

The Argo Fund / The Argo Feeder Fund Limited

Emerging Markets Debt & Macro

Monthly Letter & Risk Report

October 2020
20 Year Anniversary

Performance	
NAV Per Share	325.56
October Return	-1.95%
YTD Return	0.37%
Annualised Return Since Inception	6.81%
Annualised Volatility Since Inception	11.54%
Sharpe Ratio Since Inception	0.48
Percentage of up months	67.22%
Fund Characteristics	
Structure	Master-Feeder
Jurisdiction	Cayman Islands
Launch Date	2000
AUM (all share classes)	\$109m
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	64.66%
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 Argo Fund started trading in October 2000 and has been a solid long-term investment for its investors, with excellent downside protection against both the S&P and the EMBI. We enjoy the volatility of emerging markets and feel that our experience provides the answer to whatever the market brings to us. Like good veterans we face the battle of daily performance with calm and confidence and look forward to many more years of service.

We take the opportunity this month to highlight our Designated Investment 1 share class which invests in the distressed sovereign debt of Sudan. It is one of the few remaining countries that is scheduled to go through the 'Highly Indebted Poor Country' debt relief initiative that has benefited much of Africa. The D1 share class holds the largest single position and we co-ordinate the London Club Committee of Creditors which seeks to restructure the debt. Separately, we purchased a small position last year that was allocated to the main class A share class of the Master Fund and accounted for some 4% NAV, on which we have taken profits. There has been a considerable improvement in the news flow following former president Omar al-Bashir's removal last year. More recently, the Sudanese government agreed to pay victims of US embassy bombings USD 335million as part of a deal to remove the nation from the state sponsor of terrorism list. This paves the way for Sudan to begin negotiating a long-overdue debt restructuring and regain access to international capital markets.

Our exposure in Argentina was the primary driver of the drawdown this month. Following a successful debt restructuring in September, attention turned to the continued drain of international reserves and the inability of the government to come to grips with the necessity of a medium-term fiscal program to anchor macroeconomic expectations. Short term fixes and internal conflicts have so far only exacerbated market weakness and we hope the current IMF visit and negotiations will finally crystallise a plan that gives confidence going forward. Blackrock CEO Larry Fink declared that they no longer had any confidence in Argentine policies despite his company being a large bond holder and heading the committee that negotiated the restructuring. According to our analysis, Blackrock sold more than USD 1 billion of restructured bonds and, as a result, depressed the bond prices. Such situations are not unusual in big sovereign restructurings as long-only trapped investors exit on the first opportunity - there was similar price action in Greece. We are hopeful that once this technical position clears out, there will be significant gains in Argentine bonds.

We continued adding to our Sri Lanka sovereign credit position after a drawback in prices resulted in an attractive entry point as the government pursues a growth orientated fiscal strategy reliant on replacing expensive international bonds with cheaper bilateral loans from friendly creditors. We expect them to avoid any restructuring with a strong commitment to service their debt. We like Sri Lanka at these prices because it has the potential of paying excellent double digit returns in the next couple of years if it doesn't default and conversely if it has to restructure there is very limited downside.

We added the Taiwanese dollar and the Korean won, believing the US dollar would weaken following a likely Biden victory in the US Presidential election, culminating in expansionary fiscal policy. In Brazil, the fund entered a payer position on growing inflation expectations that will force the central bank to hike rates much earlier than expected.

