

The Argo Fund / The Argo Feeder Fund Limited

Emerging Markets Debt & Macro

Monthly Letter & Risk Report

July 2021

Performance	
NAV Per Share	357.73
July Return	0.22%
YTD Return	4.51%
Annualised Return Since Inception	7.05%
Annualised Volatility Since Inception	11.39%
Sharpe Ratio Since Inception	0.51
Percentage of up months	67.20%
Fund Characteristics	
Structure	Master-Feeder
Jurisdiction	Cayman Islands
Launch Date	2000
AUM (all share classes)	\$134m
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	97.42%
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

Our position in the province of Buenos Aires was the top performer in the fund this month. The province improved their offer to bondholders and later announced they were confident that they had the required majority to pass the restructuring. The terms of the offer include a maturity extension and coupon reduction which will result in USD cashflow relief for the province. In an attempt to push the deal through, bondholders who do not participate will not receive past due interest. Our bonds traded up around 4 points on the news and we expect further upside as the process develops.

In Latin America, we significantly increased our position in Mexican broadcaster TV Azteca following a strong rebound in advertising revenues. The company decided to default on USD bonds in February whilst selectively redeeming a portion of their local debt. There has been little movement in the bond price over the past 6 months, but the improvement in the underlying credit is difficult to ignore and we believe the company will be forced into offering bondholders an amenable solution. We also exited our position in Mexican hotel operator Grupo Posadas as bond prices continued to tick upwards, we exited at 68c with an average entry price of 31c.

In the short book, our Peru sovereign bonds performed as left-wing presidential candidate Pedro Castillo was confirmed as the winner in the election. Despite initial hopes that Castillo would moderate his ideology after gaining power, bonds sold off after he began selecting strong left-wing figures in his inaugural cabinet.

The US Treasury short suffered as a weakening outlook for US economic growth and concerns over the delta variant led to lower yields. However, we continue to see high inflation prints and believe the Fed will make a tapering announcement before year end. We also took profits on our commodity ETF positions and switched into a Brazilian equity ETF after a selloff.

Elsewhere, we added a 2y/5y ZAR flattener on expectations the SARB will hike rates in the near term to combat rising inflation. We also switched our Sri Lanka position to lower priced bonds ahead of the expected receipt of the SDR allocation to boost FX reserves in August.

Portfolio Statistics	
Duration	-0.51
99% 1-month VaR	7.06%
Average Credit Rating ¹	CC
Average Yield to Maturity	6.65%
Annualised Downside Risk (1 Year)	4.66%
Monthly Turnover ²	16.37%
Cash	7.39%
Leverage:	
Gross Exposure Method	86.91%
Commitment Method	70.88%

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
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 July 2021

Month End Risk Exposures

NAV sensitivity for -100bps shift in the yield curve

Strategy ³

EM Corporate	EM Distressed	Macro Hedge	EM Sovereign	Total
0.41	1.15	-1.29	-0.78	-0.51

Region

Middle East & Africa	Asia	Europe	LatAm	US	Total
0.90	0.58	-0.39	-0.19	-1.41	-0.51

99% 1 Month Component VaR (%)

By Strategy

EM Corporate	EM Distressed	FX	Macro Hedge	EM Sovereign	Total
0.34	3.97	0.13	0.17	2.45	7.06

