



Argo Funds' Monthly Update

January 2014

The Argo Fund Ltd: 252.52
Argo Distressed Credit Fund: 1713.75
Argo Local Markets Fund: 897.27

Commentary

The Net Asset Value ("NAV") of the Argo Distressed Credit Fund fell by 1.54% in January, to 1713.75. Latin American bond holdings fared worst as political turmoil and heterodox economic policies in Venezuela, and declining foreign exchange reserves in Argentina upset market sentiment. However, the latter country's bonds have since improved after the authorities acted to stem the bleeding of dollars, and signalled a new willingness to engage more constructively with international creditors, including the publication of credible inflation statistics (which showed prices rising at 3.7% month-on-month compared with under 1% under the old system and private sector estimates of 4.5-6%). The bonds of OGX-the Brazilian oil and gas company- also dropped sharply as it was feared that the restructuring plan agreed with bondholders looked likely to collapse. Meanwhile, the Argo Fund fell by 0.67% to 252.52, largely on account of foreign exchange movements adversely impacting a sovereign distressed debt position.

Emerging markets generally had a difficult start to the year with currencies being particularly affected. A combination of factors including bullishness about the US economy, disappointing manufacturing data in China and fears of risks within that country's shadow banking system weighed heavily on confidence. In addition to this, further social tensions in Ukraine and clumsy policy responses in Argentina (a rapid devaluation of the peso) and Turkey (a dramatic hike in interest rates) combined to add further uncertainty to the asset class.

Bond yields spiked higher as concerns increased that weaker growth would require a policy response to support emerging currencies. Heavily foreign-owned markets like Peru were affected, but volatility was greatest in the fragile economies of Brazil, Turkey, India and Indonesia.

Volatility is expected to remain a concern as many EM countries such as Brazil, Indonesia, India and Thailand move into electoral cycles, where economic policies will be centre-stage in the run up to the polls. These political factors, combined with doubts over whether developed market economies – particularly Europe- have really "turned the corner", will have a big bearing on the market in the year ahead.

The Argo Local Markets Fund ended January 2.05% down at 897.27. The portfolio had started cautiously positive on EM currencies but pulled back to negative net position and then neutral as the selloff took hold. In bonds, the fund remained two-thirds invested mostly in Latin America, Central Europe and Africa with very little exposure to Asia due to concerns that bond prices there were overextended.

Argo Capital Management, 17 February 2014



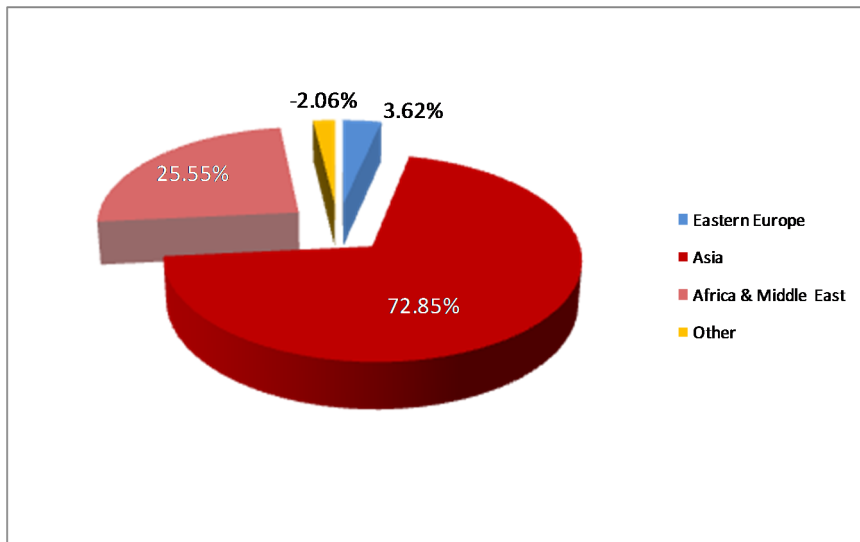
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The Argo Fund Risk Report

Product Allocation as % of NAV

	Sovereign	Quasi-Sovereign	Corporate	Total
Bonds			0.7%	0.7%
Loans	26.3%	13.2%	-2.1%	37.4%
Equity		61.0%	3.7%	64.7%
Other				
Total	26.3%	74.2%	2.3%	102.8%

