

The Argo Fund / The Argo Feeder Fund Limited

Emerging Markets Debt & Macro

Monthly Letter & Risk Report

May 2020

Performance	
NAV Per Share	325.35
May Return	6.79%
YTD Return	0.31%
Annualised Return Since Inception	6.95%
Annualised Volatility Since Inception	11.60%
Sharpe Ratio Since Inception	0.49
Percentage of up months	67.80%
Fund Characteristics	
Structure	Standalone
Jurisdiction	Cayman Islands
Launch Date	2000
AUM (all share classes)	\$101m
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

Argentina sovereign bond prices rose during May on the back of renewed optimism that a more favourable outcome was becoming increasingly likely for bondholders. The government improved the terms of the debt restructuring proposal, resulting in a marked improvement in restructured bonds NPV. Whilst the

bondholder groups are likely to push authorities for further concessions, this is a step in the right direction. Bonds in the province of Buenos Aires likewise traded higher as they appear to be monitoring the outcome of the sovereign restructuring. We increased both of these positions during the month.

Bonds were also pushed higher in Ecuador as investors become increasingly confident of avoiding a hard default. Authorities appear to be seeking a compromise and the higher oil price has slightly improved the fiscal outlook going forward. Additionally, willingness to engage with a supportive IMF has improved market sentiment on the sovereign. We slightly reduced our position after this rally.

We topped up our position in sovereign Angola bonds at the start of the month, believing that a rebound in oil demand would boost prices and support the country's fundamentals. The government had undertaken a proactive stance in seeking debt relief from China and the G20, whilst the IMF remains supportive of the current administration. Near-term restructuring risk has therefore eased, leading the issuer to outperform SSA peers.

Elsewhere in Africa, we added a position in state-owned electricity generator Eskom as we believed it was trading wide to the sovereign on a relative value basis. The rationale for this trade is similar to Mexican oil company Pemex, believing that the companies will continue to receive state support in one guise or another and therefore should trade tighter than current levels. We also opened a short position in Kenya as bonds have remained expensive relative to peers despite their relatively higher exposure to tourism.

Our position in Ukraine GDP warrants was further boosted as forecasts for 2020 GDP growth were slightly improved. Additionally, the structure of the warrants means that near-term GDP growth volatility should boost the size of the annual payment, with cash flows over the next couple of years being the highest contributor to the instrument's NPV.

Following the Fed's moves to support the US High Yield market, we initiated a position in the US HY ETF to benefit. We added protection on the portfolio with S&P put options to limit downside to the initial premiums and capture any major negative shift in market sentiment. Additionally, we continued to employ cash to increase our long book and reduced shorts, resulting in higher net exposure.

Portfolio Statistics

Duration	1.11
99% 1-month VaR	9.22%
Average Credit Rating ¹	CCC
Average Yield to Maturity ²	4.68%
Annualised Downside Risk (1 Year)	8.84%
Monthly Turnover ³	43.72%
Cash	38.90%
Leverage:	
Gross Exposure Method	53.54%
Commitment Method	50.14%

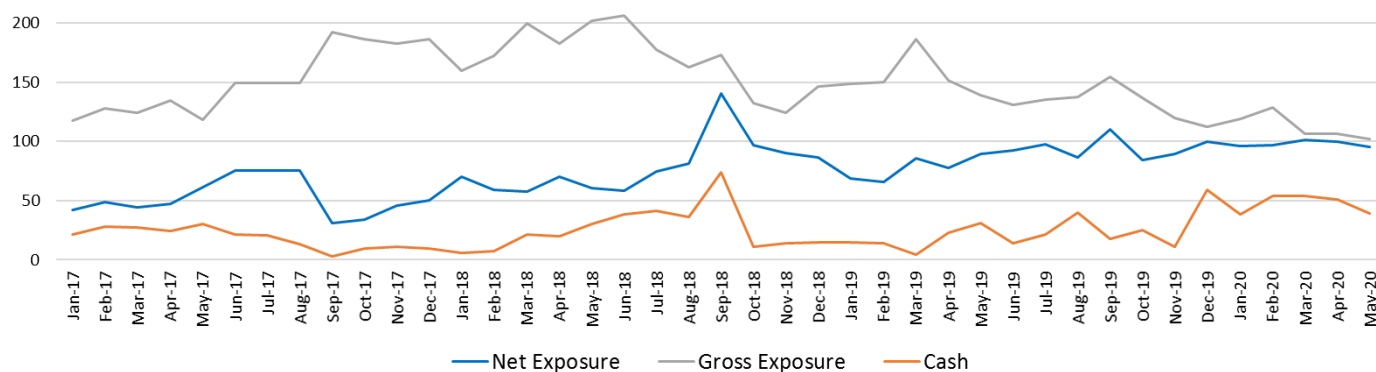
Notes:

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 31st May 2020

Figures published are for the Feeder Fund from December 2019

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
0.48	0.71	0.18	-0.26	1.11

Region

Middle East & Africa	Asia	Europe	LatAm	US	Total
0.31	-0.18	0.19	0.60	0.18	1.11

99% 1 Month Component VaR (%)

By Strategy

EM Corporate	EM Distressed	FX	Macro Hedge	EM Sovereign	Total
1.91	7.06	0.00	-0.44	0.69	9.22