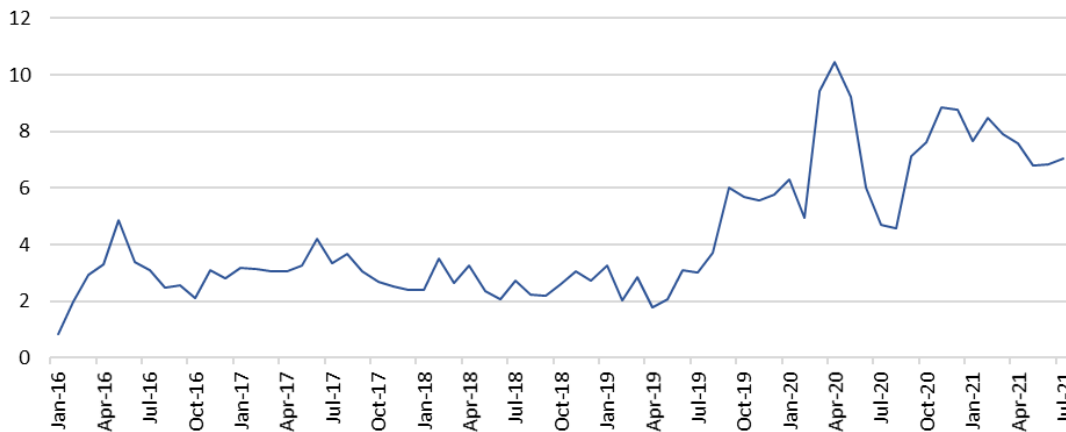
By Region

Middle East & Africa	Asia	Europe	LatAm	US	Total
1.95	0.60	0.40	4.29	-0.18	7.06

By Maturity

0-1yr	1-3yr	3-5yr	5-7yr	7-10yr	10+yr	Total
-0.03	0.17	0.61	1.72	1.56	3.03	7.06

Monte Carlo 99% 1 Month VaR (%) ⁴



Top 5 Country Holdings ⁵

Country	Region	%
Argentina	LatAm	18.63%
US	US	-17.80%
Brazil	LatAm	8.07%
Mexico	LatAm	7.54%
Ukraine	Europe	6.88%

Top 5 Holdings by Name ⁵

Position	Strategy	%
UST Bond Futures	Macro Hedge	-13.55%
Argentina Sovereign	EM Distressed	9.44%
Province of Buenos Aires	EM Distressed	9.19%
Ukraine Sovereign	EM Sovereign	6.88%
Poland Sovereign Local	EM Sovereign	-6.15%

Performance Attribution ⁶

Largest Contributors (bps)

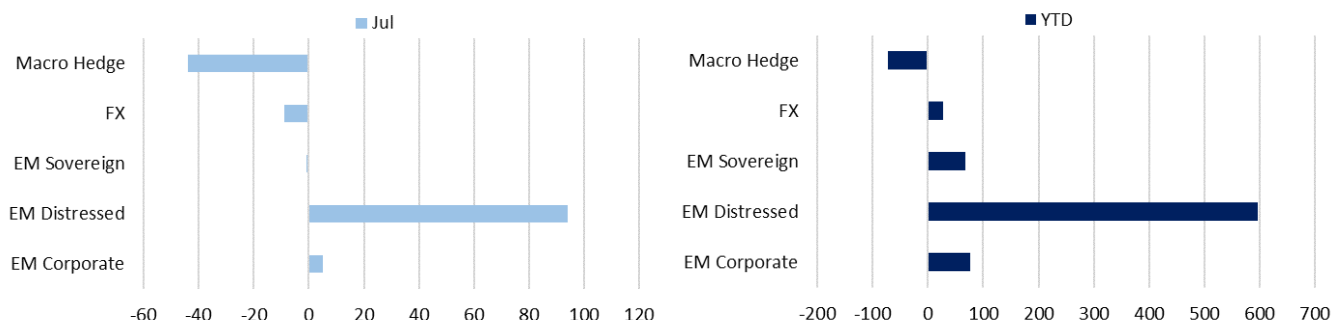
Position	Long/Short	Strategy	Region	Performance
Province of Buenos Aires	Long	EM Distressed	LatAm	+67
Ocyan	Long	EM Distressed	LatAm	+23
Argentina Sovereign	Long	EM Distressed	LatAm	+12
Grupo Posadas	Long	EM Distressed	LatAm	+10
Peru Sovereign	Short	EM Sovereign	LatAm	+9

Largest Detractors (bps)

Position	Long/Short	Strategy	Region	Performance
UST Bond Futures	Short	Macro Hedge	US	-22
Lebanon Sovereign	Long	EM Distressed	Middle East & Africa	-16
Poland Sovereign Local	Short	EM Sovereign	Europe	-14
MSCI Brazil Equity ETF	Long	Macro Hedge	LatAm	-10
LQD ETF	Short	Macro Hedge	US	-7

Performance Attribution by Strategy

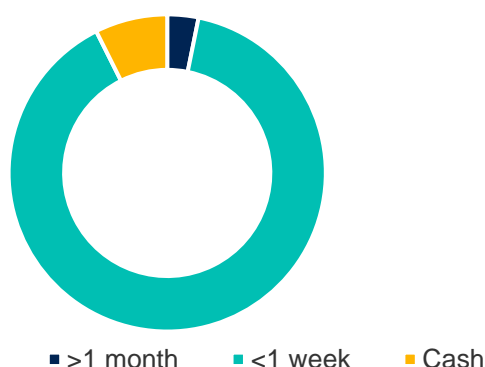
Gross Performance Attribution (bps)



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%	0.14%	0.22%						4.51%
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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Date of Issue: 25/08/2021

Comparatives

	MTD	YTD
The Argo Fund	0.22%	4.51%
JPM EMBI+	0.63%	-2.51%
JPM CEMBI	0.22%	1.50%
JPM EMFX	-0.96%	-2.11%
Barclays EM USD Aggregate	0.16%	-0.44%
HFRI EM Total	-1.38%	8.13%

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