



November 2014

**The Argo Fund Ltd: 244.17**  
**Argo Distressed Credit Fund: 1,678.42**  
**Argo Local Markets Fund: 870.66**

Newsletter – November 2014

Oil prices have been drifting lower since the summer. Using WTI as a proxy, they were trading at US\$100 a barrel at the end of June, falling to the mid-US\$80s at the end of September but at the end of last month took a sharp dive to US\$65. The immediate catalyst for this last move was the decision by OPEC –and particularly the Saudis- to maintain oil output in the face of weakening demand for oil, and increasing production from US shale fields. Whilst the decision was interpreted by some as an attempt by the Saudis to destroy the economy of their regional rival Iran, it is more likely to be an effort to maintain market share and drive-out higher cost producers. At the time of writing, oil prices had fallen to around US\$50, causing turmoil in the oil sector and generally in the market. However, the FOMC decision to be “patient” about interest rates has had a calming influence. Bullish market sentiment towards the US dollar continues to impact the CHF and euro assets in The Argo Fund, where the Net Asset Value (“NAV”) fell by 0.29%, to 244.17. The 0.51% drop in the NAV of the Argo Distressed Credit Fund in November, which finished at 1678.42, was caused largely by the impact of renewed fears of default on the Venezuelan debt position.

The Argo Local Markets Fund rose 1.28% during November to end at 870.66. Volatility reappeared as emerging markets were buffeted by the shocks of a fast declining oil price (see above), further Japanese QE, and declining European growth prospects. The product of these forces, plus an unmistakably strong result in US employment figures, forced a major re-pricing in emerging currencies. Countries reliant on oil revenues such as Russia, Colombia and Mexico were hit particularly hard, while the weaker yen impacted the South Korean won as authorities sought to maintain relative competitiveness.

Interest rates in high yielding countries readjusted lower on expectations that inflation will move significantly lower in places like Turkey and South Africa. The oil price decline had a particularly significant effect on Russia. Despite having some of the highest FX reserves in the world, Russia has been unable to contain the now deepening decline in the ruble. The economic sanctions imposed following the annexation of Crimea has contributed to increasing capital outflow and, while the central bank has been raising interest rates and using reserves to bolster the currency, these have proved to have been insufficient measures. The risk is that Russians begin to lose confidence in their currency and a large wave of dollar buying forces authorities to take harder measures such as imposing capital controls.

In the portfolio we closed our German bund hedge on the increased likelihood of European QE, and also shorted the Chinese renminbi on expectations that the government will be forced to realign the currency in a more competitive environment. We also traded the Brazilian real opportunistically on the announcement of a credible economic team. The fund benefited from a strong rally in South African rates, one of our biggest positions, whilst we suffered on our residual Russian government bond position.

