

# The Argo Fund / The Argo Feeder Fund Limited

## Emerging Markets Debt & Macro

### Monthly Letter & Risk Report

#### August 2020

Performance	
NAV Per Share	341.13
August Return	0.92%
YTD Return	5.17%
Annualised Return Since Inception	7.14%
Annualised Volatility Since Inception	11.55%
Sharpe Ratio Since Inception	0.50
Percentage of up months	67.78%
Fund Characteristics	
Structure	Master-Feeder
Jurisdiction	Cayman Islands
Launch Date	2000
AUM (all share classes)	\$106m
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 bonds rallied this month after the terms of the long-awaited debt restructuring were finally agreed. Whilst the resolution of the process is welcome, the government faces difficult decisions on monetary and fiscal policy, and the country remains under severe capital controls. We believe this process will be shortly followed

by the Province of Buenos Aires, who were waiting to see the terms of the sovereign restructuring before presenting their offer.

Ecuador's sovereign restructuring was completed in August. This was followed by the announcement of a staff-level USD6.5bn IMF loan, with a frontloaded USD4bn disbursement. Additionally, talks on Chinese financing are still under negotiation, but close to being agreed. The 2-year EFF program ties the next administration from the start of its tenure as this announcement creates a financing bridge into the 2021 election cycle and transition, alleviating near-term risks for the sovereign.

We took profits on our position in Ukraine GDP warrants after the rally since the March lows stalled. We also exited our position in the South African sovereign bond, preferring our exposure in Eskom, the state-owned electricity company. Elsewhere, we added to our position in Brazilian oil drilling services company Ocyar after prices dropped as we believe the value of the security provides a floor for bond prices, especially at this level.

We also added in Sri Lanka after Prime Minister Rajapaksa's ruling party, the SLPP, won a landslide in the elections. The SLPP is now in complete control and we can expect more stability and streamlined governance after recent political turmoil. Bond prices initially responded well to the news although the economic and financial outlook remains challenging.

In the short book, we suffered losses in our Pakistan and Kenya positions in a stronger market. Likewise, our S&P put option lost value as the US equity market continued to rally from the lows earlier this year. Our short Turkey equity ETF outperformed after the lira continued to deteriorate despite sizeable FX reserve sales by the government. We initiated a short position in long-dated US Treasury futures on expectation of rising inflation as the Fed announced it would allow inflation to run higher than normal.

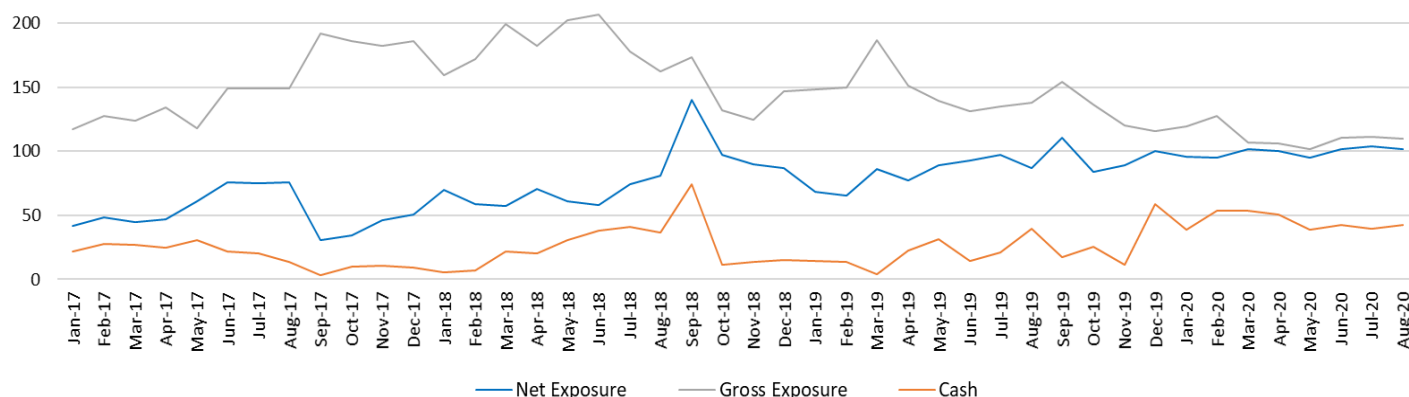
Portfolio Statistics	
Duration	0.14
99% 1-month VaR	4.58%
Average Credit Rating <sup>1</sup>	CCC-
Average Yield to Maturity <sup>2</sup>	3.75%
Annualised Downside Risk (1 Year)	7.76%
Monthly Turnover <sup>3</sup>	6.13%
Cash	42.36%
Leverage:	
Gross Exposure Method	52.23%
Commitment Method	48.36%

