



December 2014

The Argo Fund Ltd: 241.67
Argo Distressed Credit Fund: 1,659.82
Argo Local Markets Fund: 859.33

Newsletter – December 2014

The last month of 2014 saw a continuation of a trend seen pretty much consistently throughout the second half of last year, namely the ascent of the US dollar. The trade-weighted index of that currency barely changed from 80 at the beginning of January until the end of June, but since then has risen to just over 90 at year-end and to almost 95 at the time of writing. Whilst the strength of the US economy and (premature) predictions of rising dollar interest rates tell part of the story, the weakness in Europe has played its role culminating in the breaking of the link between the CHF and euro and more recently, the announcement of an ECB QE package to the tune of up to €1 trillion. To add to the gloomy prognosis for the euro, the Greek elections have resulted in a strong showing for the left-wing Syriza party which now has the task of implementing the anti-troika and anti-austerity policies it espoused in opposition.

Emerging markets ended the year on a downbeat note as both currencies and interest rates sold off in December. Russia suffered the most pain as the currency lost as much as 35% of its value at one stage before recovering towards month end on the back of successive rate hikes from the central bank. Capital outflow, a lower oil price, continued western sanctions and the decision to protect foreign reserves by effectively floating the ruble all combined to drastically impact its value.

OPEC's earlier decision not to cut supply accelerated the oil price decline and impacted all the large oil producers from Nigeria to Colombia to Malaysia. For countries with an energy deficit (Turkey, Thailand, Chile and South Africa) this decline bodes well for reducing their current account deficits in 2015. Higher inflation due to a weaker currency in the short term should be offset by declining inflation over the medium term which should allow interest rates to trend downwards over time.

The stagnation in Europe now underway together with Japan's downturn and concerns on Chinese growth leaves the US as the only place for optimism going into 2015. As such the trend for higher US dollar remains intact however as with most steep spikes there is likely to be volatility as prices over adjust in the short term and consolidate over the medium term.

In the portfolio we lost value on our remaining Russian bond position but clawed back most of it via an increasing FX short position. Most of our bond holdings were down while in FX we were largely short overall, making some gains in shorting the Chinese renmimbi and the Malaysian ringgit in particular.

The Net Asset Value ("NAV") of The Argo Fund was again adversely affected by dollar strength and fell by 1.02% in December, to 241.67. The 1.11% drop in the NAV of the Argo Distressed Credit Fund in December, which finished at 1659.82, was due to lower emerging market corporate and sovereign bond prices as the markets turned risk-averse. The Argo Local Markets Fund fell 1.30% during December to end at 859.33.

Argo Capital Management, 26 January 2015

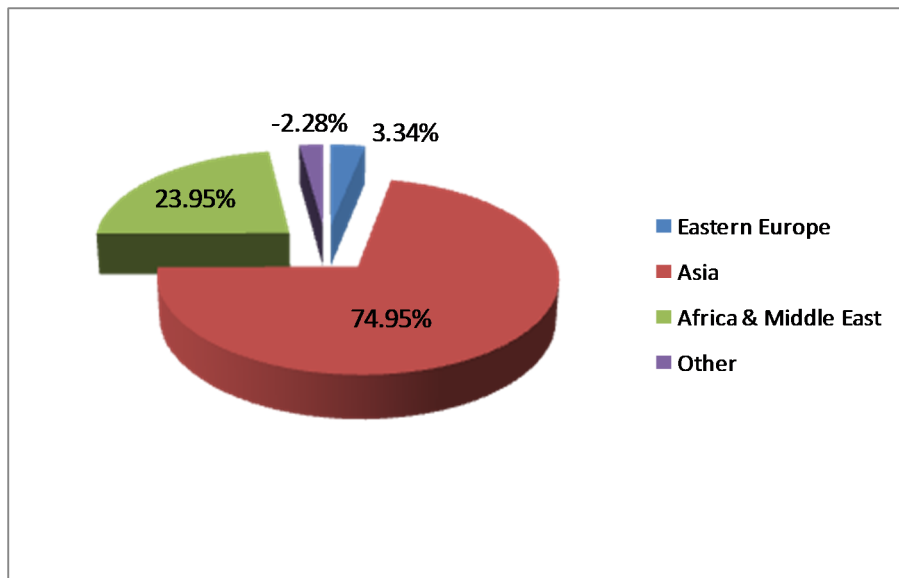


The Argo Fund Risk Report

Product Allocation as % of NAV

| | Sovereign | Quasi-Sovereign | Corporate | Total |
|---------------|-----------|-----------------|-----------|--------|
| Bonds | | 14.0% | 0.8% | 14.8% |
| Loans | 25.3% | | -2.4% | 22.9% |
| Equity | | 64.6% | 3.5% | 68.1% |
| Other | | | | |
| Total | 25.3% | 78.6% | 1.9% | 105.8% |