Argo Capital Management, 18 December 2014



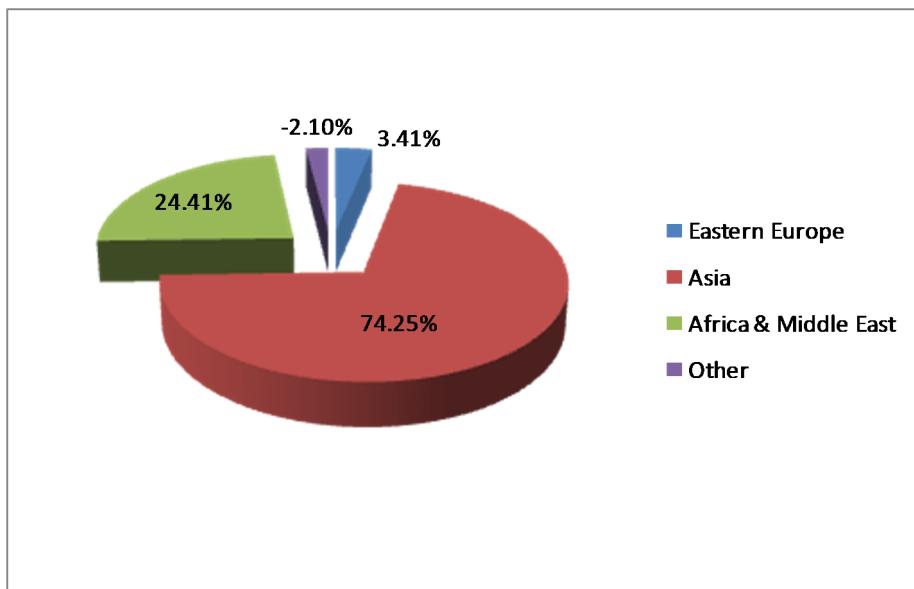
# Argo Funds' Monthly Update

## The Argo Fund Risk Report

### Product Allocation as % of NAV

	Sovereign	Quasi-Sovereign	Corporate	Total
<b>Bonds</b>		13.8%	0.8%	14.6%
<b>Loans</b>	25.8%		-2.2%	23.6%
<b>Equity</b>		64.0%	3.6%	67.6%
<b>Other</b>				
<b>Total</b>	25.8%	77.8%	2.2%	105.8%

### Regional Allocation as % of NAV



### Exposure in USD

	Bonds	Loans	Equity	Other	Total
<b>Long/(Selling Protection)</b>	13,145,590	23,270,721	60,918,212		97,334,522
<b>NET Exposure</b>					97,334,522
<b>Gross Exposure</b>					99,334,522

### Liquidity

	Bonds	Loans	Equity	Other	Total
<b>Over 3 months</b>	12.6%	25.4%			38.0%
<b>Up to 3 months</b>	0.7%		58.0%		58.7%
<b>Within 1 month</b>					0.0%
<b>Within 1 week</b>			3.3%		3.3%
					100.0%



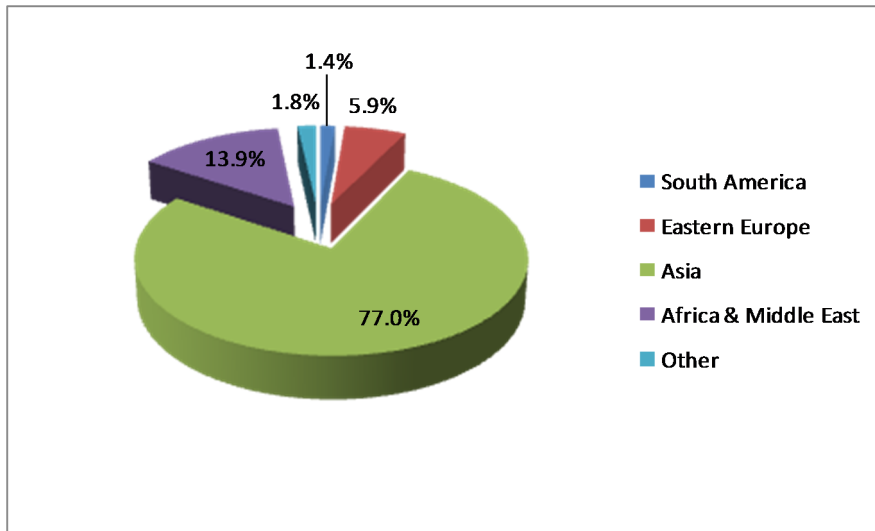
# Argo Funds' Monthly Update

## ADCF Risk Report

### Product Allocation as % of NAV

	Sovereign	Quasi-Sovereign	Corporate	Total
Bonds	1.2%		4.1%	5.3%
Loans	12.8%		6.6%	19.4%
Equity		74.4%	1.0%	75.4%
Other				
<b>Total</b>	<b>14.0%</b>	<b>74.4%</b>	<b>11.7%</b>	<b>100.1%</b>

### Regional Allocation as % of NAV



### Exposure in USD

	Bonds	Loans	Equity	Other	Total
Long/(Selling Protection)	1,308,964	4,822,167	18,741,816		24,872,947
<b>NET Exposure</b>					<b>24,872,947</b>
<b>Gross Exposure</b>					<b>24,872,947</b>

### Liquidity

	Bonds	Loans	Equity	Other	Total
Over 3 months		14.5%	74.3%		88.8%
Up to 3 months		4.9%			4.9%
Within 1 month					0.0%
Within 1 week	5.2%		1.0%	0.1%	6.3%
					100.0%