Regional Allocation as % of NAV



Exposure in USD

	Bonds	Loans	Equity	Other	Total
Long/(Selling Protection)	684,790	37,292,062	61,202,640		99,179,492
NET Exposure					99,179,492
Gross Exposure					101,179,492

Liquidity

	Bonds	Loans	Equity	Other	Total
Over 3 months		38.5%			38.5%
Up to 3 months	0.6%		56.6%		57.2%
Within 1 month					0.0%
Within 1 week			3.5%	0.8%	4.3%
					100.0%



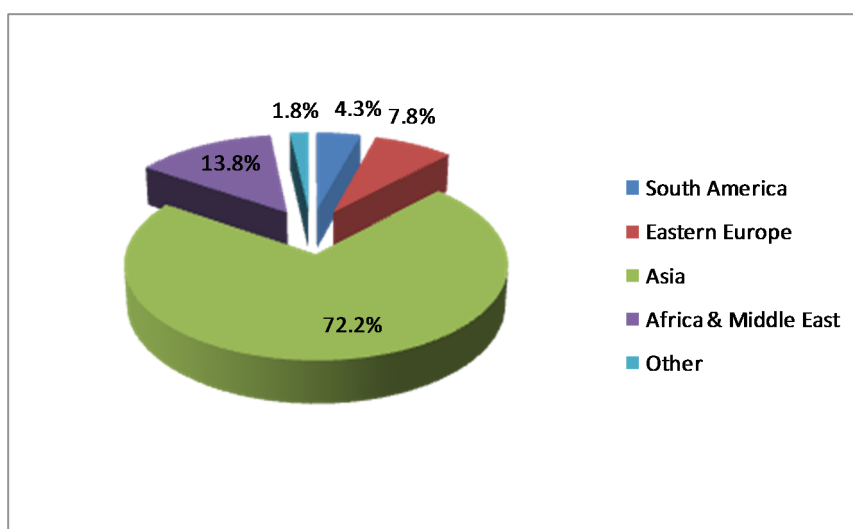
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ADCF Risk Report

Product Allocation as % of NAV

	Sovereign	Quasi-Sovereign	Corporate	Total
Bonds	3.0%		7.2%	10.2%
Loans	13.0%		6.6%	19.6%
Equity		70.8%	1.3%	72.1%
Other				
Total	16.0%	70.8%	15.1%	101.9%

Regional Allocation as % of NAV



Exposure in USD

	Bonds	Loans	Equity	Other	Total
Long/(Selling Protection)	2,671,122	5,115,263	18,820,063		26,606,448
NET Exposure					26,606,448
Gross Exposure					26,606,448

Liquidity

	Bonds	Loans	Equity	Other	Total
Over 3 months		14.5%	69.4%		83.9%
Up to 3 months		4.8%			4.8%
Within 1 month					0.0%
Within 1 week	10.0%		1.3%	0.0%	11.3%
					100.0%

Other Statistical data

Monthly Turnover as % of NAV: 0%	Duration: 0.66
Annualised Net Carry as % of NAV: 1.73%	Value at Risk: 1-Day VAR \$0.2mn or 0.7% of NAV 30-Day VAR: \$1.0mn or 3.6% of NAV
Annualised Volatility (including CDS): 5.6%	Sensitivity Analysis: Credit spreads increase by 20% 1.8% of NAV 100bps parallel shift in yield curve 0.7% of NAV



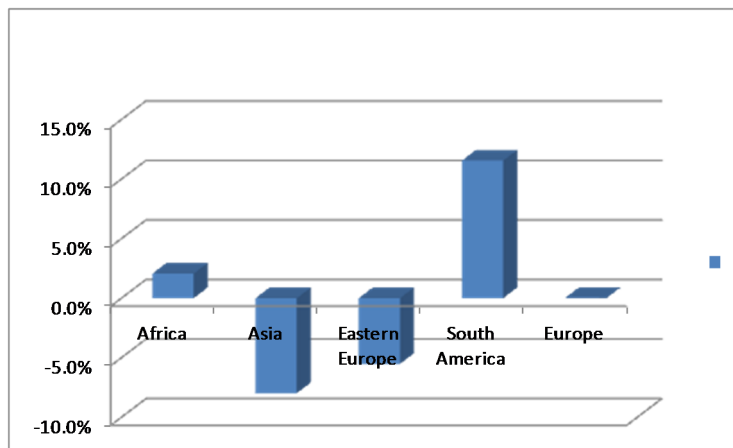
ALMF Risk Report

Product Allocation as % of NAV

	Local Currency Bonds	FX Crosses*	Interest Rates Swaps**	Other Indices/ Options***	Cash
Latin America	20.7%	-9.4%	63.7%	0%	
Eastern Europe	18.8%	-24.6%	-22.3%		
Asia	5.6%	-13.5%	-21.0%	-3.1%	
Middle east & Africa	12.5%	-10.9%			
Total	57.5%	-58.4%	20.4%	-3.1%	40.9%

