

# The Argo Fund / The Argo Feeder Fund Limited

## Emerging Markets Debt & Macro

### Monthly Letter & Risk Report

May 2022

Performance	
NAV Per Share	338.74
May Return	-3.95%
YTD Return	-6.01%
Annualised Return Since Inception	6.52%
Annualised Volatility (Trailing 12-month)	9.23%
Sharpe Ratio (Trailing 12-month)	-0.31
Percentage of up months	67.31%
Fund Characteristics	
Structure	Master-Feeder
Jurisdiction	Cayman Islands
Launch Date	2000
AUM (all share classes)	\$121m
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	81.81%
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

May was another difficult month for emerging markets given the current risk-off environment in credit and rising US rates. Our macro hedge book and some of our idiosyncratic positions were our top performers, whilst our distressed book largely underperformed.

We closed our CDX HY and IG ETF shorts before FOMC and subsequently added to our S&P hedge post-meeting. Additionally, we took portfolio duration negative with a mix of long and ultra-long UST futures as we believed rates would continue to move higher, given persistent inflation.

Lebanon was the worst performer in the portfolio this month as the election saw the pro-Hezbollah bloc lose its parliamentary majority. Government formation could be a fraught process and reforms necessary for an IMF programme will be difficult to complete. Despite this, we see recovery values under the most pessimistic scenario above the current bond prices.

Mexican broadcaster TV Azteca sold off on thin liquidity and limited news flow despite the company's continued recovery. We are aware of dialogue between certain creditors and the company and believe that a palatable resolution will be reached. Elsewhere in the distressed book, Chinese real estate developer Shimao sold off despite the lack of concrete drivers. The company has continued to stave off default by securing extensions, but the sector remains highly volatile and some of the previously higher-rated names are now dropping into distressed territory. Positive sentiment in the near-term depends on Evergrande revealing its anticipated restructuring plan to offshore creditors in July.

Our position in Argentina and the province of Buenos Aires deteriorated on the back of persistently high inflation prints and some fears over the government's ability/ willingness to stick to the prescribed fiscal consolidation path. However, we remain upbeat over the credit profile after the IMF agreement and believe the near-term repayment profile is achievable.

Ukrainian GDP warrants were the fund's top performer this month. We exited our other positions in the sovereign credit, selling into strength. Given the sovereign bonds and warrants trade in lockstep, we believe there is greater upside in the warrants due to the likely GDP recovery in the years ahead.

We also switched some of our Tullow position into Ghana sovereign bonds and increased our Kosmos Energy exposure to improve the portfolio's diversification profile. We also believe that Ghana is attractive at current levels, as the government has recently softened its stance towards the IMF and should be able to muddle through this year given current levels of reserves, despite a lack of obvious external financing options.

Portfolio Statistics	
Duration	-0.96
99% 1-month VaR	10.02%
Average Credit Rating <sup>1</sup>	C
Average Yield to Maturity	8.95%
Annualised Downside Risk (1-Year)	7.49%
Monthly Turnover <sup>2</sup>	96.40%
Cash	12.67%
Leverage:	
Gross Exposure Method	131.88%
Commitment Method	41.68%

**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> May 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
0.42	1.55	-2.29	-0.64	-0.96

**Region**

Middle East & Africa	Asia	Europe	LatAm	US	Total
0.94	0.12	-0.16	0.88	-2.74	-0.96

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

**By Strategy**

EM Corporate	EM Distressed	FX	Macro Hedge	EM Sovereign	Total
0.97	6.65	0.01	1.13	1.26	10.02

