



August 2014

The Argo Fund Ltd: 249.26
Argo Distressed Credit Fund: 1,713.71
Argo Local Markets Fund: 883.47

Commentary

Newsletter – August 2014

Market volatility has remained remarkably subdued given the political headwinds facing the global economy; taking the VIX index as a proxy, the levels reached in the early part of August have subsided dramatically, and the index currently trades at around a third of that seen in market sell-offs in 2010 and 2011. Despite the rhetoric from President Obama and others, the West looks impotent in the face of the continuing violence in the Middle East and Ukraine. It is hard to see aerial attacks and a “coalition of the willing” seeing off ISIS, or sanctions deterring Russia.

Prices of Venezuelan bonds have temporarily bounced after hitting six-month lows because of concerns over the government’s ability to pay external liabilities due to an shortage of dollars. Former Venezuelan Minister Ricardo Hausmann called for the country to default, a notion since rejected by analysts and market participants. The sell-off contributed to the 0.57% drop in the Net Asset Value (“NAV”) of the Argo Distressed Credit Fund in August, which finished at 1713.71, whilst the NAV of The Argo Fund fell by 0.54%, to 249.26.

August was a positive month for the Argo Local Markets Fund, as the NAV ended August 0.52% up at 883.47; local debt largely bounced back from the drawdown in July. The major news included the death of one of Brazil’s presidential candidates, Eduardo Campos, which presented the opportunity for popular politician, and former minister, Marina Silva, to more vigorously challenge the incumbent PT administration of President Dilma Rouseff. The markets took this as a positive for pending economic reforms that the country desperately needs.

In Turkey PM Erdogan emerged victorious in the presidential election, which sets the scene for continual concentration of power in the hands of the now president under the current government.

More generally, EM bonds rallied on the back of continued slowdown in Europe and more signalling from the ECB president Mario Draghi that the bank saw greater risks on the downside and promised further action to stem deflation risks, perhaps leading to a European QE program.

In the US, the markets continued to price in the chance of a more hawkish Fed as the stars continue to align on the employment outlook, and the QE taper is now set to conclude in October as expected.

The risk of a near-term interest rate hike in the US, coupled with a dire outlook for Europe and continued question marks on both Japanese and Chinese economies, poses complicated questions for EM local markets and FX going forward.

Argo Capital Management, 23 September 2014



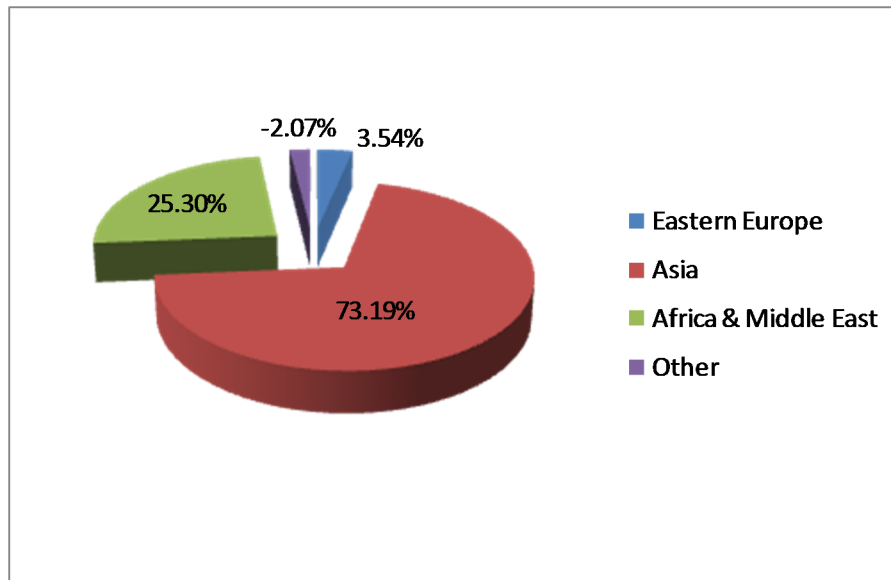
Argo Funds' Monthly Update

The Argo Fund Risk Report

Product Allocation as % of NAV

| | Sovereign | Quasi-Sovereign | Corporate | Total |
|---------------|-----------|-----------------|-----------|--------|
| Bonds | | | 0.8% | 0.8% |
| Loans | 26.6% | 13.5% | -2.2% | 37.9% |
| Equity | | 62.6% | 3.7% | 66.3% |
| Other | | | | |
| Total | 26.6% | 76.1% | 2.3% | 105.0% |