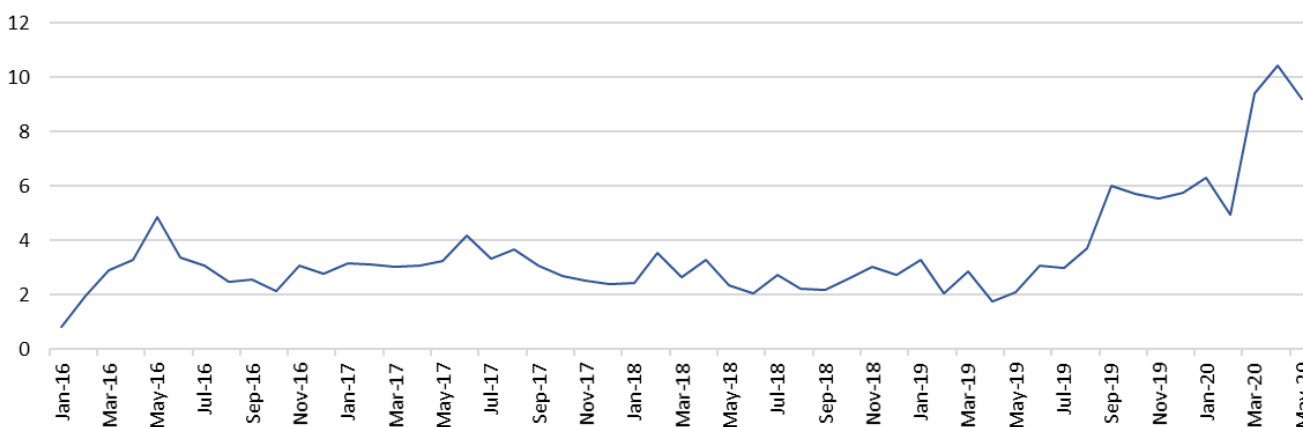
By Region

Middle East & Africa	Asia	Europe	LatAm	US	Total
3.05	0.18	0.50	5.93	-0.44	9.22

By Maturity

0-1yr	1-3yr	3-5yr	5-7yr	7-10yr	10+yr	Total
-0.42	2.27	0.35	0.71	3.67	2.64	9.22

Monte Carlo 99% 1 Month VaR (%) ⁵



Top 5 Country Holdings ⁶

Country	Region	%
Argentina	LatAm	16.48%
Ukraine	Europe	6.19%
Angola	Middle East & Africa	5.80%
Lebanon	Middle East & Africa	5.20%
US	US	5.19%

Top 5 Holdings by Name ⁶

Position	Strategy	%
Argentina Sovereign Credit	EM Distressed	10.29%
Province of Buenos Aires	EM Distressed	6.19%
Ukraine GDP Warrants	EM Sovereign	5.69%
Lebanon Sovereign Credit	EM Distressed	5.20%
HYG US Equity	Macro Hedge	4.93%

Performance Attribution ⁷

Largest Contributors (bps)

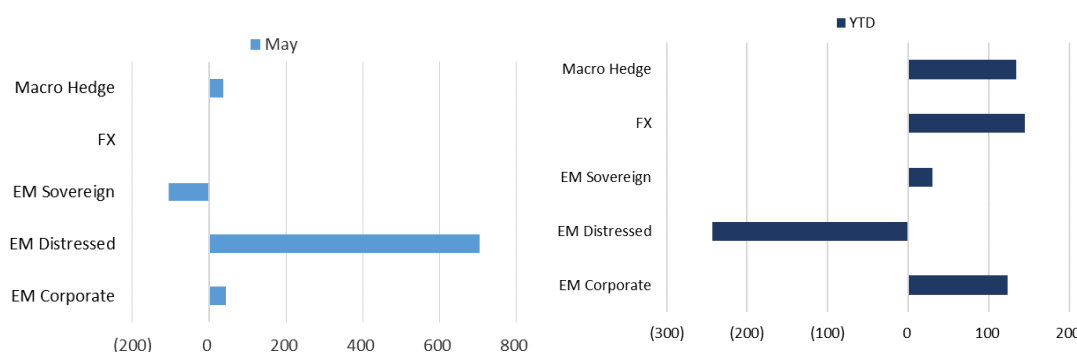
Position	Long/Short	Strategy	Region	Performance
Argentina Sovereign Credit	Long	EM Distressed	LatAm	+269
Angola Sovereign Credit	Long	EM Distressed	Middle East & Africa	+169
Province of Buenos Aires	Long	EM Distressed	LatAm	+136
Ukraine GDP Warrants	Long	EM Sovereign	Europe	+79
Ecuador Sovereign Credit	Long	EM Distressed	LatAm	+67

Largest Detractors (bps)

Position	Long/Short	Strategy	Region	Performance
East African Sovereign	Short	EM Sovereign	Middle East & Africa	-145
Indonesia Sovereign Credit	Short	EM Sovereign	Asia	-17
S&P Futures	Short	Macro Hedge	US	-16
Egypt T-bill	Long	EM Sovereign	Middle East & Africa	-14
Ocyan	Long	EM Corporate	LatAm	-10

Performance Attribution by Strategy

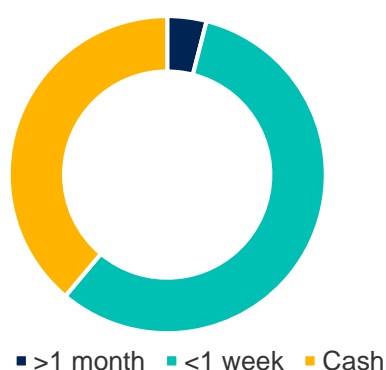
Gross Performance Attribution (bps)



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%								0.31%
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



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Comparatives

	MTD	YTD
The Argo Fund	6.79%	0.31%
JPM EMBI+	6.28%	-2.09%
JPM CEMBI	3.91%	-2.83%
JPM EMFX	3.40%	-10.81%
Barclays EM USD Aggregate	4.61%	-2.85%
HFRI EM Total	2.01%	-8.28%

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