#### 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 31<sup>st</sup> August 2020

## Fund Exposure (%)



## Month End Risk Exposures

NAV sensitivity for -100bps shift in the yield curve

#### Strategy <sup>4</sup>

EM Corporate	EM Distressed	Macro Hedge	EM Sovereign	Total
0.32	0.10	-0.27	-0.01	0.14

#### Region

Middle East & Africa	Asia	Europe	LatAm	US	Total
0.26	-0.40	0.27	0.28	-0.27	0.14

## 99% 1 Month Component VaR (%)

#### By Strategy

EM Corporate	EM Distressed	FX	Macro Hedge	EM Sovereign	Total
2.13	0.51	0.00	-0.32	2.26	4.58

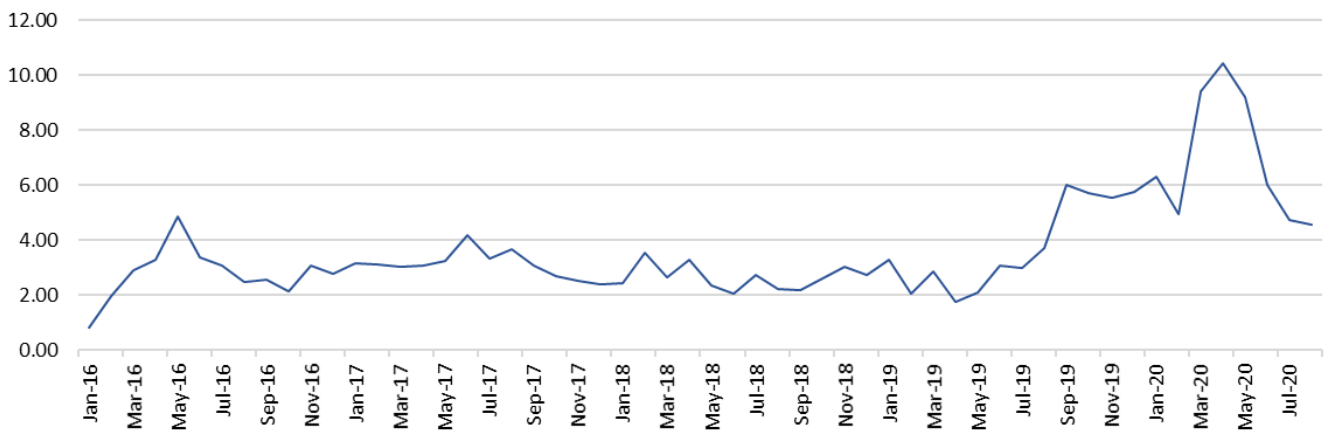
#### By Region

Middle East & Africa	Asia	Europe	LatAm	US	Total
2.22	-0.12	1.76	0.92	-0.20	4.58

### By Maturity

0-1yr	1-3yr	3-5yr	5-7yr	7-10yr	10+yr	Total
-0.43	0.29	0.26	0.51	0.23	3.72	4.58

### Monte Carlo 99% 1 Month VaR (%) <sup>5</sup>



### Top 5 Country Holdings <sup>6</sup>

Country	Region	%
Argentina	LatAm	19.28%
Lebanon	Middle East & Africa	4.66%
Ecuador	LatAm	4.44%
Ukraine	Europe	4.29%
East African Sovereign	Middle East & Africa	-4.15%