Regional Allocation as % of NAV



Exposure in USD

| | Bonds | Loans | Equity | Other | Total |
|----------------------------------|------------|------------|------------|-------|------------|
| Long/(Selling Protection) | 13,145,590 | 22,621,626 | 60,826,108 | | 96,593,324 |
| NET Exposure | | | | | 96,593,324 |
| Gross Exposure | | | | | 96,593,324 |

Liquidity

| | Bonds | Loans | Equity | Other | Total |
|-----------------------|-------|-------|--------|-------|--------|
| Over 3 months | 12.6% | 25.1% | | | 37.7% |
| Up to 3 months | 0.7% | | 58.4% | | 59.1% |
| Within 1 month | | | | | 0.0% |
| Within 1 week | | | 3.2% | | 3.2% |
| | | | | | 100.0% |



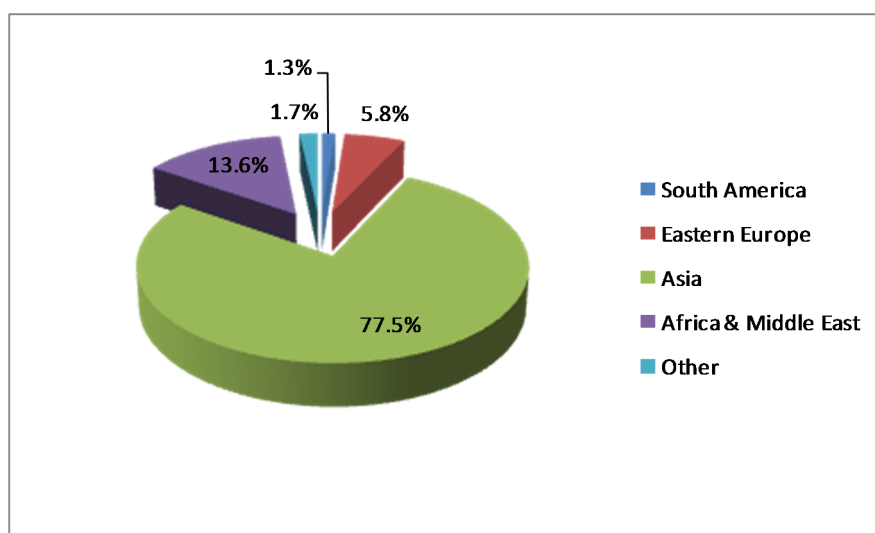
Argo Funds' Monthly Update

ADCF Risk Report

Product Allocation as % of NAV

| | Sovereign | Quasi-Sovereign | Corporate | Total |
|--------------|--------------|-----------------|--------------|---------------|
| Bonds | 1.0% | | 3.9% | 4.9% |
| Loans | 12.6% | | 6.5% | 19.1% |
| Equity | | 75.2% | 1.0% | 76.2% |
| Other | | | | |
| Total | 13.6% | 75.2% | 11.4% | 100.2% |

Regional Allocation as % of NAV



Exposure in USD

| | Bonds | Loans | Equity | Other | Total |
|---------------------------|-----------|-----------|------------|-------|-------------------|
| Long/(Selling Protection) | 1,203,193 | 4,699,782 | 18,734,399 | | 24,637,375 |
| NET Exposure | | | | | 24,637,375 |
| Gross Exposure | | | | | 24,637,375 |

Liquidity

| | Bonds | Loans | Equity | Other | Total |
|----------------|-------|-------|--------|-------|--------|
| Over 3 months | | 14.2% | 74.9% | | 89.1% |
| Up to 3 months | | 4.9% | | | 4.9% |
| Within 1 month | | | | | 0.0% |
| Within 1 week | 4.9% | | 1.0% | 0.1% | 6.0% |
| | | | | | 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 |