• Includes contractual nominal amounts i.e. fx forwards / ** IRS is the nominal amount of the one leg of the swap / *** Options exposure: is the Delta adjusted exposure

Geographical Currency Exposure



Exposure in USD

	Local Currency Bonds	FX Crosses*	Interest Rates Swaps**	Other Indices/ Options***	Cash
Long	2,860,987	1,472,877	4,218,171	0	
Short		-4,380,562	-3,205,110	-155,126	
NET Exposure	2,860,987	-2,907,685	1,013,060	-155,126	2,033,633
Gross Exposure	2,860,987	5,853,439	7,423,281	155,126	

Liquidity

	Local Currency Bonds	FX Crosses*	Interest Rates Swaps**	Other Indices/ Options***	Cash
Within 1 week	57.5%	117.6%	149.1%	3.1%	40.9%

Top 5 Investments (%)

Bonds		FX Local Currency		IRS	
South Africa	9.66%	Poland	-11.22%	Brazil	73.17%
Romania	6.89%	South Africa	-10.88%	Poland	-22.30%
Poland	6.02%	India	-8.05%	Malaysia	-21.03%
Russia	5.85%	Romania	-6.97%	Mexico	-9.48%
Uruguay	5.80%	Russia	-6.46%		

Other Statistical data

Monthly Turnover as % of NAV: 59%	Value at Risk: 1-Day VAR 0.29% of NAV / 30-Day VAR: 1.34% of NAV VAR Confidence level is 99%
Annualised Net Carry as % of NAV: 4.56%	Sensitivity Analysis: 100bps parallel shift in yield curve -1.49% of NAV
Annualised Volatility: Ex-Ante 3.23% / Ex-Post 3.36%	



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Argo Fund monthly returns since inception

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2000										0.40%	-1.79%	1.67%	0.25%
2001	1.11%	2.46%	3.27%	0.82%	2.52%	1.83%	0.60%	2.10%	1.51%	2.29%	5.66%	3.67%	31.53%
2002	1.83%	2.23%	2.18%	2.39%	2.57%	0.54%	0.97%	1.36%	2.09%	0.48%	2.03%	2.02%	22.74%
2003	1.73%	1.69%	1.27%	3.66%	2.50%	3.35%	1.39%	1.16%	1.76%	1.29%	1.13%	2.44%	26.01%
2004	1.89%	0.80%	2.05%	0.80%	-0.15%	0.47%	0.32%	1.50%	1.63%	1.47%	1.95%	1.15%	14.78%
2005	0.44%	1.33%	0.13%	0.73%	1.53%	1.34%	0.81%	1.31%	0.50%	-0.05%	0.16%	0.90%	9.51%
2006	0.68%	0.08%	0.28%	0.95%	0.65%	1.60%	0.62%	0.64%	0.74%	0.65%	1.56%	2.14%	11.11%
2007	0.36%	0.89%	0.51%	0.92%	1.82%	1.76%	0.41%	0.19%	0.62%	0.43%	1.80%	1.98%	12.31%
2008	0.68%	0.48%	0.75%	-0.24%	0.57%	0.43%	-0.23%	-0.67%	-7.60%	-31.05%	-4.41%	-2.96%	-39.86%
2009	-3.17%	0.48%	3.87%	0.89%	-0.15%	3.43%	1.37%	0.69%	1.87%	1.00%	0.40%	1.05%	12.18%
2010	-0.69%	1.54%	1.82%	-0.46%	-2.48%	0.72%	1.75%	1.56%	1.91%	1.32%	-2.66%	4.13%	8.55%
2011	-0.09%	0.44%	-0.33%	1.72%	-0.13%	-0.57%	1.58%	-0.52%	-4.55%	3.41%	0.19%	-0.84%	0.10%
2012	-2.30%	0.41%	-0.13%	-0.45%	-2.63%	0.37%	-1.20%	0.64%	0.20%	0.11%	-0.69%	5.85%	-0.07%
2013	-1.25%	-4.59%	-1.06%	17.56%	-0.58%	-0.29%	0.31%	-0.31%	0.54%	-0.26%	-0.19%	-0.23%	8.49%
2014	-0.67%												-0.67%

