month VaR (%)



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

Country	Region	%
Argentina	LatAm	19.39%
Ukraine	Europe	9.55%
US	US	-9.28%
Mexico	LatAm	8.48%
Peru	LatAm	-5.46%

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

Position	Strategy	%
Argentina Sovereign	EM Distressed	9.70%
Province of Buenos Aires	EM Distressed	9.69%
Ukraine	EM Distressed	9.55%
Ocyan	EM Distressed	6.46%
iBoxx US IG ETF	Macro Hedge	-5.93%

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

#### Largest Contributors (bps)

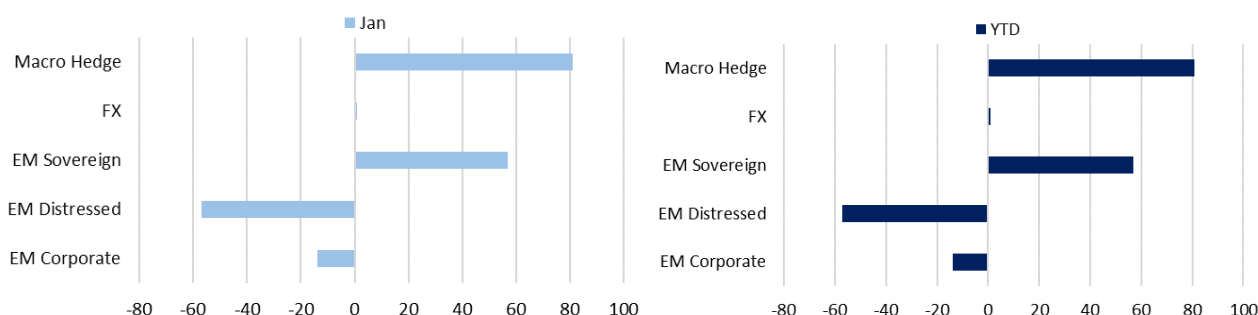
Position	Long/Short	Strategy	Region	Performance
Peru Sovereign	Short	EM Sovereign	LatAm	+33
S&P 500	Short	Macro Hedge	US	+28
Bumi Resources	Long	EM Distressed	Asia	+24
CDX:HY	Short	Macro Hedge	US	+23
Ecuador Sovereign	Long	EM Sovereign	LatAm	+21

#### Largest Detractors (bps)

Position	Long/Short	Strategy	Region	Performance
Ukraine Sovereign	Long	EM Distressed	Europe	-29
Argentina Sovereign	Long	EM Distressed	LatAm	-21
Shimao	Long	EM Distressed	Asia	-19
TV Azteca	Long	EM Distressed	LatAm	-18
Zambia Sovereign	Long	EM Distressed	Middle East & Africa	-14

## Performance Attribution by Strategy

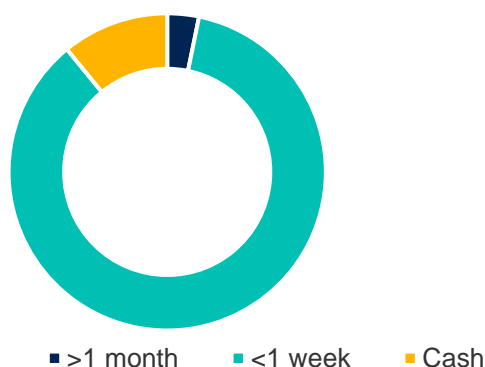
Gross Performance Attribution (bps)



## Performance History (Net Return)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2022	0.36%												0.36%
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) <sup>7</sup>



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## Comparatives

	MTD	YTD
The Argo Fund	0.36%	0.36%
JPM EMBI+	-3.89%	-3.89%
JPM CEMBI	-1.67%	-1.67%
JPM EMFX	1.50%	1.50%
Barclays EM USD Aggregate	-2.63%	-2.63%
HFRI EM Total	-1.45%	-1.45%

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