ARGO

Argo Funds' Monthly Update

October 2014

The Argo Fund Ltd: 244.89
Argo Distressed Credit Fund: 1,687.01
Argo Local Markets Fund: 859.64

Commentary

Newsletter – October 2014

Quantitative easing, or "QE", continues to capture the headlines as the world's biggest economies experience a sharp divergence in fortunes. The Bank of Japan stunned financial markets late last month, announcing an increase to its monetary stimulus program in a fresh effort to revive an economy that has struggled lately. The Bank wanted to ensure that Japan kicked its "deflationary mindset", which has reasserted itself in recent months as oil prices have slumped and demand has weakened, in the wake of a 5% increase in value added tax in the spring. This move came only two days after the Federal Reserve confirmed the end of its five-year program of QE, against the background of an economic recovery that appears increasingly sustainable, with the US economy growing at a 3.5% according to the most recent quarterly data. Not to be outdone, the European Central Bank said last week that it would ease monetary policy more aggressively to ward off deflation in the euro zone, whilst the Chinese cut benchmark interest rates for the first time since July 2012. The stronger dollar contributed to the 0.53% drop in the Net Asset Value ("NAV") of the Argo Distressed Credit Fund in October, which finished at 1687.01. The NAV of The Argo Fund fell by 0.44%, to 244.89.

Emerging markets bounced back from a challenging September, despite continued currency weakness on the back of dollar strength. High beta names like Turkey and South Africa had a strong month whilst Russia continued to underperform on the back of ongoing currency devaluation that the Central Bank was unable and/or unwilling to arrest. The Brazilian election was finalized with the incumbent President Rousseff retaining power in a very close result - the markets await the proclamation of the new economic team to check for more orthodox economic policies. In Indonesia the new President has now been sworn in and the government has already enacted its first major economic policy by slashing fuel subsidies some 30% in order to fund much needed infrastructure projects.

In the portfolio, we took some tactical short EM currency positions expecting the dollar strength to continue. We benefited from the continued rallies in Hungary and South African bonds, while giving back some performance in Brazilian interest rates and the European interest rate hedge (via German bunds) . We remain cautious on currencies with USD strength and weaker Japanese yen and Euros impacting strongly on Asia and European EM currencies respectively. The Argo Local Markets Fund rose 0.59% during October to end at 859.64.

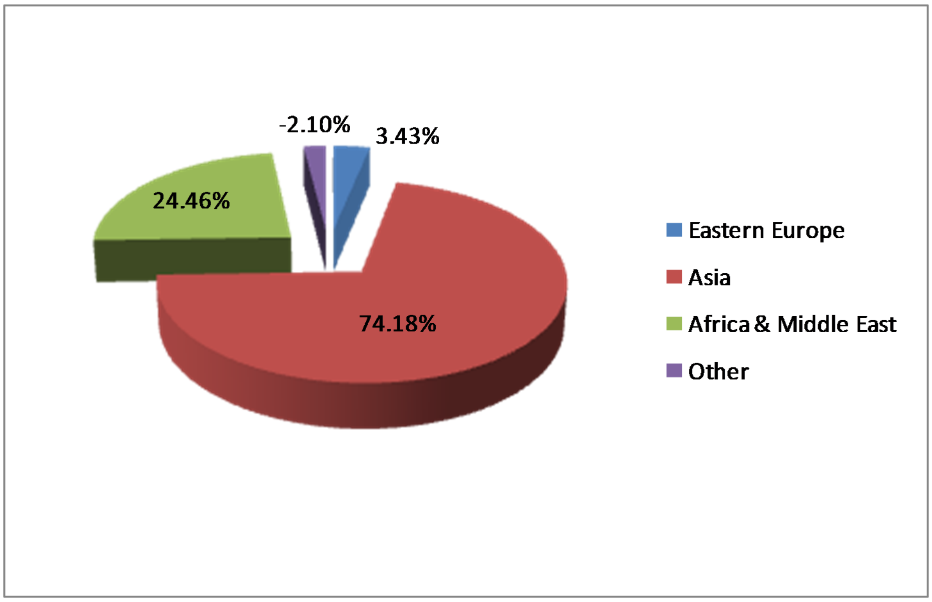
Argo Capital Management, 25 November 2014

