



## Argo Funds' Monthly Update

April 2014

**The Argo Fund Ltd: 252.89**  
**Argo Distressed Credit Fund: 1,737.41**  
**Argo Local Markets Fund: 885.58**

### Commentary

The Net Asset Value ("NAV") of the Argo Distressed Credit Fund was up 0.17% in April, to finish at 1737.41. The rise was largely attributable to the better tone in Venezuelan and Argentine sovereign bonds and a Kazakh bank senior bond. The NAV of The Argo Fund fell marginally, by 0.10%, to 252.89 in the month.

Emerging markets remained focused on Ukraine during April with attention shifting from Crimea (now annexed by Russia) to Eastern Ukraine, where separatist forces have taken over towns calling for independence from Kiev or even Russian annexation. Markets remain volatile with Russian responses –particularly the recent referendum –analysed carefully.

Elsewhere there was an election in Hungary that was duly won by the ruling Fidesz Party and the incumbent prime minister, Viktor Orban. Under the new electoral law (championed by the government) they won over 66% of the seats in parliament despite winning only 44% of the votes. Their policies will continue to be driven by strong intervention in key industries like banking, energy and utilities.

In Asia there are some major elections taking place. In India the month-long general elections process got underway with the opposition BJP party and its leader Narendra Modi expected to do well. In Indonesia, the legislative elections were held in early April that resulted in a disappointing outcome for the much favoured Jokowi and the PDI-P party. They could only manage 19% of the vote and must now build alliances –and suffer compromises– to nominate Mr Jokowi for the presidential election early in July.

The Argo Local Markets Fund ended April 1.02% down at 885.58. Regarding the portfolio, the Brazil receiver was rolled from Jan '15 to Jan '17 after it became clear that the central bank would struggle to ease rates before the end of 2014 given high inflation expectations. The market continues to price in another 1% hike in interest rates despite the record 3.75% rate hikes delivered over the last 12 months or so. We think this is excessive and believe inflation is starting to feel the effects of the stronger BRL and higher interest rates. The fund suffered as a result of the pullback in Russian bond yields during the month despite the strong external sector and low government leverage in that country but yields now appear to be normalising.

Some tactical EMFX long positions in Turkey and Chile were added during the month as we believe there has been too much bearishness in some of these currencies. On the CLP, the foreign short positions are close to record levels, on expectations Chinese metals demand is about to topple over. We think this is excessive and overcrowded positions tend to have quite sharp moves when they normalise.

Argo Capital Management, 12 May 2014



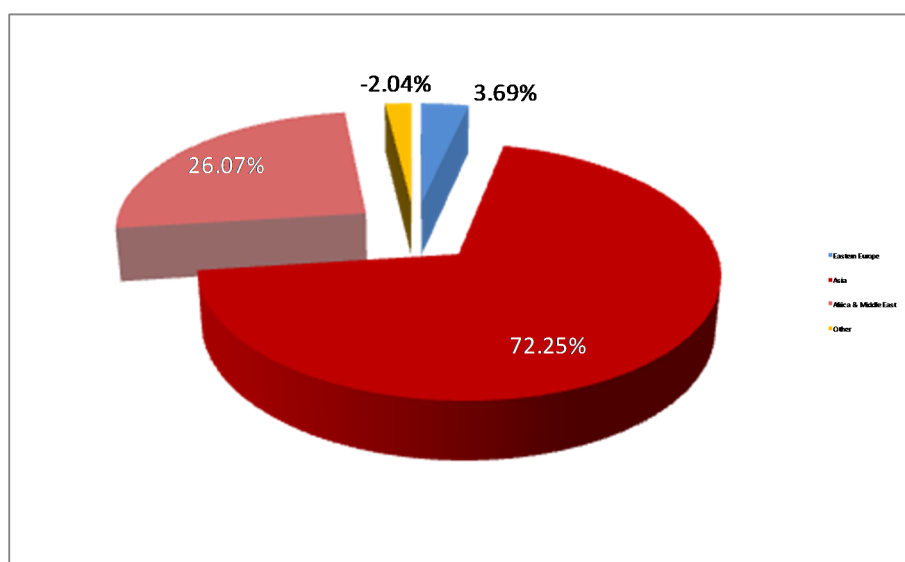
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## The Argo Fund Risk Report