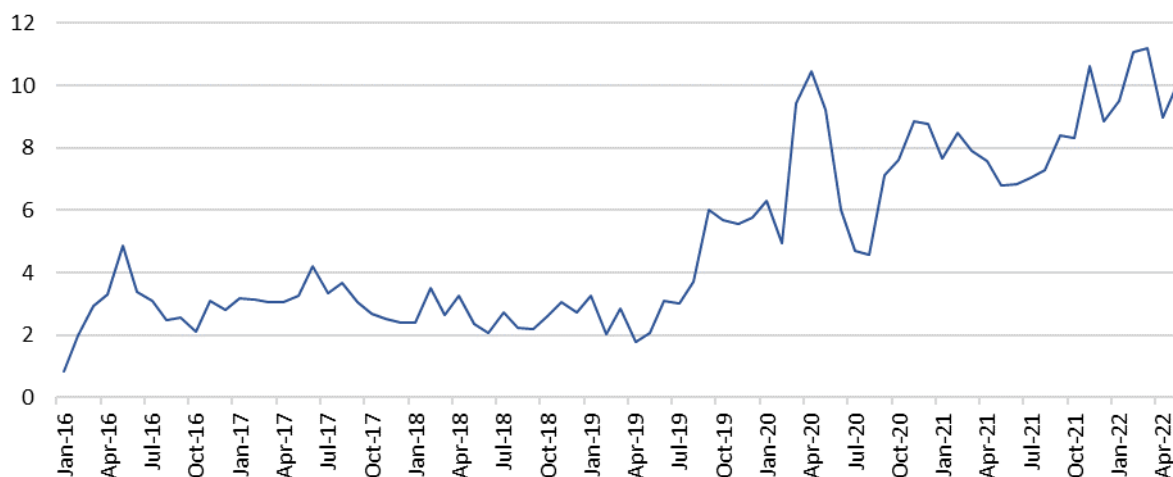
**By Region**

Middle East & Africa	Asia	Europe	LatAm	US	Total
2.72	1.44	0.91	3.95	1.00	10.02

**By Maturity**

0-1yr	1-3yr	3-5yr	5-7yr	7-10yr	10+yr	Total
0.61	1.00	1.64	1.15	2.30	3.32	10.02

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



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

Country	Region	%
US	US	-22.68%
Argentina	LatAm	18.16%
Mexico	LatAm	6.18%
Ghana	Middle East & Africa	5.80%
Brazil	LatAm	5.55%

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

Position	Strategy	%
UST Futures	Macro Hedge	-20.64%
Province of Buenos Aires	EM Distressed	9.44%
Argentina Sovereign	EM Distressed	8.72%
Ocyan	EM Distressed	7.75%
EMB ETF	EM Sovereign	-6.66%

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

#### Largest Contributors (bps)

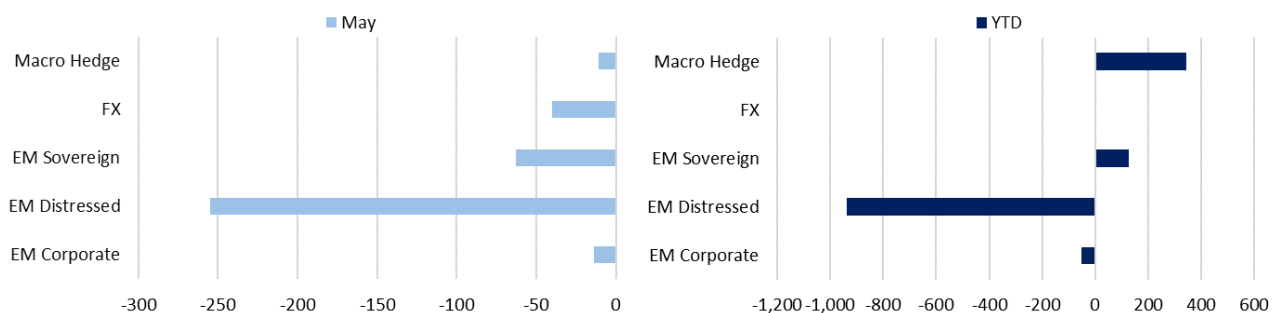
Position	Long/Short	Strategy	Region	Performance
Ukraine Sovereign	Long	EM Distressed	Europe	+97
Ocyan	Long	EM Distressed	LatAm	+52
UST Futures	Short	Macro Hedge	US	+13
Egypt Sovereign	Long	EM Sovereign	Middle East & Africa	+9
Cyprus Sovereign	Short	EM Sovereign	Europe	+5

#### Largest Detractors (bps)

Position	Long/Short	Strategy	Region	Performance
Lebanon Sovereign	Long	EM Distressed	Middle East & Africa	-107
Province of Buenos Aires	Long	EM Distressed	LatAm	-57
Argentina Sovereign	Long	EM Distressed	LatAm	-56
TV Azteca	Long	EM Distressed	LatAm	-56
Shimao	Long	EM Distressed	Asia	-54

## Performance Attribution by Strategy

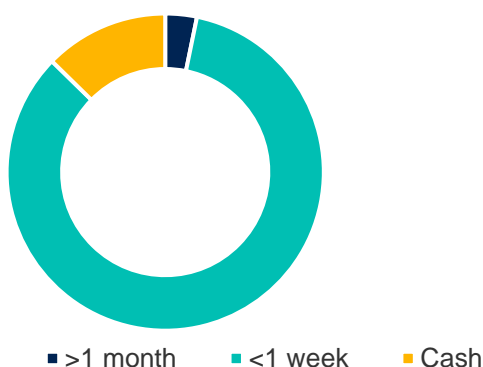
Gross Performance Attribution (bps)



## Performance History (Net Return)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2022</b>	0.36%	-5.70%	3.25%	0.14%	-3.95%								-6.01%
<b>2021</b>	-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%
<b>2020</b>	-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%
<b>2019</b>	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%
<b>2018</b>	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%
<b>2017</b>	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%
<b>2016</b>	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	-3.95%	-6.01%
JPM EMBI+	1.24%	-21.20%
JPM CEMBI	-0.59%	-11.22%
JPM EMFX	1.38%	0.41%
Barclays EM USD Aggregate	-0.02%	-13.17%
HFRI EM Total	-1.10%	-10.18%

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