The Argo Fund Risk Report

Product Allocation as % of NAV

	Sovereign	Quasi-Sovereign	Corporate	Total
Bonds			0.8%	0.8%
Loans	25.8%	13.8%	-2.2%	37.4%
Equity		63.8%	3.6%	67.4%
Other				
Total	25.8%	77.6%	2.2%	105.6%

Regional Allocation as % of NAV



Exposure in USD

	Bonds	Loans	Equity	Other	Total
Long/(Selling Protection)	684,790	35,801,179	60,937,205		97,423,174
NET Exposure					97,423,174
Gross Exposure					99,423,174

Liquidity

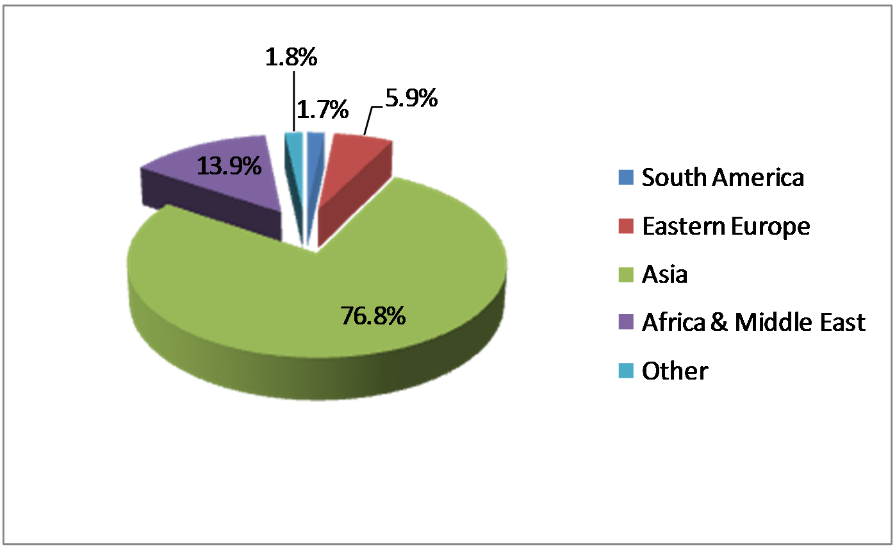
	Bonds	Loans	Equity	Other	Total
Over 3 months		38.0%			38.0%
Up to 3 months	0.7%		58.0%		58.7%
Within 1 month					0.0%
Within 1 week			3.3%		3.3%
					100.0%

ADCF Risk Report

Product Allocation as % of NAV

	Sovereign	Quasi-Sovereign	Corporate	Total
Bonds	1.4%		4.2%	5.6%
Loans	12.8%		6.6%	19.4%
Equity		74.0%	1.0%	75.0%
Other				
Total	14.2%	74.0%	11.8%	100.00%

Regional Allocation as % of NAV



Exposure in USD

	Bonds	Loans	Equity	Other	Total
Long/(Selling Protection)	1,389,860	4,837,163	18,744,401		24,971,425
NET Exposure					24,971,425
Gross Exposure					24,971,425

Liquidity

	Bonds	Loans	Equity	Other	Total
Over 3 months		14.5%	74.0%		88.5%
Up to 3 months		4.8%			4.8%
Within 1 month					0.0%
Within 1 week	5.6%		1.0%	0.1%	6.7%
					100.0%

Other Statistical data

Monthly Turnover as % of NAV: 0%	**Duration**: 0.66
Annualised Net Carry as % of NAV: 1.09%	**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): 5.7%	**Sensitivity Analysis: Credit spreads increase by 20%** 1.8% of NAV **100bps parallel shift in yield curve** 0.7% of NAV