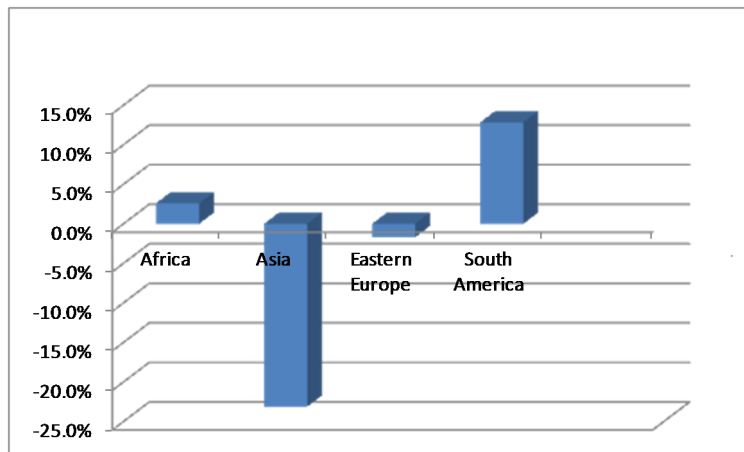
ALMF Risk Report

Product Allocation as % of NAV

| | Local Currency Bonds | FX Crosses* | Interest Rates Swaps** | Other Indices/ Options*** | Cash |
|----------------------|----------------------|---------------|------------------------|---------------------------|--------------|
| Latin America | 17.2% | -4.5% | 56.0% | | |
| Eastern Europe | 11.7% | -13.9% | | | |
| Asia | 7.2% | -30.3% | -25.0% | | |
| Middle east & Africa | 14.6% | -12.5% | | | |
| Total | 50.7% | -61.3% | 31.0% | | 49.7% |

• 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 | 2,035,491 | 190,681 | 2,247,865 | | |
| Short | | -2,651,697 | -1,002,635 | | |
| NET Exposure | 2,035,491 | -2,461,017 | 1,245,229 | | 1,994,666 |
| Gross Exposure | 2,035,491 | 2,842,378 | 3,250,500 | | |

Liquidity

| | Local Currency Bonds | FX Crosses* | Interest Rates Swaps** | Other Indices/ Options*** | Cash |
|---------------|----------------------|-------------|------------------------|---------------------------|-------|
| Within 1 week | 50.7% | 70.8% | 81.0% | | 49.7% |

Top 5 Investments (%)

| Bonds | | FX Local Currency | | IRS | |
|--------------|-------|-------------------|--------|----------|--------|
| South Africa | 12.0% | South Africa | -12.5% | Brazil | 56.0% |
| Hungary | 8.2% | China | -9.8% | Malaysia | -25.0% |
| Thailand | 7.2% | Korea | -7.4% | | |
| Uruguay | 6.9% | Hungary | -7.4% | | |
| Colombia | 5.8% | Thailand | -6.8% | | |

Other Statistical data

| | |
|--|---|
| Monthly Turnover as % of NAV: 161.9% | Value at Risk: 1-Day VAR 0.36% of NAV / 30-Day VAR: 1.69% of NAV VAR Confidence level is 99% |
| Annualised Net Carry as % of NAV: 4.2% | Sensitivity Analysis: 100bps parallel shift in yield curve -2.18% of NAV |
| Annualised Volatility: Ex-Ante 3.81% / Ex-Post 3.46% | |



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% | -1.32% | -0.44% | -0.29% | -1.02% | -4.94% |

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% | -0.51% | -1.11% | -4.64% |

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% | +1.28% | -1.30% | -6.19% |

ALMF monthly returns since inception (excluding fees)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|
| 2012 | | | | | | | | | | | 1.03% | 1.69% | 2.73% |
| 2013 | 0.65% | 0.13% | -0.16% | 1.07% | -3.15% | -2.21% | -0.19% | -1.49% | -0.21% | -0.67% | -0.68% | 0.18% | -6.60% |
| 2014 | -1.66% | -0.42% | 0.79% | -0.60% | 1.69% | 0.43% | -1.37% | 0.97% | -1.63% | 0.00% | 1.75% | -0.87% | -0.98% |



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% |
| Full Year 2014 | -4.94% | -4.64% | -6.19% | +6.15% | +11.39% | -5.72% |
| Since Inception | 141.67% | 65.98% | -14.07% | 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 | 7.13% | 8.98% | -6.68% |
| Annual Return (Rolling12) | -4.94% | -4.64% | -6.19% |
| Sharpe Ratio | 0.61 | 0.75 | -1.64 |

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