Regional Allocation as % of NAV



Exposure in USD

| | Bonds | Loans | Equity | Other | Total |
|----------------------------------|---------|------------|------------|-------|-------------|
| Long/(Selling Protection) | 684,790 | 36,938,330 | 61,110,933 | | 98,734,053 |
| NET Exposure | | | | | 98,734,053 |
| Gross Exposure | | | | | 101,734,053 |

Liquidity

| | Bonds | Loans | Equity | Other | Total |
|-----------------------|-------|-------|--------|-------|--------|
| Over 3 months | | 38.7% | | | 38.7% |
| Up to 3 months | 0.7% | | 57.2% | | 57.9% |
| Within 1 month | | | | | 0.0% |
| Within 1 week | | | 3.4% | | 3.4% |
| | | | | | 100.0% |



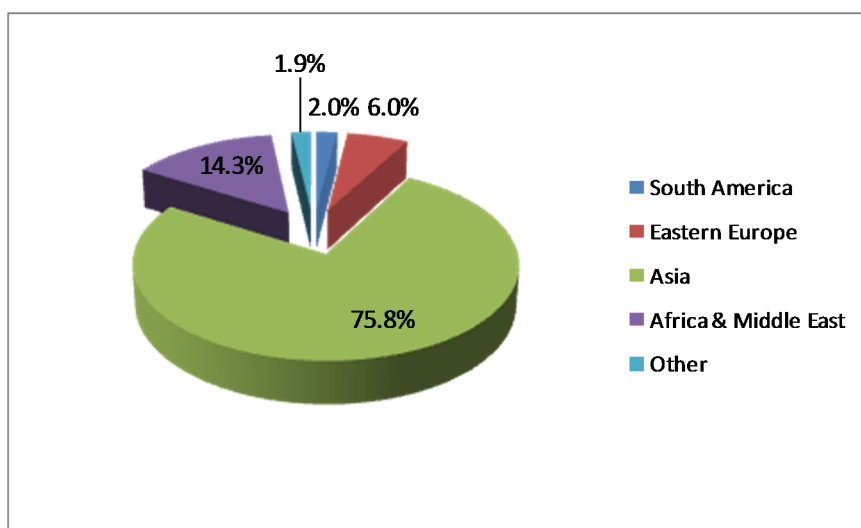
Argo Funds' Monthly Update

ADCF Risk Report

Product Allocation as % of NAV

| | Sovereign | Quasi-Sovereign | Corporate | Total |
|--------------|--------------|-----------------|--------------|--------------|
| Bonds | 1.7% | | 4.2% | 5.9% |
| Loans | 13.1% | | 6.6% | 19.7% |
| Equity | | 72.1% | 1.0% | 73.1% |
| Other | | | | |
| Total | 14.8% | 72.1% | 11.8% | 98.7% |

Regional Allocation as % of NAV



Exposure in USD

| | Bonds | Loans | Equity | Other | Total |
|---------------------------|-----------|-----------|------------|-------|-------------------|
| Long/(Selling Protection) | 1,504,722 | 5,041,896 | 18,754,002 | | 25,300,620 |
| NET Exposure | | | | | 25,300,620 |
| Gross Exposure | | | | | 25,300,620 |

Liquidity

| | Bonds | Loans | Equity | Other | Total |
|----------------|-------|-------|--------|-------|--------|
| Over 3 months | | 14.8% | 72.0% | | 86.8% |
| Up to 3 months | | 4.8% | | | 4.8% |
| Within 1 month | | | | | 0.0% |
| Within 1 week | 5.9% | | 1.1% | 1.4% | 8.4% |
| | | | | | 100.0% |

Other Statistical data

| | |
|---------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| Monthly Turnover as % of NAV: 1.5% | Duration: 0.66 |
| Annualised Net Carry as % of NAV: 1.06% | 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): 5.3% | Sensitivity Analysis: Credit spreads increase by 20% 1.8% of NAV 100bps parallel shift in yield curve 0.7% of NAV |



