

The Argo Fund / The Argo Feeder Fund Limited

Emerging Markets Debt & Macro

Monthly Letter & Risk Report

March 2022

Performance	
NAV Per Share	352.17
March Return	3.25%
YTD Return	-2.28%
Annualised Return Since Inception	6.76%
Annualised Volatility (Trailing 12-month)	9.54%
Sharpe Ratio (Trailing 12-month)	0.51
Percentage of up months	67.44%
Fund Characteristics	
Structure	Master-Feeder
Jurisdiction	Cayman Islands
Launch Date	2000
AUM (all share classes)	\$126m
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	91.06%
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

Ukrainian bond prices rebounded sharply in March on the back of a slightly more positive outlook for the economy. With the Russian advance stalled and now concentrated primarily in the East, there are hopes that GDP shock may not reach the worst-case scenario. The situation remains highly uncertain, and the length of the war will be the key determinant in asset recovery values. We added GDP warrants at the lows during March and prices have since risen due to the instrument's sensitivity to GDP growth volatility.

We exited our position in Sri Lanka during this month as the difficult financial situation finally became a crisis with anti-government protests breaking out following a surge in food and fuel inflation. The ruling coalition lost its majority and the cabinet resigned en masse. After we sold our position, the government has announced a suspension of debt payments and political uncertainty remains high, with the IMF seeking assurances on debt sustainability before lending. We may look to re-enter the trade at a more attractive level.

We exited our Brazil IRS receiver as the outlook for the terminal rate became unclear due to sticky inflation prints. The central bank governor has signalled another 100bps hike in May and, whilst stating that inflation should peak in April, CPI keep surprising to the upside. Elsewhere our BRL call option outperformed on the back of the aggressive monetary tightening, resulting in a real interest rate differential versus the US at close to its historical peak.

Ecuador bond prices were softer as lawmakers rejected a proposed bill from President Lasso which was aimed at attracting investment. We remain positive on the credit which appears undervalued versus fundamentals. Additionally, the IMF program does not require Ecuador to pass any additional major reforms and the fiscal balance should see an improvement given higher oil prices.

Indonesian coal miner Bumi Resources continued to strengthen this month as we awaited a further amortisation in April after persistently high coal prices. Our base case remains that the company repays our bond at maturity and then looks to restructure the tranche B notes to reduce interest costs.

Elsewhere Pakistan sovereign bonds dropped after the government introduced fuel subsidies, defying the latest IMF program review from the end of January. Argentina rallied as the IMF program was officially voted through congress and we exited our Zambia distressed position due to uncertainty over the duration of the restructuring given lack of involvement from Chinese creditors to date.

Portfolio Statistics	
Duration	1.41
99% 1-month VaR	11.19%
Average Credit Rating ¹	CC
Average Yield to Maturity	9.92%
Annualised Downside Risk (1-Year)	7.67%
Monthly Turnover ²	40.29%
Cash	11.17%
Leverage:	
Gross Exposure Method	144.29%
Commitment Method	43.75%

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 31st March 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	1.82	-0.54	-0.26	1.41

Region

Middle East & Africa	Asia	Europe	LatAm	US	Total
0.97	0.58	-0.41	1.34	-1.07	1.41

99% 1 Month Component VaR ⁴ (%)

By Strategy

EM Corporate	EM Distressed	FX	Macro Hedge	EM Sovereign	Total
0.37	10.03	0.31	-0.32	0.80	11.19

