

The Argo Fund / The Argo Feeder Fund Limited

Emerging Markets Debt & Macro

Monthly Letter & Risk Report

July 2020

Performance	
NAV Per Share	338.02
July Return	-0.33%
YTD Return	4.21%
Annualised Return Since Inception	7.10%
Annualised Volatility Since Inception	11.58%
Sharpe Ratio Since Inception	0.50
Percentage of up months	67.65%
Fund Characteristics	
Structure	Master-Feeder
Jurisdiction	Cayman Islands
Launch Date	2000
AUM (all share classes)	\$105m
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

Bond prices in Argentina and Ecuador bonds were boosted in July as both governments moved closer to concluding respective bond restructurings. Throughout the month, the Argentine government and creditors inched closer to agreeing a deal. Subsequently, Argentina announced on August 4th that it had reached an agreement with the largest

bondholder groups. We believe this announcement should accelerate the Province of Buenos Aires restructuring.

Unlike Argentina, Ecuador achieved a more speedy and consensual agreement on its debt restructuring plan in early August. The government now moves to agree a new IMF program, which is a condition of the restructuring agreement with creditors.

We trimmed our exposure in Angolan sovereign bonds, booking a profit after a strong rally over the last few months. We increased our position in Tullow Oil ahead of the planned sale of its Ugandan assets to Total, which would materially improve the company's liquidity profile. Our position in Indonesian coal miner Bumi Resources suffered this month as the company lowered their output forecast due to lower demand and falling prices.

In the Ukraine we took profits in the GDP warrants, believing the asset to be fully priced above 90 cents given the medium-term growth outlook for the economy. We switched from the warrants into the performing bonds as a result. Whilst there has been some negative news flow regarding the exit of the central bank governor after political pressure, Ukraine remains a strong overweight for EM HY investors and has IMF support.

We initiated a position in Mexican hotel operator Grupo Posadas after a steep selloff in bond prices following the company's announcement that they would seek a restructuring to preserve cash after operations were hugely affected by the ongoing pandemic. At an initial entry point of 29 cents, we believe the company's position as the largest hotel operator in Mexico will result in a favorable restructuring for creditors and later increased our position.

In the short book, we closed our EM equity hedge and our US equity hedge lost value with the continued rally. We also shorted the Turkey equity ETF as a cheap currency short on the continuing drain on FX reserves, largely due to higher current account deficits driven by the government's credit-fuelled growth policies. We expect the central bank to continue its policy of negative real rates that fuel further capital outflows and dollarisation by locals as the currency reaches new lows. Additionally, we took profit on our Turkish sovereign bond position.

Portfolio Statistics

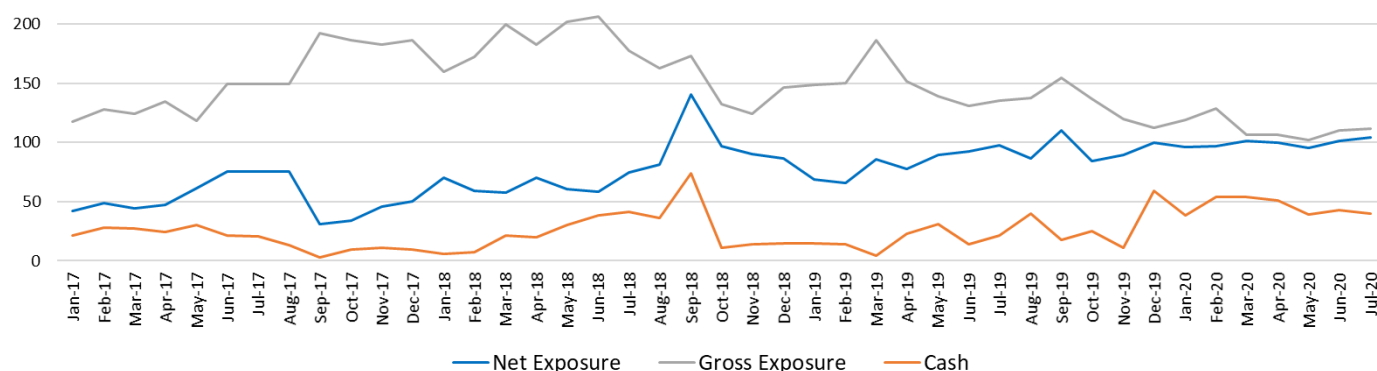
Duration	0.57
99% 1-month VaR	4.72%
Average Credit Rating ¹	CCC-
Average Yield to Maturity ²	2.66%
Annualised Downside Risk (1 Year)	9.15%
Monthly Turnover ³	21.39%
Cash	39.76%
Leverage:	
Gross Exposure Method	56.59%
Commitment Method	52.87%

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 July 2020

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
0.35	0.39	0.00	-0.17	0.57

Region

Middle East & Africa	Asia	Europe	LatAm	US	Total
0.44	-0.40	0.26	0.27	0.00	0.57

99% 1 Month Component VaR (%)

By Strategy

EM Corporate	EM Distressed	FX	Macro Hedge	EM Sovereign	Total
2.29	1.81	0.03	-0.66	1.25	4.72