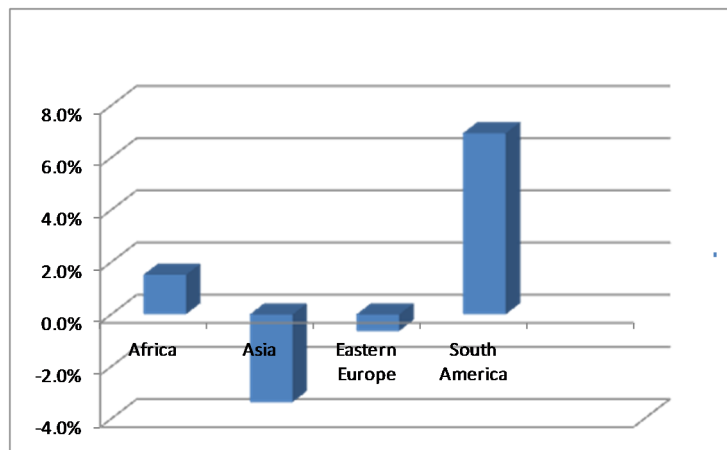
ALMF Risk Report

Product Allocation as % of NAV

| | Local Currency Bonds | FX Crosses* | Interest Rates Swaps** | Other Indices/ Options*** | Cash |
|----------------------|----------------------|---------------|------------------------|---------------------------|--------------|
| Latin America | 18.4% | -11.8% | 52.1% | | |
| Eastern Europe | 13.7% | -14.5% | | | |
| Asia | 7.3% | -10.6% | -26.3% | | |
| Middle east & Africa | 14.6% | -13.1% | | | |
| Total | 54.0% | -50.0% | 25.8% | | 45.1% |

• 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 | 2,280,345 | 1,738,082 | 3,271,957 | | |
| Short | | -3,850,203 | -2,180,358 | | |
| NET Exposure | 2,280,345 | -2,112,121 | 1,091,599 | | 1,9,17,762 |
| Gross Exposure | 2,280,345 | 5,588,285 | 5,452,315 | | |

Liquidity

| | Local Currency Bonds | FX Crosses* | Interest Rates Swaps** | Other Indices/ Options*** | Cash |
|---------------|----------------------|-------------|------------------------|---------------------------|-------|
| Within 1 week | 54.0% | 132.2% | 129.0% | | 45.4% |

Top 5 Investments (%)

| Bonds | | FX Local Currency | | IRS | |
|--------------|-------|-------------------|--------|----------|--------|
| South Africa | 12.5% | South Africa | -13.1% | Brazil | 63.5% |
| Hungary | 7.7% | Hungary | -7.7% | Malaysia | -26.3% |
| Thailand | 7.3% | Malaysia | -7.1% | Mexico | -11.4% |
| Colombia | 6.8% | Colombia | -7.0% | | |
| Uruguay | 6.6% | Russia | -6.9% | | |

Other Statistical data

| | |
|-------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|
| Monthly Turnover as % of NAV: 67.9% | Value at Risk: 1-Day VAR 0.57% of NAV / 30-Day VAR: 2.69% of NAV VAR Confidence level is 99% |
| Annualised Net Carry as % of NAV: 3.67% | Sensitivity Analysis: 100bps parallel shift in yield curve -4.66% of NAV |
| Annualised Volatility: Ex-Ante 3.11% / Ex-Post 3.44% | |



Argo Funds' Monthly Update

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% | -0.37% | -0.10% | -0.77% | +0.80% | -0.91% | -0.54% | | | | | -1.96% |

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% | -0.03% | 0.17% | -0.44% | +0.34% | -0.69% | -0.57% | | | | | -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% | -0.74% | 0.46% | -1.02% | 1.25% | -0.02% | -1.96% | 0.52% | | | | | -3.56% |



Argo Funds' Monthly Update

| 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 | -1.96% | -1.54% | -3.56% | +10.02% | +8.39% | +5.38% |
| Since Inception | 149.26% | 71.37% | -11.65% | 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 | 7.54% | 10.08% | -6.45% |
| Annual Return (Rolling12) | -2.08% | -1.36% | -5.97% |
| Sharpe Ratio | 0.64 | 0.82 | -1.59 |

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