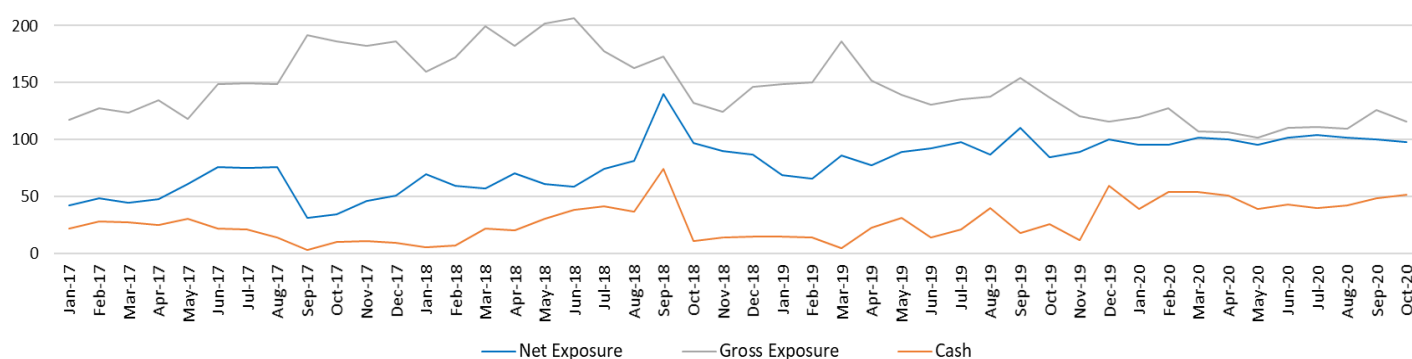
Portfolio Statistics	
Duration	1.26
99% 1-month VaR	7.60%
Average Credit Rating ¹	CCC+
Average Yield to Maturity	4.35%
Annualised Downside Risk (1 Year)	7.93%
Monthly Turnover ²	22.66%
Cash	51.20%
Leverage:	
Gross Exposure Method	57.35%
Commitment Method	47.95%

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 Risk Analytic and where not available calculated by Argo based on historic 3-month data.
- 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 October 2020

Fund Exposure (%)



Month End Risk Exposures

NAV sensitivity for -100bps shift in the yield curve

Strategy ³

EM Corporate	EM Distressed	Macro Hedge	EM Sovereign	Total
0.29	0.72	-0.28	0.53	1.26

Region

Middle East & Africa	Asia	Europe	LatAm	US	Total
0.01	-0.06	0.33	1.26	-0.28	1.26

99% 1 Month Component VaR (%)

By Strategy

EM Corporate	EM Distressed	FX	Macro Hedge	EM Sovereign	Total
2.20	3.86	0.13	0.07	1.34	7.60

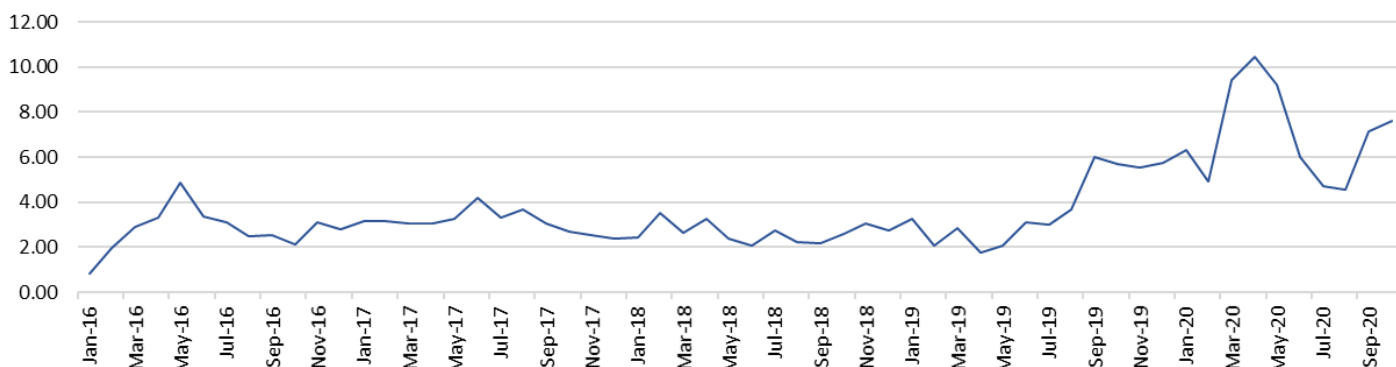
By Region

Middle East & Africa	Asia	Europe	LatAm	US	Total
0.67	0.20	1.31	5.35	0.07	7.60

By Maturity

0-1yr	1-3yr	3-5yr	5-7yr	7-10yr	10+yr	Total
0.13	0.34	0.21	0.54	2.51	3.87	7.60

Monte Carlo 99% 1 Month VaR (%) ⁴



Top 5 Country Holdings ⁵

Country	Region	%
Argentina	LatAm	15.79%
Ukraine	Europe	5.40%
Mexico	LatAm	4.42%
Lebanon	Middle East & Africa	4.37%
East African Sovereign	Middle East & Africa	-4.23%