### Other Statistical data

Monthly Turnover as % of NAV: 0%	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): 5.6%	Sensitivity Analysis: Credit spreads increase by 20% 1.8% of NAV 100bps parallel shift in yield curve 0.7% of NAV



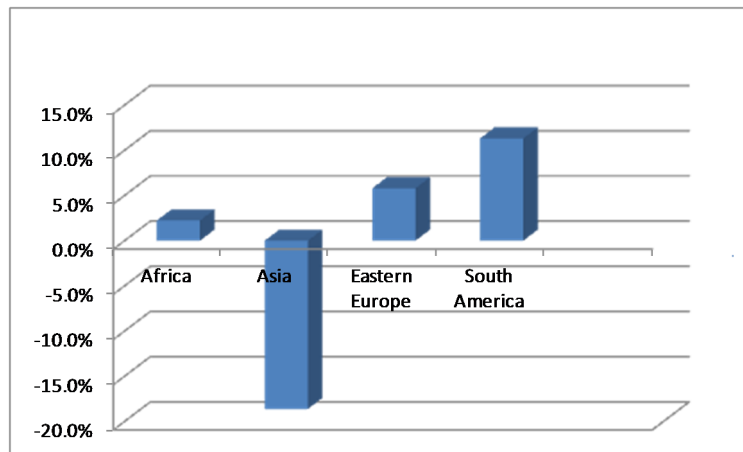
## ALMF Risk Report

### Product Allocation as % of NAV

	Local Currency Bonds	FX Crosses*	Interest Rates Swaps**	Other Indices/ Options***	Cash
Latin America	17.6%	-6.3%	56.8%		
Eastern Europe	12.9%	-7.7%			
Asia	7.1%	-25.7%	-25.1%		
Middle east & Africa	15.1%	-12.9%			
<b>Total</b>	<b>52.7%</b>	<b>-52.6%</b>	<b>31.7%</b>		<b>44.6%</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	2,173,159	3,026,047	2,338,817		
Short		-5,192,182	-1,034,524		
NET Exposure	2,173,159	-2,166,135	1,304,293		1,836,775
Gross Exposure	2,173,159	8,218,229	3,373,340		

### Liquidity

	Local Currency Bonds	FX Crosses*	Interest Rates Swaps**	Other Indices/ Options***	Cash
Within 1 week	52.7%	199.5%	81.9%		44.6%

### Top 5 Investments (%)

Bonds		FX Local Currency		IRS	
South Africa	12.6%	South Africa	-12.9%	Brazil	56.8%
Hungary	8.4%	China	-9.7%	Malaysia	-25.1%
Thailand	7.1%	Hungary	-7.6%		
Uruguay	6.8%	Thailand	-6.7%		
Colombia	6.1%	Colombia	-6.7%		

### Other Statistical data

Monthly Turnover as % of NAV: 41.5%	Value at Risk: 1-Day VAR 0.41% of NAV / 30-Day VAR: 1.93% of NAV VAR Confidence level is 99%
Annualised Net Carry as % of NAV: 4.39%	Sensitivity Analysis: 100bps parallel shift in yield curve -2.84% of NAV
Annualised Volatility: Ex-Ante 3.23% / Ex-Post 3.49%	



## 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%	-0.77%	+0.80%	-0.91%	-0.54%	-1.32%	-0.44%	-0.29%		<b>-3.96%</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%	-0.44%	+0.34%	-0.69%	-0.57%	-1.04%	-0.53%	-0.51%		<b>-3.57%</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%	1.25%	-0.02%	-1.96%	0.52%	-2.12%	-0.59%	+1.28%		<b>-4.96%</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	-3.96%	-3.57%	-4.96%	+8.82%	+11.86%	+0.22%
Since Inception	144.17%	67.84%	-12.93%	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	7.25%	9.30%	-6.35%
Annual Return (Rolling12)	-4.18%	-3.77%	-5.03%
Sharpe Ratio	0.62	0.77	-1.54

### 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)