ADCF monthly returns since inception

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2008										-1.96%	2.14%	0.35%	0.49%
2009	-0.25%	-0.70%	0.41%	2.30%	1.65%	1.82%	3.00%	1.81%	3.34%	-1.68%	-1.81%	0.80%	11.06%
2010	2.85%	4.08%	1.40%	0.71%	-3.85%	-0.42%	1.69%	0.68%	4.27%	0.92%	-3.21%	1.08%	10.32%
2011	1.47%	0.20%	0.25%	-0.78%	-1.89%	0.55%	4.06%	-1.96%	-6.25%	4.49%	3.67%	-2.12%	1.18%
2012	0.10%	0.72%	-0.34%	-0.75%	-3.62%	0.73%	-0.43%	1.74%	2.95%	3.61%	1.42%	16.92%	24.05%
2013	0.96%	-2.43%	0.01%	16.56%	-0.61%	-1.97%	0.81%	-0.31%	0.42%	0.33%	-0.35%	-0.21%	12.64%
2014	-1.54%												-1.54%

ALMF monthly returns since inception

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2012											0.78%	0.77%	1.56%
2013	0.35%	-0.16%	-0.47%	0.82%	-3.46%	-2.47%	-0.46%	-1.82%	-0.48%	-0.95%	-1.02%	-0.08%	-9.80%
2014	-2.05%												-2.05%



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Argo Funds monthly returns vs Indices						
	TAF ¹	ADCF ²	ALMF ³	EMBI+ ⁴	S&P500	JPM GBI-EM ⁵
Oct '00 – Dec'00 ¹	0.25%			4.00%	-7.60%	
Full Year 2001	31.53%			-0.80%	-13.00%	
Full Year 2002	22.74%			13.98%	-23.36%	
Full Year 2003	26.01%			29.11%	26.38%	
Full Year 2004	14.78%			11.78%	8.99%	
Full Year 2005	9.51%			11.86%	3.00%	
Full Year 2006	11.11%			10.49%	13.62%	
Full Year 2007	12.31%			6.45%	3.53%	
Full Year 2008	-39.86%	0.49%		-9.70%	-38.49%	
Full Year 2009	12.18%	11.06%		25.95%	23.45%	
Full Year 2010	8.55%	10.32%		11.83%	12.78%	
Full Year 2011	0.10%	1.18%		9.20%	0.00%	
Full Year 2012	-0.07%	24.05%	1.56%	18.04%	13.41%	16.76%
Full Year 2013	8.49%	12.64%	-9.80%	-8.31%	29.60%	-8.98%
YTD 2014	-0.67%	-1.54%	-2.05%	-1.63%	-3.56%	-4.63%
Since Inception	152.53%	71.38%	-10.27%	n/a	n/a	n/a

Notes:

All returns are calculated using Net Asset Value of fund, and dates in table correspond to a normal calendar year.

1. Inception date: 16 October 2000.

2. Inception date: 1 October 2008.

3. Inception date: 9 November 2012.

4. JPMorgan Emerging Market Bond Index Plus Composite Index tracks total returns for external currency denominated emerging market debt: Brady bonds, loans, Eurobonds and US dollar denominated local market instruments (source: Bloomberg).

5. JPM GBI-EM Global Diversified Index is the first comprehensive, global local Emerging Markets index, and consists of regularly traded, liquid fixed-rate, domestic currency government bonds to which international investors can gain exposure.

	The Argo Fund	ADCF	ALMF
Annualised Return	7.99%	11.22%	-8.22%
Annual Return (Rolling12)	9.13%	9.85%	-11.96%
Sharpe Ratio	0.67	0.87	-1.95

Website www.argocm.com with selected Internet references for Argo Funds information:

www.albourne.com

www.tass.lipperweb.com

www.hedgefund.net

www.eurekahedge.com

www.cogenthedge.com

www.hedgefundnews.com

www.hedgepole.com

www.barclayhedge.com

www.cambridgeassociates.com