Top 5 Holdings by Name ⁵

Position	Strategy	%
Argentina Sovereign Credit	EM Distressed	9.61%
Province of Buenos Aires	EM Distressed	6.18%
Ukraine Sovereign credit	EM Sovereign	4.56%
Lebanon Sovereign Credit	EM Distressed	4.37%
East African Sovereign	EM Sovereign	-4.23%

Performance Attribution ⁶

Largest Contributors (bps)

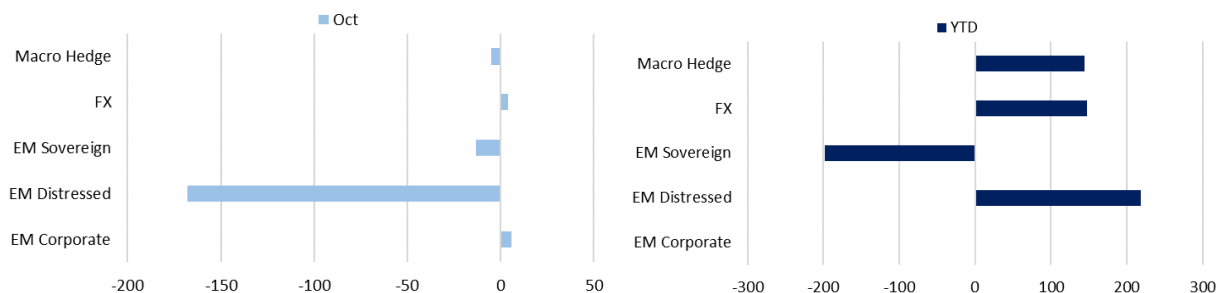
Position	Long/Short	Strategy	Region	Performance
Sudan	Long	EM Distressed	Middle East & Africa	+181
Ukraine Sovereign Credit	Long	EM Sovereign	Europe	+11
Egypt Sovereign Credit	Long	EM Sovereign	Middle East & Africa	+10
Eskom	Long	EM Corporate	Middle East & Africa	+7
BRL CDI IRS	Long	EM Sovereign	LatAm	+6

Largest Detractors (bps)

Position	Long/Short	Strategy	Region	Performance
Argentina Sovereign Credit	Long	EM Distressed	LatAm	-132
Province of Buenos Aires	Long	EM Distressed	LatAm	-112
Sri Lanka Sovereign Credit	Long	EM Sovereign	Asia	-35
East African Sovereign	Short	EM Sovereign	Middle East & Africa	-21
Bumi Resources	Long	EM Distressed	Asia	-13

Performance Attribution by Strategy

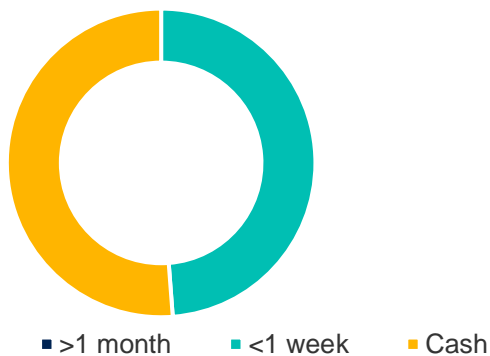
Gross Performance Attribution (bps)



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%	-2.67%	-1.95%			0.37%
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



Contact Information

Argo Capital Management
2nd Floor
24-25 New Bond Street
London, W1S 2RR
020 7016 7660
ArgoInvestorRelations@argocm.com
www.argocm.com
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Comparatives

	MTD	YTD
The Argo Fund	-1.95%	0.37%
JPM EMBI+	-0.51%	0.83%
JPM CEMBI	0.26%	2.84%
JPM EMFX	-0.42%	-11.60%
Barclays EM USD Aggregate	-0.12%	1.81%
HFRI EM Total	0.46%	1.39%

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