ARGO

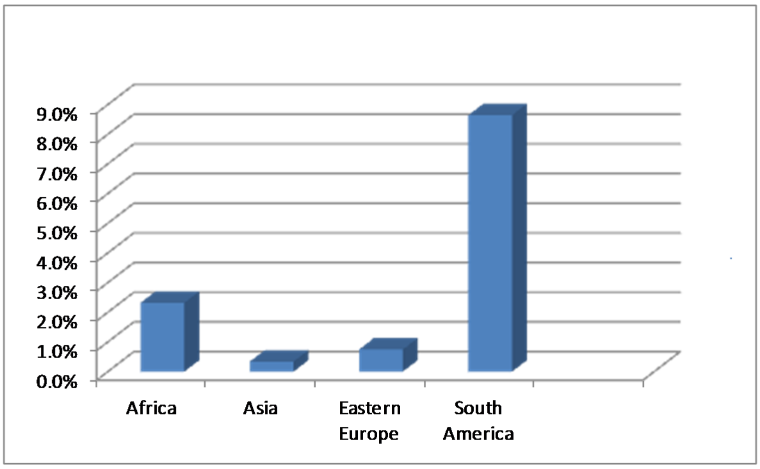
ALMF Risk Report

Product Allocation as % of NAV

	Local Currency Bonds	FX Crosses*	Interest Rates Swaps**	Other Indices/ Options***	Cash
Latin America	18.1%	-9.4%	59.2%		
Eastern Europe	13.5%	-13.4%		-9.2%	
Asia	6.9%	-6.6%	-26.0%		
Middle east & Africa	15.0%	-13.0%			
Total	53.5%	-42.4%	33.2%		46.9%

- *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	2,192,100	2,465,728	2,421,503		
Short		-4,198,397	-1,063,991	-378,030	
NET Exposure	2,192,100	-1,732,669	1,357,511	-378,030	1,919,184
Gross Exposure	2,192,100	6,664,125	3,485,494	378,030	

Liquidity

	Local Currency Bonds	FX Crosses*	Interest Rates Swaps**	Other Indices/ Options***	Cash
Within 1 week	53.5%	162.8%	85.2%	9.2%	46.9%

Top 5 Investments (%)

Bonds		FX Local Currency		IRS	
South Africa	12.5%	South Africa	-13.0%	Brazil	59.2%
Hungary	8.2%	Hungary	-7.7%	Malaysia	-26.0%
Thailand	6.9%	Colombia	-7.2%		
Uruguay	6.8%	Thailand	-6.8%		
Colombia	6.5%	Russia	-5.7%		

Other Statistical data

Monthly Turnover as % of NAV: 67.7%	**Value at Risk:** 1-Day VAR 0.36% of NAV / 30-Day VAR: 1.71% of NAV VAR Confidence level is 99%
Annualised Net Carry as % of NAV: 4.4%	**Sensitivity Analysis**: 100bps parallel shift in yield curve –1.78% of NAV
Annualised Volatility: Ex-Ante 3.23% / Ex-Post 3.44%	

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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%	-0.37%	-0.10%	-0.77%	+0.80%	-0.91%	-0.54%	-1.32%	-0.44%			**-3.67%**

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%	1.23%	-0.03%	0.17%	-0.44%	+0.34%	-0.69%	-0.57%	-1.04%	-0.53%			**-3.07%**

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%	-2.12%	0.59%			***-6.16%***

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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	-3.67%	-3.07%	-6.16%	+9.39%	+9.18%	+1.56%
Since Inception	144.89%	68.70%	-14.04%	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	7.32%	9.52%	-7.20%
Annual Return (Rolling12)	-4.08%	-3.62%	-7.19%
Sharpe Ratio	0.63	0.79	-1.80

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
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