

The Argo Fund / The Argo Feeder Fund Limited

Emerging Markets Debt & Macro

Monthly Letter & Risk Report

December 2020

Performance	
NAV Per Share	342.288
December Return	2.58%
YTD Return	5.53%
Annualised Return Since Inception	7.02%
Annualised Volatility Since Inception	11.51%
Sharpe Ratio Since Inception	0.50
Percentage of up months	67.49%
Fund Characteristics	
Structure	Master-Feeder
Jurisdiction	Cayman Islands
Launch Date	2000
AUM (all share classes)	\$119m
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	84.61%
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

Investors adopted a risk-on attitude into year-end, capping a remarkable turnaround since the onset of the pandemic. Our short book detracted from overall performance, but this was outweighed by our high beta and commodity exposure. In particular, Argentina bonds strengthened after the government made positive remarks over a new IMF deal.

Indonesian coal miner Bumi was the fund's top performer this month. The Asian coal sector received a strong bid from investors as earnings were revised upwards on higher coal prices due to winter demand, loosening of China's import quota and some scale back in production. Moreover, the coal price outlook for 2021 and 2022 was revised upwards. On a standalone basis, Bumi removed a short-term issue by securing a new 10-year licence for the Arutmin mine and are well-placed to resume amortisation of the notes in 2021. Additionally, given the largest shareholder (CIC) has large exposure across tranches, we do not expect another principal haircut in the event of another restructuring.

Distressed Indonesian real estate developer Modernland sold off this month after a disappointing opening restructuring offer to bondholders. In contrast to the restructuring of their IDR bonds in July, the company has slashed coupons and proposed long maturity extensions. However, financial advisors indicated a subsequent offer is going to be prepared for early 2021 and we remain confident of a favourable outcome given the value of the company's assets versus outstanding debt.

Our position in Sri Lanka sold off a few points in December on the back of an S&P downgrade from B- to CCC+, following moves by other ratings agencies in previous months. The downgrade reflected rising concerns over debt servicing capacity, particularly in light of the effect of the pandemic on government revenues. In November, President Rajapaksa presented an ambitious budget, aiming to halve the fiscal deficit over the medium term. However, the government has pushed back on this gloomy perception, stating the country does not necessarily need an IMF bailout given expected revenues and foreign inflows.

In local markets, we added local Mexican bonds, believing that the Biden administration should improve prospects for the Mexican economy. We also increased our Brazil local payer swap at a lower entry point. Elsewhere we continued adding to our position in Tullow Oil due to a relatively benign 2021 outlook for oil prices as the company seeks to restructure operations.

We continue to hold duration low in our portfolio as we believe the US Treasury curve is likely to steepen on rising inflation expectations under the Biden administration.

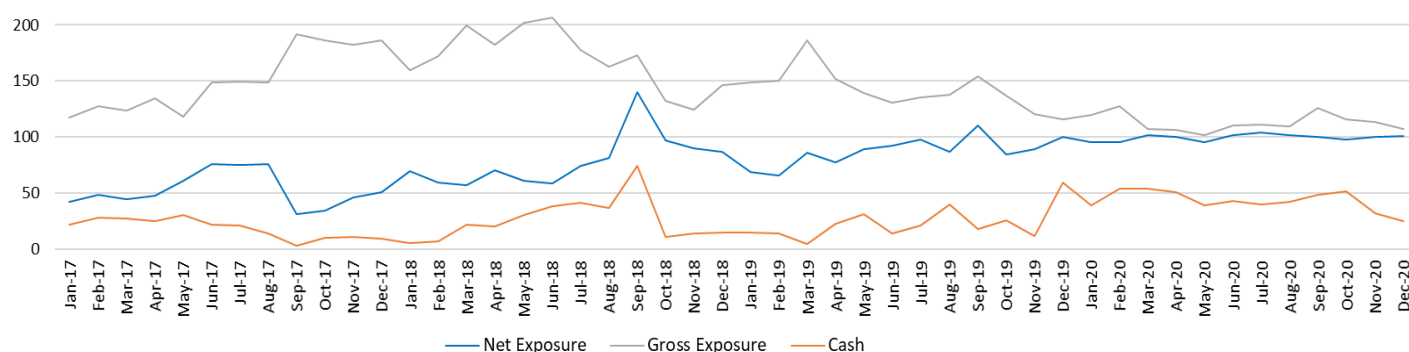
Portfolio Statistics	
Duration	2.80
99% 1-month VaR	8.77%
Average Credit Rating ¹	CCC+
Average Yield to Maturity	6.08%
Annualised Downside Risk (1 Year)	8.39%
Monthly Turnover ²	19.23%
Cash	24.54%
Leverage:	
Gross Exposure Method	70.27%
Commitment Method	66.62%

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 December 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
0.53	1.27	0.12	0.88	2.80

Region

Middle East & Africa	Asia	Europe	LatAm	US	Total
0.30	0.20	0.64	1.54	0.12	2.80

99% 1 Month Component VaR (%)

By Strategy

EM Corporate	EM Distressed	FX	Macro Hedge	EM Sovereign	Total
1.10	4.61	0.11	0.78	2.17	8.77