### Product Allocation as % of NAV

	Sovereign	Quasi-Sovereign	Corporate	Total
<b>Bonds</b>			0.7%	0.7%
<b>Loans</b>	27.2%	13.2%	-2.1%	38.3%
<b>Equity</b>		61.3%	3.8%	65.1%
<b>Other</b>				
<b>Total</b>	27.2%	74.5%	2.4%	104.1%

### Regional Allocation as % of NAV



### Exposure in USD

	Bonds	Loans	Equity	Other	Total
<b>Long/(Selling Protection)</b>	684,790	38,011,857	61,301,963		99,998,610
<b>NET Exposure</b>					99,998,610
<b>Gross Exposure</b>					101,998,610

### Liquidity

	Bonds	Loans	Equity	Other	Total
<b>Over 3 months</b>		39.2%			39.2%
<b>Up to 3 months</b>	0.6%		56.5%		57.1%
<b>Within 1 month</b>					0.0%
<b>Within 1 week</b>			3.6%	0.1%	3.7%
					100.0%



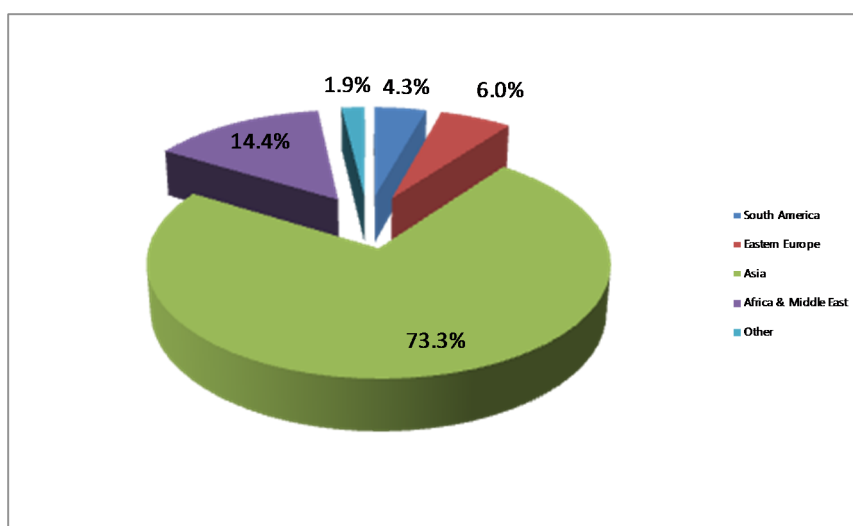
# Argo Funds' Monthly Update

## ADCF Risk Report

### Product Allocation as % of NAV

	Sovereign	Quasi-Sovereign	Corporate	Total
Bonds	3.9%		4.1%	8.0%
Loans	13.3%		6.6%	19.9%
Equity		70.2%	1.1%	71.3%
Other				
<b>Total</b>	<b>17.2%</b>	<b>70.2%</b>	<b>11.8%</b>	<b>99.2%</b>

### Regional Allocation as % of NAV



### Exposure in USD

	Bonds	Loans	Equity	Other	Total
Long/(Selling Protection)	2,092,073	5,247,231	18,768,327		26,107,631
<b>NET Exposure</b>					<b>26,107,631</b>
<b>Gross Exposure</b>					<b>26,107,631</b>

### Liquidity

	Bonds	Loans	Equity	Other	Total
Over 3 months		15.0%	70.0%		85.0%
Up to 3 months		4.9%			4.9%
Within 1 month					0.0%
Within 1 week	7.9%		1.1%	1.1%	10.1%
					100.0%

### Other Statistical data

Monthly Turnover as % of NAV: 1.0%	Duration: 0.66
Annualised Net Carry as % of NAV: 1.27%	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): 5.2%	Sensitivity Analysis: Credit spreads increase by 20% 1.8% of NAV 100bps parallel shift in yield curve 0.7% of NAV



