

# The Argo Fund / The Argo Feeder Fund Limited

## Emerging Markets Debt & Macro

### Monthly Letter & Risk Report

May 2021

Performance	
NAV Per Share	356.46
May Return	1.80%
YTD Return	4.14%
Annualised Return Since Inception	7.09%
Annualised Volatility Since Inception	11.44%
Sharpe Ratio Since Inception	0.51
Percentage of up months	66.94%
Fund Characteristics	
Structure	Master-Feeder
Jurisdiction	Cayman Islands
Launch Date	2000
AUM (all share classes)	\$137m
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	99.64%
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

Argentina bonds jumped a couple points this month due to renewed optimism for an IMF deal. President Alberto Fernandez undertook a tour of Europe to gain support to delay a USD 2.4bn Paris Club payment due at the end of May. Indications are that the creditors would allow Argentina to avoid default and the grace period is due to expire on July 31<sup>st</sup>. Fernandez also stated during the month that he wanted to reach an agreement with the IMF as quickly as possible, although our base case is not to expect a deal before the midterm elections in October. Elsewhere, the Province of Buenos Aires restructuring continues to drag on with yet another extension, but we believe the distance between the two sides has narrowed significantly and are hopeful of a resolution soon. As a result, we topped up our position in the Province during the month.

Our position in Brazilian drillship operator Ocyan was the fund's top performer this month as the continued strengthening of the oil market has materially improved the outlook for drillship day rates. Additionally, investors are beginning to get more comfortable with the name as the credit has improved following contract renewals/ tenders over the past 12 months.

We added to the portfolio's inflation hedges with a payer swap and a short position in local Polish sovereign bonds. We believe inflation prints over the next few months will eventually force the central bank to turn hawkish and hike rates. We also took profit on a portion of our base metals ETF after strong outperformance.

In FX, we took profit on our Brazilian real put options after a disappointing data release in the US. We then added a cheap knockout option on the Turkish lira as President Erdogan got rid of yet another central bank governor. Erdogan's unorthodox economic views are well-known by the market at this point and could lead to further lira weakening.

We added to our position in Indonesian property developer Modernland on expectations that the restructuring proposal would be further enhanced by the company and the process would be completed before the maturity of the IDR bond in early July. Elsewhere in the distressed book, our position in a Kazakh oil & gas producer strengthened as investors believed a resolution to the debt restructuring was drawing closer.

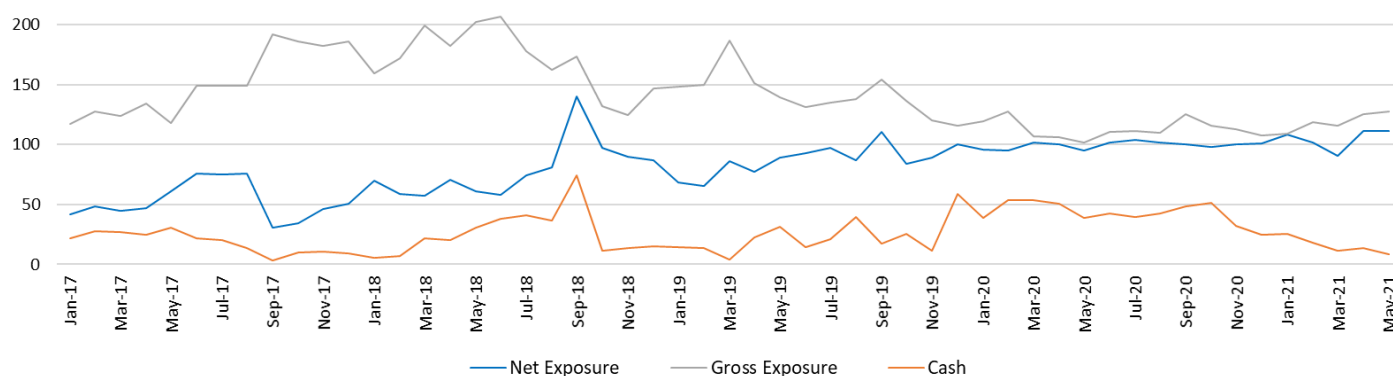
Portfolio Statistics	
Duration	-0.15
99% 1-month VaR	6.79%
Average Credit Rating <sup>1</sup>	CCC-
Average Yield to Maturity	6.01%
Annualised Downside Risk (1 Year)	5.41%
Monthly Turnover <sup>2</sup>	18.32%
Cash	8.70%
Leverage:	
Gross Exposure Method	84.57%
Commitment Method	76.47%

#### 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> May 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
0.43	1.14	-0.53	-1.19	-0.15

### Region

Middle East & Africa	Asia	Europe	LatAm	US	Total
0.77	0.31	-0.60	-0.10	-0.53	-0.15

## 99% 1 Month Component VaR (%)

### By Strategy

EM Corporate	EM Distressed	FX	Macro Hedge	EM Sovereign	Total
0.31	3.98	0.36	-0.01	2.15	6.79