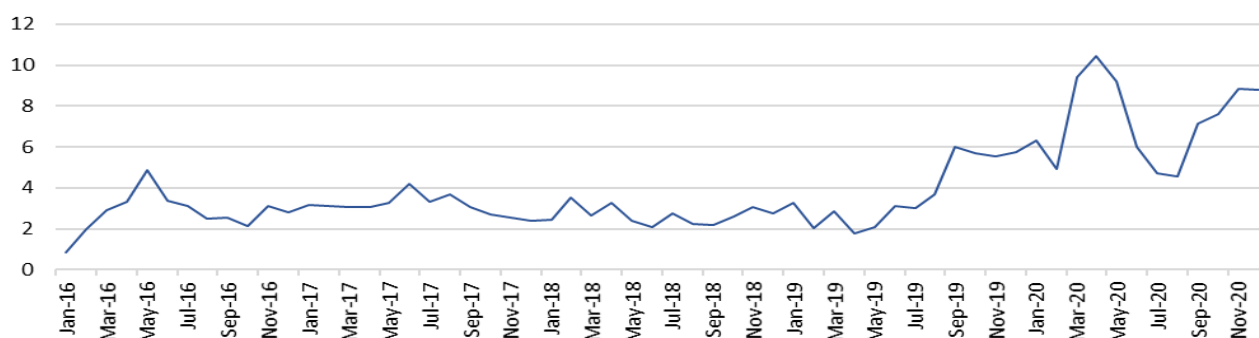
By Region

Middle East & Africa	Asia	Europe	LatAm	US	Total
1.55	0.55	1.22	5.32	0.13	8.77

By Maturity

0-1yr	1-3yr	3-5yr	5-7yr	7-10yr	10+yr	Total
0.89	0.42	0.69	1.03	2.04	3.70	8.77

Monte Carlo 99% 1 Month VaR (%) ⁴



Top 5 Country Holdings ⁵

Country	Region	%
Argentina	LatAm	17.14%
Mexico	LatAm	8.29%
Ukraine	Europe	5.92%
Brazil	LatAm	4.91%
South Africa	Middle East & Africa	4.71%

Top 5 Holdings by Name ⁵

Position	Strategy	%
Argentina Sovereign	EM Distressed	10.24%
Province of Buenos Aires	EM Distressed	6.89%
Pemex	EM Corporate	5.43%
Ukraine	EM Sovereign	5.03%
Eskom	EM Corporate	4.71%

Performance Attribution ⁶

Largest Contributors (bps)

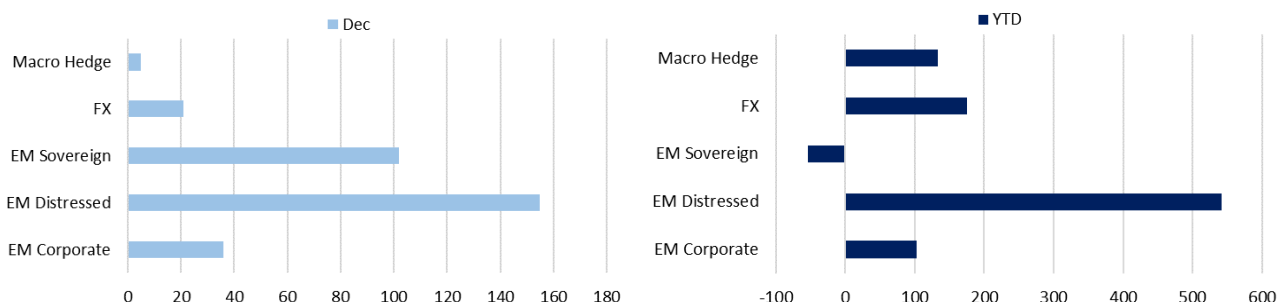
Position	Long/Short	Strategy	Region	Performance
Bumi Resources	Long	EM Distressed	Asia	+104
Province of Buenos Aires	Long	EM Distressed	LatAm	+78
Pemex	Long	EM Corporate	LatAm	+35
Argentina Sovereign	Long	EM Distressed	LatAm	+34
Angola Sovereign	Long	EM Sovereign	Middle East & Africa	+25

Largest Detractors (bps)

Position	Long/Short	Strategy	Region	Performance
Sri Lanka Sovereign	Long	EM Distressed	Asia	-20
East African Sovereign	Short	EM Sovereign	Middle East & Africa	-16
Brazil CDI IRS	Short	EM Sovereign	LatAm	-16
Modernland	Long	EM Distressed	Asia	-13
Vedanta Resources	Short	EM Corporate	Asia	-12

Performance Attribution by Strategy

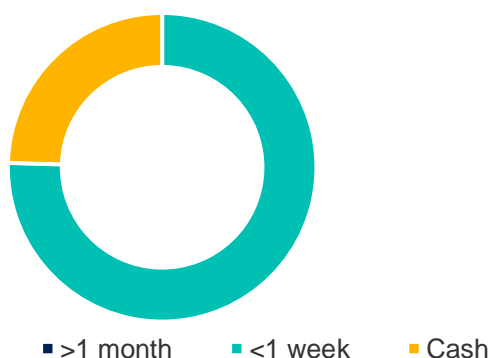
Gross Performance Attribution (bps)



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%	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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Comparatives

	MTD	YTD
The Argo Fund	2.58%	5.53%
JPM EMBI+	1.96%	7.05%
JPM CEMBI	1.47%	7.13%
JPM EMFX	2.77%	-5.68%
Barclays EM USD Aggregate	1.52%	6.52%
HFRI EM Total	4.31%	11.77%

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