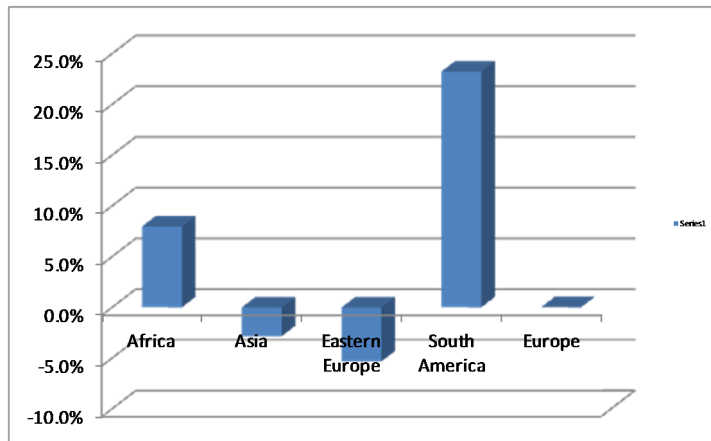
## ALMF Risk Report

### Product Allocation as % of NAV

	Local Currency Bonds	FX Crosses*	Interest Rates Swaps**	Other Indices/ Options***	Cash
Latin America	16.4%	6.5%	47.0%		
Eastern Europe	20.3%	-26.0%	-24.5%		
Asia	6.3%	-9.1%	-22.7%	-17.4%	
Middle east & Africa	13.6%	-5.9%			
<b>Total</b>	<b>56.5%</b>	<b>-34.4%</b>	<b>-0.2%</b>	<b>-17.4%</b>	<b>44.8%</b>

• 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	2,663,408	2,182,660	3,292,620	0	
Short		-3,804,143	-3,301,811	-818,644	
NET Exposure	2,663,408	-1,621,483	-9,191	-818,644	2,111,980
Gross Exposure	2,663,408	5,986,803	6,594,431	818,644	

### Liquidity

	Local Currency Bonds	FX Crosses*	Interest Rates Swaps**	Other Indices/ Options***	Cash
Within 1 week	56.5%	127.0%	139.9%	17.4%	44.8%

### Top 5 Investments (%)

Bonds		FX Local Currency		IRS	
South Africa	11.1%	Poland	-12.3%	Brazil	57.3%
Romania	7.6%	Chile	8.2%	Poland	-24.5%
Poland	7.0%	Romania	-7.7%	Malaysia	-22.7%
Thailand	6.3%	Colombia	-6.1%	Mexico	-10.3%
Colombia	6.1%	Russia	-6.0%		

### Other Statistical data

Monthly Turnover as % of NAV: 55%	Value at Risk: 1-Day VAR 0.4% of NAV / 30-Day VAR: 1.9% of NAV VAR Confidence level is 99%
Annualised Net Carry as % of NAV: 4.35%	Sensitivity Analysis: 100bps parallel shift in yield curve -0.84% of NAV
Annualised Volatility: Ex-Ante 2.82% / Ex-Post 3.22%	



## Argo Funds' Monthly Update

### Argo Fund monthly returns since inception

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
<b>2000</b>										0.40%	-1.79%	1.67%	<b>0.25%</b>
<b>2001</b>	1.11%	2.46%	3.27%	0.82%	2.52%	1.83%	0.60%	2.10%	1.51%	2.29%	5.66%	3.67%	<b>31.53%</b>
<b>2002</b>	1.83%	2.23%	2.18%	2.39%	2.57%	0.54%	0.97%	1.36%	2.09%	0.48%	2.03%	2.02%	<b>22.74%</b>
<b>2003</b>	1.73%	1.69%	1.27%	3.66%	2.50%	3.35%	1.39%	1.16%	1.76%	1.29%	1.13%	2.44%	<b>26.01%</b>
<b>2004</b>	1.89%	0.80%	2.05%	0.80%	-0.15%	0.47%	0.32%	1.50%	1.63%	1.47%	1.95%	1.15%	<b>14.78%</b>
<b>2005</b>	0.44%	1.33%	0.13%	0.73%	1.53%	1.34%	0.81%	1.31%	0.50%	-0.05%	0.16%	0.90%	<b>9.51%</b>
<b>2006</b>	0.68%	0.08%	0.28%	0.95%	0.65%	1.60%	0.62%	0.64%	0.74%	0.65%	1.56%	2.14%	<b>11.11%</b>
<b>2007</b>	0.36%	0.89%	0.51%	0.92%	1.82%	1.76%	0.41%	0.19%	0.62%	0.43%	1.80%	1.98%	<b>12.31%</b>
<b>2008</b>	0.68%	0.48%	0.75%	-0.24%	0.57%	0.43%	-0.23%	-0.67%	-7.60%	-31.05%	-4.41%	-2.96%	<b>-39.86%</b>
<b>2009</b>	-3.17%	0.48%	3.87%	0.89%	-0.15%	3.43%	1.37%	0.69%	1.87%	1.00%	0.40%	1.05%	<b>12.18%</b>
<b>2010</b>	-0.69%	1.54%	1.82%	-0.46%	-2.48%	0.72%	1.75%	1.56%	1.91%	1.32%	-2.66%	4.13%	<b>8.55%</b>
<b>2011</b>	-0.09%	0.44%	-0.33%	1.72%	-0.13%	-0.57%	1.58%	-0.52%	-4.55%	3.41%	0.19%	-0.84%	<b>0.10%</b>
<b>2012</b>	-2.30%	0.41%	-0.13%	-0.45%	-2.63%	0.37%	-1.20%	0.64%	0.20%	0.11%	-0.69%	5.85%	<b>-0.07%</b>
<b>2013</b>	-1.25%	-4.59%	-1.06%	17.56%	-0.58%	-0.29%	0.31%	-0.31%	0.54%	-0.26%	-0.19%	-0.23%	<b>8.49%</b>
<b>2014</b>	-0.67%	+0.63%	-0.37%	-0.10%									<b>-0.53%</b>

