

# The Argo Fund / The Argo Feeder Fund Limited

## Emerging Markets Debt & Macro

### Monthly Letter & Risk Report

#### August 2021

Performance	
NAV Per Share	368.39
August Return	2.98%
YTD Return	7.63%
Annualised Return Since Inception	7.17%
Annualised Volatility (Trailing 12-month)	7.24%
Sharpe Ratio (Trailing 12-month)	1.13
Percentage of up months	67.33%
Fund Characteristics	
Structure	Master-Feeder
Jurisdiction	Cayman Islands
Launch Date	2000
AUM (all share classes)	\$138m
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	95.16%
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

The fund enjoyed a stellar month in August as some of our distressed positions were boosted by positive events. The province of Buenos Aires finally completed its USD7bn restructuring of foreign currency bonds after more than 16 months of negotiations. Over 90% of holders voted for the proposal by the deadline and we were issued with the new bonds (including PDI) and cash at the start of September. We remain bondholders as we see material upside from current levels. Argentina sovereign bonds also improved during the month as expectations were building towards an IMF deal later this year after the mid-term elections in November.

Our position in Zambian sovereign bonds rallied significantly following the unexpected victory of opposition candidate Hakainde Hichilema in the August 11<sup>th</sup> presidential election. Mr Hichilema is a successful businessman and has promised to quickly address the debt restructuring as a condition precedent leading to an IMF agreement. The new government is also exploring tax & electricity sector reforms to put the country on a sustainable fiscal path. We remain positive on our Zambia position as the restructuring scenario looks more likely to be a reprofiling rather than a large principal haircut.

Distressed Mexican broadcaster TV Azteca traded up in August after the positive H1 results were released in late July. The operating figures showed a clear rebound in advertising revenues which had dried up during the peak of the pandemic. Whilst the company argues that the business is in secular decline, the operations appear stable and the default in February looks opportunistic. Additionally, the company has strategic importance to the founder Ricardo Salinas and we expect further upside from the current price.

Given the strength of the market, our macro hedge book was the fund's main detractor last month. Our VIX call options lost value as they neared maturity and we reduced our exposure to Brazilian equities due to political conflict and a deteriorating economic outlook. Elsewhere our long duration shorts suffered as US Treasuries rallied into month-end. With expectations building that the Fed's tapering announcement is approaching, we believe these positions should hedge against downside risk whilst allowing our idiosyncratic distressed book to drive performance.

Portfolio Statistics	
Duration	-0.44
99% 1-month VaR	7.28%
Average Credit Rating <sup>1</sup>	CC
Average Yield to Maturity	6.85%
Annualised Downside Risk (1 Year)	5.08%
Monthly Turnover <sup>2</sup>	7.96%
Cash	8.10%
Leverage:	
Gross Exposure Method	113.55%
Commitment Method	61.16%

**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 31<sup>st</sup> August 2021

## 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
0.40	1.24	-1.27	-0.81	-0.44

#### Region

Middle East & Africa	Asia	Europe	LatAm	US	Total
0.87	0.65	-0.37	-0.20	-1.39	-0.44

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

#### By Strategy

EM Corporate	EM Distressed	FX	Macro Hedge	EM Sovereign	Total
0.28	4.21	0.25	0.32	2.22	7.28

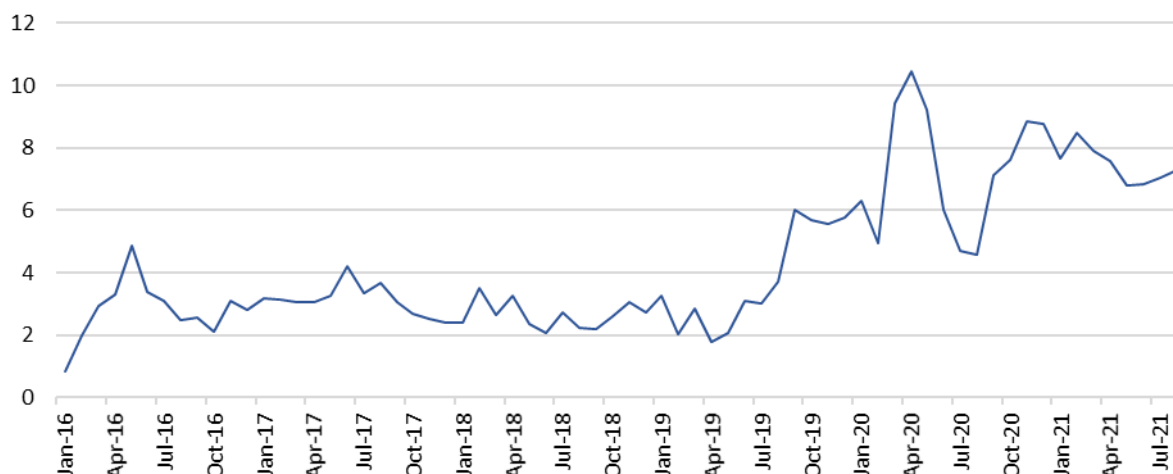
#### By Region

Middle East & Africa	Asia	Europe	LatAm	US	Total
1.72	0.81	0.57	3.83	0.35	7.28

#### By Maturity

0-1yr	1-3yr	3-5yr	5-7yr	7-10yr	10+yr	Total
0.32	0.18	0.57	1.84	1.54	2.83	7.28

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



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

Country	Region	%
Argentina	LatAm	19.85%
US	US	-17.41%
Mexico	LatAm	7.17%
Ukraine	Europe	6.81%
Brazil	LatAm	6.52%