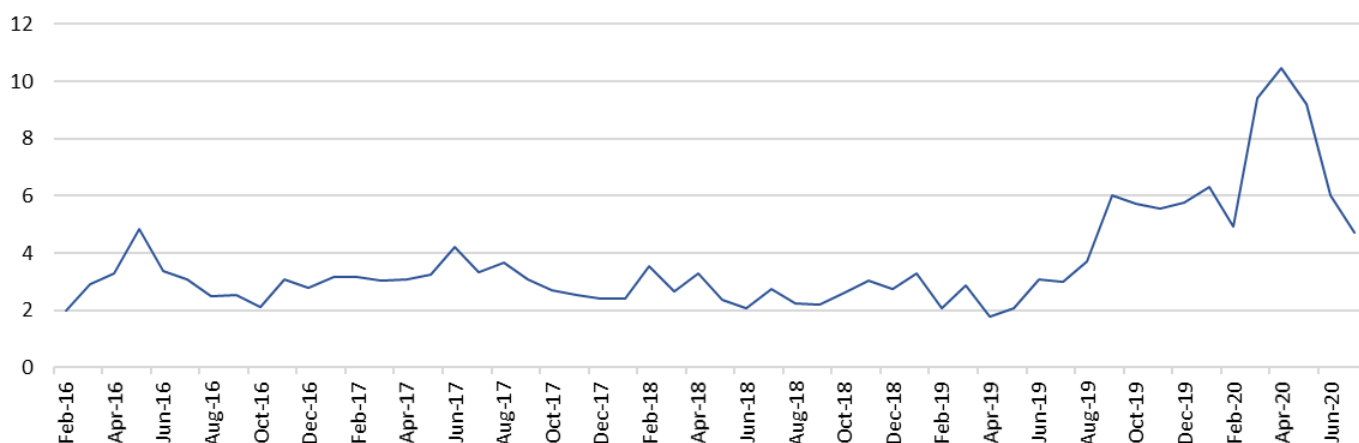
By Region

Middle East & Africa	Asia	Europe	LatAm	US	Total
2.47	-0.15	1.77	1.04	-0.41	4.72

By Maturity

0-1yr	1-3yr	3-5yr	5-7yr	7-10yr	10+yr	Total
-0.62	0.42	0.23	0.65	0.53	3.51	4.72

Monte Carlo 99% 1 Month VaR (%) ⁵



Top 5 Country Holdings ⁶

Country	Region	%
Argentina	LatAm	18.33%
Ukraine	Europe	5.75%
Lebanon	Middle East & Africa	4.82%
South Africa	Middle East & Africa	4.58%
East African Sovereign	Middle East & Africa	-4.21%

Top 5 Holdings by Name ⁶

Position	Strategy	%
Argentina Sovereign Credit	EM Distressed	11.25%
Province of Buenos Aires	EM Distressed	7.08%
Ukraine Sovereign Credit	EM Sovereign	4.91%
Lebanon Sovereign Credit	EM Distressed	4.82%
East African Sovereign	EM Sovereign	-4.21%

Performance Attribution ⁷

Largest Contributors (bps)

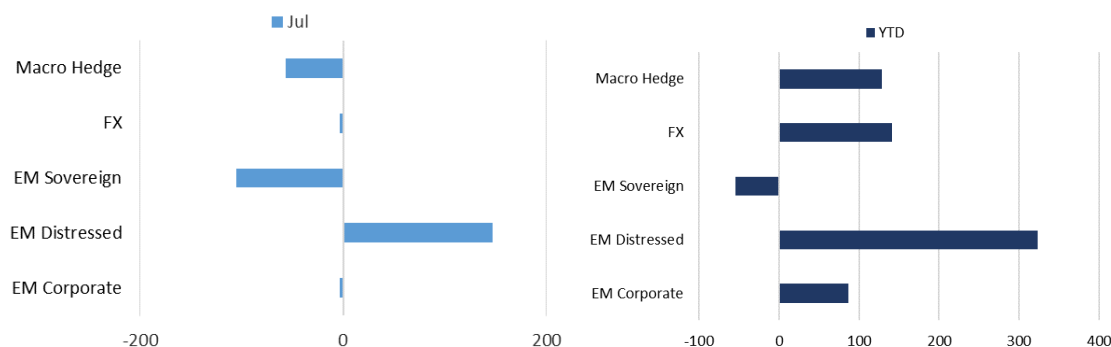
Position	Long/Short	Strategy	Region	Performance
Argentina Sovereign Credit	Long	EM Distressed	LatAm	+61
Ecuador Sovereign Credit	Long	EM Distressed	LatAm	+42
Province of Buenos Aires	Long	EM Distressed	LatAm	+31
Sri Lanka Sovereign Credit	Long	EM Sovereign	Asia	+26
Pemex	Long	EM Corporate	LatAm	+20

Largest Detractors (bps)

Position	Long/Short	Strategy	Region	Performance
East African Sovereign	Short	EM Sovereign	Middle East & Africa	-103
Long S&P Put Option	Short	Macro Hedge	US	-27
Bumi Resources	Long	EM Corporate	Asia	-17
EM Equity ETF	Short	Macro Hedge	Global	-17
Indonesia Sovereign Credit	Short	EM Sovereign	Asia	-14

Performance Attribution by Strategy

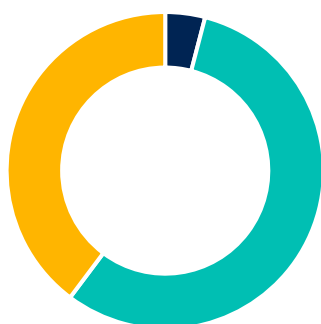
Gross Performance Attribution (bps)



Performance History (Net Return)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	-0.95%	-0.80%	-6.00%	1.70%	6.79%	4.24%	-0.33%						4.21%
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



■ >1 month ■ <1 week ■ Cash

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Comparatives

	MTD	YTD
The Argo Fund	-0.33%	4.21%
JPM EMBI+	3.45%	3.04%
JPM CEMBI	2.32%	2.16%
JPM EMFX	2.41%	-9.46%
Barclays EM USD Aggregate	3.12%	2.68%
HFRI EM Total	4.51%	-0.06%

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