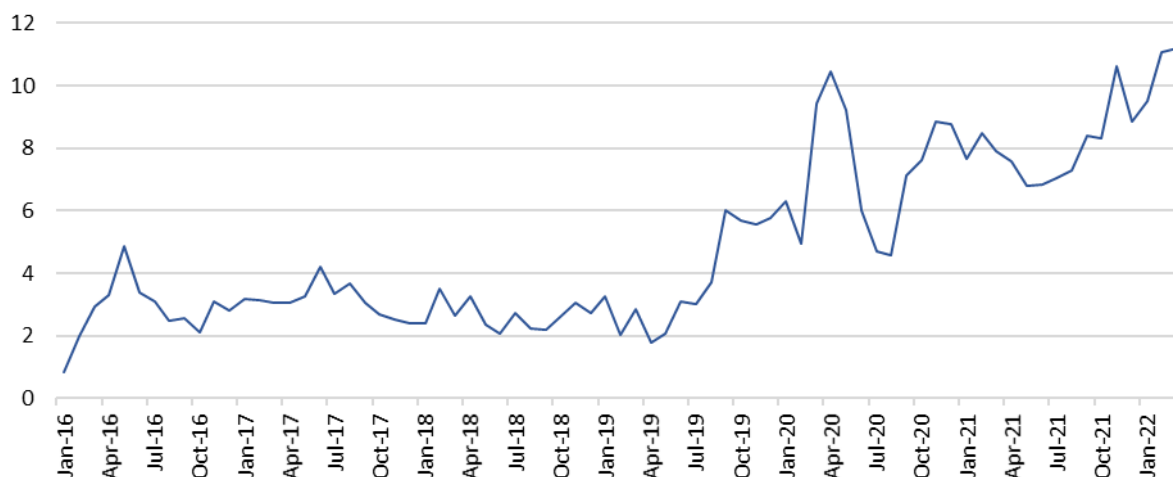
By Region

Middle East & Africa	Asia	Europe	LatAm	US	Total
2.26	1.49	2.44	5.62	-0.62	11.19

By Maturity

0-1yr	1-3yr	3-5yr	5-7yr	7-10yr	10+yr	Total
0.71	0.79	1.02	0.83	2.24	5.60	11.19

Monte Carlo 99% 1 Month VaR (%)



Top 5 Country Holdings ⁵

Country	Region	%
Argentina	LatAm	19.57%
US	US	-8.48%
Mexico	LatAm	6.57%
Indonesia	Asia	6.24%
Lebanon	Middle East & Africa	5.23%

Top 5 Holdings by Name ⁵

Position	Strategy	%
Province of Buenos Aires	EM Distressed	10.02%
Argentina Sovereign	EM Distressed	9.55%
EMB ETF	EM Sovereign	-6.87%
Ocyan	EM Distressed	6.78%
Ukraine Sovereign	EM Distressed	5.97%

Performance Attribution ⁶

Largest Contributors (bps)

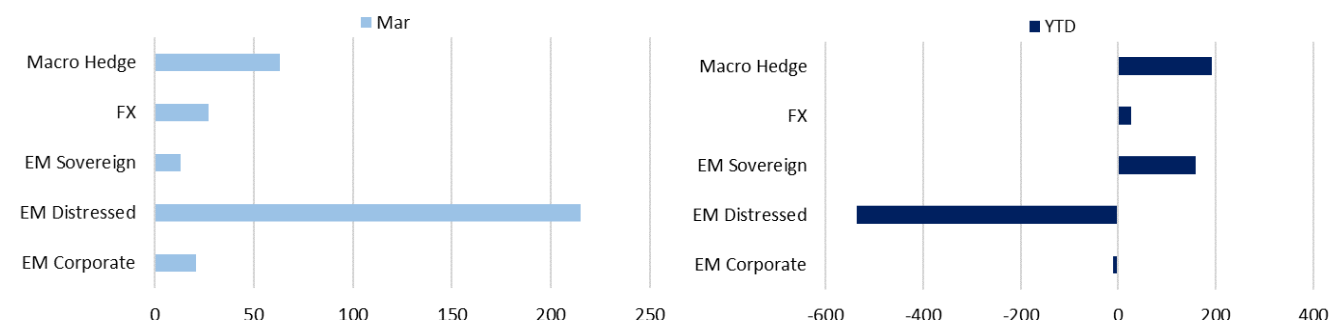
Position	Long/Short	Strategy	Region	Performance
Ukraine Sovereign	Long	EM Distressed	Europe	+162
CDX:EM	Short	EM Sovereign	US	+47
Bumi Resources	Long	EM Distressed	Asia	+42
Argentina Sovereign	Long	EM Distressed	LatAm	+40
Egypt Sovereign	Long	EM Sovereign	Middle East & Africa	+34

Largest Detractors (bps)

Position	Long/Short	Strategy	Region	Performance
BRL IRS	Long	EM Sovereign	LatAm	-32
Ecuador Sovereign	Long	EM Sovereign	LatAm	-27
Pakistan Sovereign	Long	EM Distressed	Asia	-26
CDX:HY	Short	Macro Hedge	US	-26
Zambia	Long	EM Distressed	Middle East & Africa	-25

Performance Attribution by Strategy

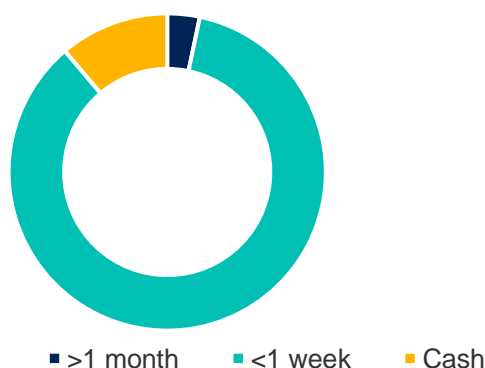
Gross Performance Attribution (bps)



Performance History (Net Return)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2022	0.36%	-5.70%	3.25%										-2.28%
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



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Comparatives

	MTD	YTD
The Argo Fund	3.25%	-2.28%
JPM EMBI+	-1.72%	-16.20%
JPM CEMBI	-2.55%	-8.82%
JPM EMFX	3.23%	1.77%
Barclays EM USD Aggregate	-2.34%	-9.23%
HFRI EM Total	-0.83%	-6.10%

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