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

Position	Strategy	%
UST Bond Futures	Macro Hedge	-13.12%
Province of Buenos Aires	EM Distressed	10.02%
Argentina Sovereign	EM Distressed	9.83%
Ukraine Sovereign	EM Sovereign	6.81%
Poland Sovereign Local	EM Sovereign	-5.93%

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

#### Largest Contributors (bps)

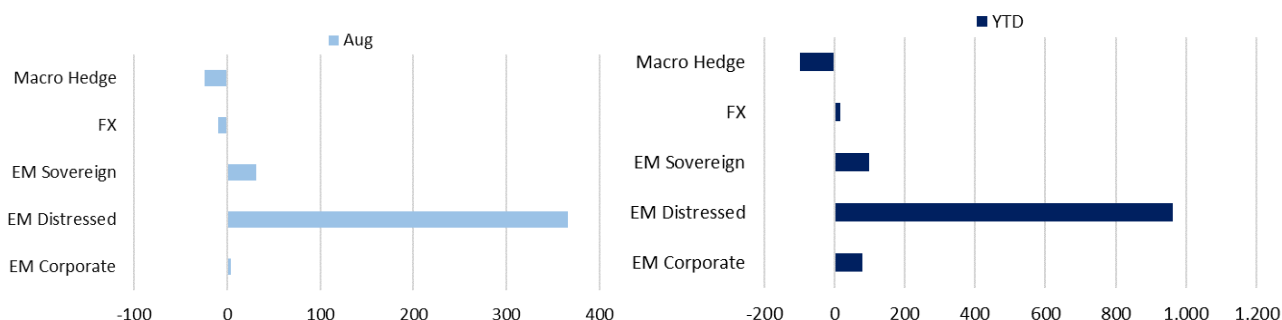
Position	Long/Short	Strategy	Region	Performance
Province of Buenos Aires	Long	EM Distressed	LatAm	+111
Zambia Sovereign	Long	EM Distressed	Middle East & Africa	+77
TV Azteca	Long	EM Distressed	LatAm	+71
Argentina Sovereign	Long	EM Distressed	LatAm	+66
Ukraine Sovereign Local	Long	EM Sovereign	Europe	+15

#### Largest Detractors (bps)

Position	Long/Short	Strategy	Region	Performance
VIX Call options	Short	Macro Hedge	US	-23
Peru Sovereign	Short	EM Sovereign	LatAm	-13
Kenya Sovereign	Short	EM Sovereign	Middle East & Africa	-8
MSCI Brazil ETF	Long	Macro Hedge	LatAm	-6
Mexico Sovereign	Short	EM Sovereign	LatAm	-4

## Performance Attribution by Strategy

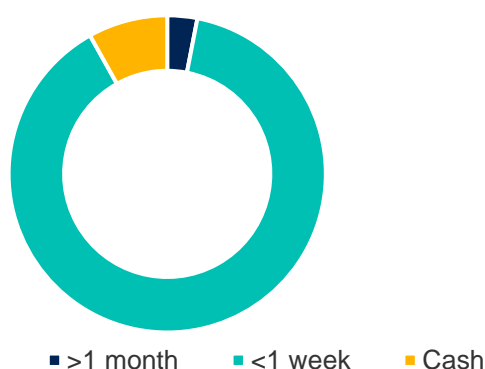
Gross Performance Attribution (bps)



## 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%	0.14%	0.22%	2.98%					7.63%
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>



## Comparatives

	MTD	YTD
The Argo Fund	2.98%	7.63%
JPM EMBI+	1.38%	-1.17%
JPM CEMBI	0.71%	2.21%
JPM EMFX	0.35%	-1.76%
Barclays EM USD Aggregate	0.97%	0.53%
HFRI EM Total	0.73%	7.85%

### Disclaimer:

This document is issued by Argo Capital Management Limited which is authorised and regulated by the Financial Conduct Authority ("FCA"). It is intended only for Eligible Counterparties and Professional Clients (as defined by the FCA), and any other party must not rely on it. In particular, the document is not intended for the use of Retail Customers. An investment in shares of the fund must be made on the terms of the Prospectus and no reliance can be placed on this document. All opinions expressed and data provided in this report are subject to change without notice. Argo Capital Management Ltd, its employees, directors and shareholders may have a position or deal as market maker in the securities discussed. The securities mentioned may not be suitable for all types of investors. Past performance is no guarantee of future results. This information is not a representation by us or an offer or the solicitation of an offer to sell or buy a security. Furthermore, Argo Capital Management Ltd is not responsible for any monetary loss afflicted by any person or entity who acts or refrains from acting as a result of material in this report.

The representative in Switzerland is ARM Swiss Representatives SA, Route de Cité-Ouest 2, 1196 Gland, Switzerland. The paying agent in Switzerland is Banque Heritage SA. The Prospectus, the Articles of Association and annual financial statements can be obtained free of charge from the representative in Switzerland. The place of performance and jurisdiction is the registered office of the representative in Switzerland with regards to the Shares distributed in and from Switzerland.

## Contact Information

Argo Capital Management  
2nd Floor  
24-25 New Bond Street  
London, W1S 2RR  
  
020 7016 7660  
ArgoInvestorRelations@argocm.com  
[www.argocm.com](http://www.argocm.com)  
Date of Issue: 24/09/2021