### Top 5 Holdings by Name <sup>6</sup>

Position	Strategy	%
Argentina Sovereign Credit	LatAm	11.77%
Province of Buenos Aires	LatAm	7.51%
Lebanon Sovereign Credit	Middle East & Africa	4.66%
Ecuador Sovereign Credit	LatAm	4.44%
East African Sovereign	Middle East & Africa	-4.15%

### Performance Attribution <sup>7</sup>

#### Largest Contributors (bps)

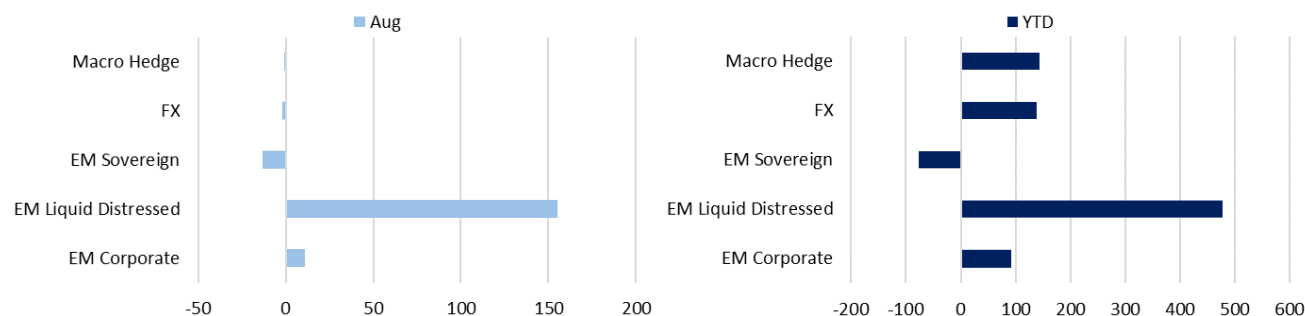
Position	Long/Short	Strategy	Region	Performance
Argentina Sovereign Credit	Long	EM Distressed	LatAm	+66
Ecuador Sovereign Credit	Long	EM Distressed	LatAm	+59
Province of Buenos Aires	Long	EM Distressed	LatAm	+52
Sri Lanka Sovereign Credit	Long	EM Sovereign	Asia	+21
Turkey Equity ETF	Short	Macro Hedge	Europe	+16

#### Largest Detractors (bps)

Position	Long/Short	Strategy	Region	Performance
East African Sovereign	Short	EM Sovereign	Middle East & Africa	-32
Long S&P Put Option	Short	Macro Hedge	US	-16
Pakistan Sovereign Credit	Short	EM Sovereign	Asia	-15
Ocyan	Long	EM Distressed	LatAm	-11
Tullow Oil	Long	EM Corporate	Middle East & Africa	-6

## Performance Attribution by Strategy

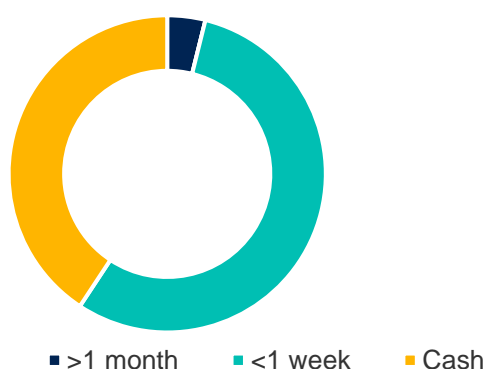
Gross Performance Attribution (bps)



## 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%	0.92%					5.17%
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>8</sup>



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## Comparatives

	MTD	YTD
The Argo Fund	0.92%	5.17%
JPM EMBI+	0.31%	3.36%
JPM CEMBI	0.90%	3.08%
JPM EMFX	-0.27%	-9.71%
Barclays EM USD Aggregate	0.54%	3.24%
HFRI EM Total	2.50%	3.26%

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