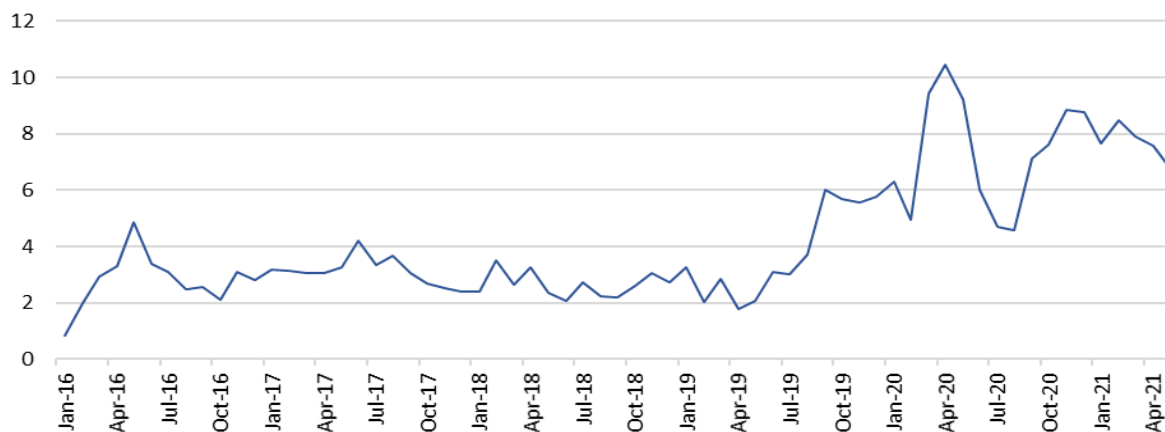
### By Region

Middle East & Africa	Asia	Europe	LatAm	US	Total
1.72	0.49	0.42	4.17	-0.01	6.79

### By Maturity

0-1yr	1-3yr	3-5yr	5-7yr	7-10yr	10+yr	Total
0.26	0.24	0.58	1.15	1.70	2.86	6.79

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



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

Country	Region	%
Argentina	LatAm	17.68%
Poland	Europe	-6.66%
Ghana	Middle East & Africa	5.15%
Brazil	LatAm	5.01%
Indonesia	Asia	4.74%

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

Position	Strategy	%
Argentina Sovereign	EM Distressed	9.66%
Province of Buenos Aires	EM Distressed	8.02%
Poland Sovereign Local	EM Sovereign	-6.66%
Pemex	EM Corporate	5.36%
Ocyan	EM Corporate	4.88%

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

#### Largest Contributors (bps)

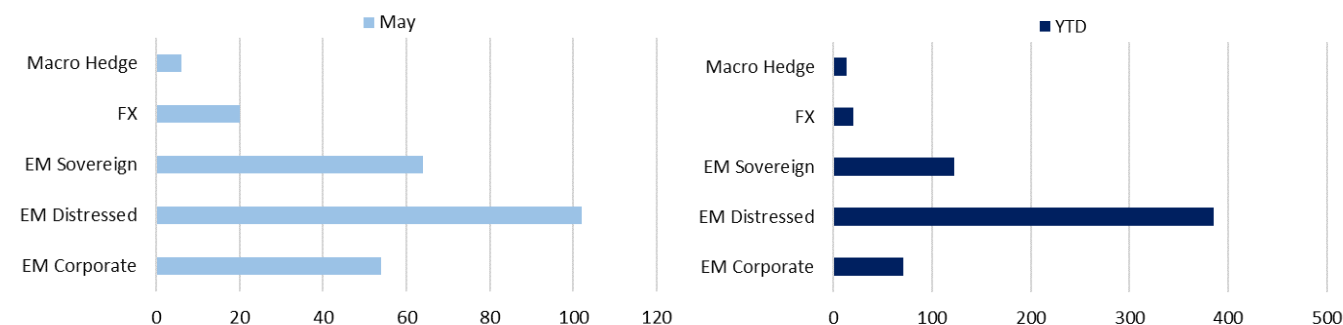
Position	Long/Short	Strategy	Region	Performance
Ocyan	Long	EM Distressed	LatAm	+40
Argentina Sovereign	Long	EM Distressed	LatAm	+36
Ukraine Sovereign	Long	EM Sovereign	Europe	+25
Sri Lanka Sovereign	Long	EM Distressed	Asia	+24
Nostrum Oil & Gas	Long	EM Distressed	Asia	+15

#### Largest Detractors (bps)

Position	Long/Short	Strategy	Region	Performance
Kenya Sovereign	Short	EM Sovereign	Middle East & Africa	-10
Mexico Sovereign	Short	EM Sovereign	LatAm	-7
UST 10Y Futures	Short	Macro Hedge	US	-5
EMB US ETF	Short	EM Sovereign	US	-5
Tullow Oil	Long	EM Distressed	Middle East & Africa	-4

## Performance Attribution by Strategy

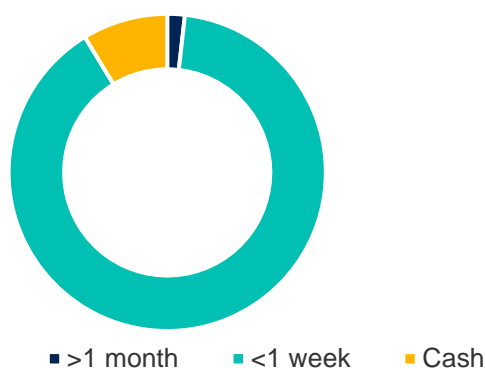
Gross Performance Attribution (bps)



## 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%								4.14%
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	1.80%	4.14%
JPM EMBI+	1.48%	-4.03%
JPM CEMBI	0.65%	0.44%
JPM EMFX	1.93%	0.04%
Barclays EM USD Aggregate	0.92%	-1.30%
HFRI EM Total	2.64%	8.67%

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