



Argo Funds' Monthly Update

February 2014

The Argo Fund Ltd: 254.09
Argo Distressed Credit Fund: 1734.83
Argo Local Markets Fund: 890.60

Commentary

News headlines and market sentiment during the last month have been dominated by events in Ukraine. Following the popular uprising which led to the toppling of the Yankovych government –or “coup” according to Russia- there has been escalating tension between the US and EU, and Russia. The latter capitalised on the uncertainty in Ukraine to take control of Crimean peninsula which was part of Russia prior to 1954, and is home to the Russian Black Sea navy. The annexation was formalised in the wake of a hastily-arranged referendum which saw a 96.8 % vote in favour of re-joining the motherland. Whilst the West has expressed outrage at this turn of events, it currently remains unclear whether they have the will and/or ability to impose effective economic or military sanctions on Russia. The Ukraine sovereign US dollar bond -due to mature in June 2014- is currently trading at a mid-price of 94, compared with a range of 91-97 in the last month. The Net Asset Value (“NAV”) of the Argo Distressed Credit Fund rose by 1.23% in February to 1734.83, which was largely due to gains in Latin American bonds. Meanwhile, the Argo Fund rose by 0.63% to 254.09, mainly on account of a weaker dollar vis-à-vis the euro and Swiss franc.

The turbulence in emerging markets continued into February. The strengthening US economic recovery added to political tensions in Turkey, Venezuela and, more recently Russia/Ukraine and has led to wild swings in currencies, and alternating investor sentiment. Additionally, the increasing economic uncertainty developing in China (as it adjusts to a new model) means that further volatility may be expected in the year ahead. China has just experienced its first corporate bond default, albeit a relatively insignificant amount, and this appears to have opened the way for further distress in the corporate sector there, as the government cautiously attempts to reintroduce credit risk into the local financial markets.

The outlook for emerging markets warrants caution and, despite the higher interest rates on offer, there appear to be some major risks ahead. This is due to fiscal and monetary policy adjustments to the “new normal” of lower growth, lower commodity prices, contrasted with rising inflation and combined with a busy political calendar. The Argo Local Markets Fund ended February 0.74% down at 890.60. With regards to the portfolio, the fund remained fairly neutral on FX, with a bias to add selective longs into the month end. Meanwhile in bonds, it sold out of Peruvian local bonds on expectations that commodity currencies will come under pressure in the months ahead, as the China situation develops. The Peruvian nuevo sol is one the most expensive currencies on a real exchange rate basis, and it is expected that the central bank will step back from intervention once the growth outlook deteriorates. During February, the fund also bought some cheap ruble downside optionality as the Ukraine situation deteriorated. Interest rate shorts were hurt by the roll-down the curve, except for the Brazil swap position which bounced back after the excessive selloff in January.

Argo Capital Management, 19 March 2014



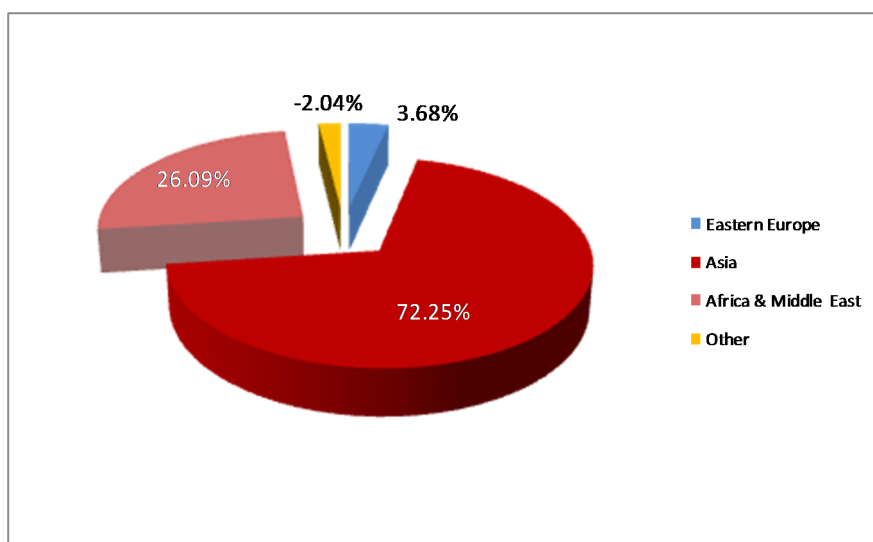
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The Argo Fund Risk Report

Product Allocation as % of NAV

	Sovereign	Quasi-Sovereign	Corporate	Total
Bonds			0.7%	0.7%
Loans	27.1%	13.2%	-2.1%	37.4%
Equity		61.1%	3.8%	64.7%
Other				
Total	27.1%	74.3%	2.4%	103.8%

Regional Allocation as % of NAV



Exposure in USD

	Bonds	Loans	Equity	Other	Total
Long/(Selling Protection)	684,790	38,025,702	61,287,643		99,998,135
NET Exposure					99,998,135
Gross Exposure					101,998,135

Liquidity

	Bonds	Loans	Equity	Other	Total
Over 3 months		39.2%			39.2%
Up to 3 months	0.6%		56.4%		57.0%
Within 1 month					0.0%
Within 1 week			3.6%	0.2%	3.8%
					100.0%