### ADCF monthly returns since inception

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
<b>2008</b>										-1.96%	2.14%	0.35%	<b>0.49%</b>
<b>2009</b>	-0.25%	-0.70%	0.41%	2.30%	1.65%	1.82%	3.00%	1.81%	3.34%	-1.68%	-1.81%	0.80%	<b>11.06%</b>
<b>2010</b>	2.85%	4.08%	1.40%	0.71%	-3.85%	-0.42%	1.69%	0.68%	4.27%	0.92%	-3.21%	1.08%	<b>10.32%</b>
<b>2011</b>	1.47%	0.20%	0.25%	-0.78%	-1.89%	0.55%	4.06%	-1.96%	-6.25%	4.49%	3.67%	-2.12%	<b>1.18%</b>
<b>2012</b>	0.10%	0.72%	-0.34%	-0.75%	-3.62%	0.73%	-0.43%	1.74%	2.95%	3.61%	1.42%	16.92%	<b>24.05%</b>
<b>2013</b>	0.96%	-2.43%	0.01%	16.56%	-0.61%	-1.97%	0.81%	-0.31%	0.42%	0.33%	-0.35%	-0.21%	<b>12.64%</b>
<b>2014</b>	-1.54%	1.23%	-0.03%	0.17%									<b>-0.18%</b>

### ALMF monthly returns since inception

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
<b>2012</b>											0.78%	0.77%	<b>1.56%</b>
<b>2013</b>	0.35%	-0.16%	-0.47%	0.82%	-3.46%	-2.47%	-0.46%	-1.82%	-0.48%	-0.95%	-1.02%	-0.08%	<b>-9.80%</b>
<b>2014</b>	-2.05%	-0.74%	0.46%	-1.02%									<b>-3.33%</b>



## Argo Funds' Monthly Update

Argo Funds monthly returns vs Indices						
	TAF <sup>1</sup>	ADCF <sup>2</sup>	ALMF <sup>3</sup>	EMBI+ <sup>4</sup>	S&P500	JPM GBI-EM <sup>5</sup>
Oct '00 – Dec'00 <sup>1</sup>	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	-0.53%	-0.18%	-3.33%	+5.37%	+1.93%	+2.81%
Since Inception	152.89%	73.74%	-11.44%	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	7.85%	10.97%	-7.71%
Annual Return (Rolling12)	-1.53%	-2.09%	-13.27%
Sharpe Ratio	0.66	0.87	-1.95

### Website [www.argocm.com](http://www.argocm.com) with selected Internet references for Argo Funds information:

[www.albourn.com](http://www.albourn.com)

[www.tass.lipperweb.com](http://www.tass.lipperweb.com)

[www.hedgefund.net](http://www.hedgefund.net)

[www.eurekahedge.com](http://www.eurekahedge.com)

[www.cogenthedge.com](http://www.cogenthedge.com)

[www.hedgefundnews.com](http://www.hedgefundnews.com)

[www.hedgepole.com](http://www.hedgepole.com)

[www.barclayhedge.com](http://www.barclayhedge.com)

[www.cambridgeassociates.com](http://www.cambridgeassociates.com)