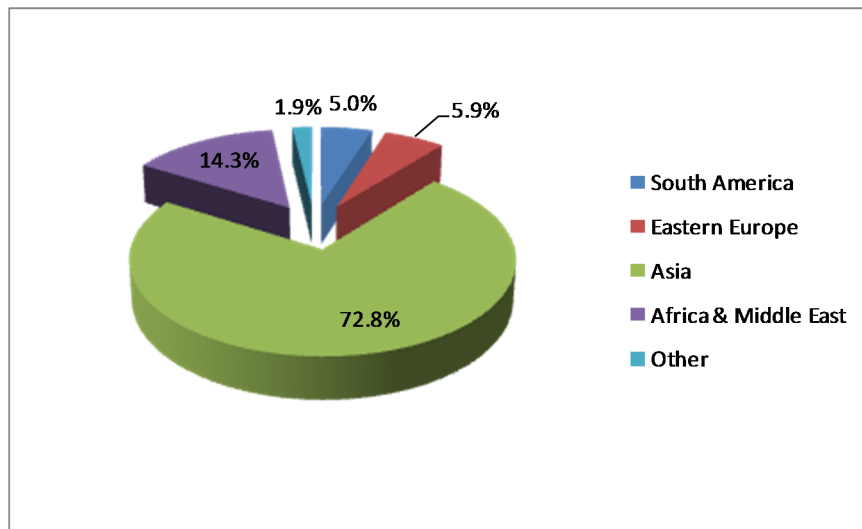
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ADCF Risk Report

Product Allocation as % of NAV

	Sovereign	Quasi-Sovereign	Corporate	Total
Bonds	3.4%		5.1%	8.5%
Loans	13.2%		6.6%	19.8%
Equity		69.9%	1.1%	71.0%
Other				
Total	16.6%	69.9%	12.8%	99.3%

Regional Allocation as % of NAV



Exposure in USD

	Bonds	Loans	Equity	Other	Total
Long/(Selling Protection)	2,258,528	5,242,463	18,766,837		26,267,828
NET Exposure					26,267,828
Gross Exposure					26,267,828

Liquidity

	Bonds	Loans	Equity	Other	Total
Over 3 months		15.0%	69.8%		84.8%
Up to 3 months		4.8%			4.8%
Within 1 month					0.0%
Within 1 week	8.5%		1.1%	0.8%	10.4%
					100.0%

Other Statistical data

Monthly Turnover as % of NAV: 2.5%	Duration: 0.66
Annualised Net Carry as % of NAV: 1.29%	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



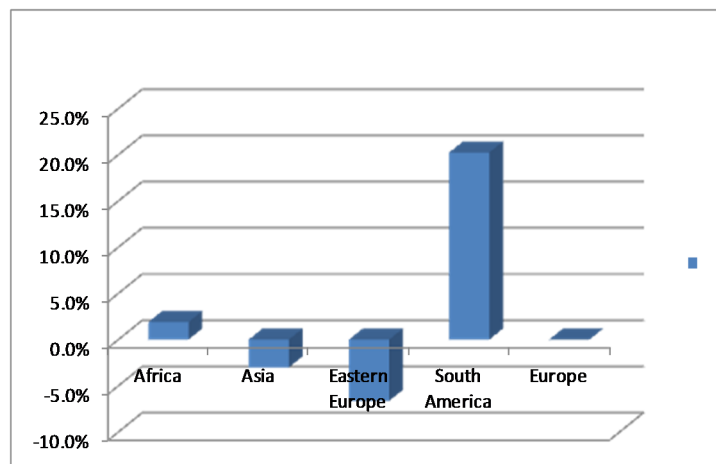
ALMF Risk Report

Product Allocation as % of NAV

	Local Currency Bonds	FX Crosses*	Interest Rates Swaps**	Other Indices/ Options***	Cash
Latin America	15.0%	5.0%	66.2%	0%	
Eastern Europe	19.4%	-26.3%	-23.5%	-2.0%	
Asia	5.7%	-8.7%	-21.6%	-5.9%	
Middle east & Africa	12.8%	-11.4%			
Total	52.9%	-41.5%	21.1%	-7.9%	47.0%

• 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	2,613,151	2,721,668	4,329,284	0	
Short		-4,772,791	-3,286,466	-390,673	
NET Exposure	2,613,151	-2,051,122	1,042,818	-390,673	2,321,439
Gross Exposure	2,613,151	7,494,459	7,615,750	-390,673	

Liquidity

	Local Currency Bonds	FX Crosses*	Interest Rates Swaps**	Other Indices/ Options***	Cash
Within 1 week	52.9%	151.7%	154.2%	7.9%	47.0%

Top 5 Investments (%)

Bonds		FX Local Currency		IRS	
South Africa	10.25%	South Africa	-11.38%	Brazil	75.87%
Romania	7.07%	Romania	-7.23%	Poland	-23.52%
Poland	6.52%	Poland	-6.66%	Malaysia	-21.62%
Russia	5.80%	Russia	-6.42%	Mexico	-9.62%
Uruguay	5.80%	Thailand	-5.64%		

Other Statistical data

Monthly Turnover as % of NAV: 36.8%	Value at Risk: 1-Day VAR 0.30% of NAV / 30-Day VAR: 1.40% of NAV VAR Confidence level is 99%
Annualised Net Carry as % of NAV: 4.21%	Sensitivity Analysis: 100bps parallel shift in yield curve -1.72% of NAV
Annualised Volatility: Ex-Ante 2.74% / Ex-Post 3.27%	



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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%	+0.63%											-0.04%

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%	1.23%											-0.31%

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%	-0.74%											-2.79%



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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	-0.04%	-0.31%	-2.79%	+2.05%	+0.60%	-0.89%
Since Inception	154.09%	73.48%	-10.94%	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%	11.28%	-8.24%
Annual Return (Rolling12)	15.08%	13.97%	-12.47%
Sharpe Ratio	0.67	0.88	-2.03

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

www.albourn.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