Argo Funds' Monthly Update

February 2015

The Argo Fund Ltd: 238.86
Argo Distressed Credit Fund: 1,645.64
Argo Local Markets Fund: 854.96

Newsletter – February 2015

The recent strength in European stock markets has been largely powered by QE and its effect on the euro. Against the US dollar, the euro has fallen from a high of 1.58 in March 2008 to the current 1.05-1.10 range, whilst on a trade-weighted basis the decline is less pronounced, but still of the order of 20%. Undoubtedly, this move has improved the competitiveness of the Eurozone and, ceteris paribus, should help the area's growth prospects. However, as mentioned so many times before in this newsletter, the focus in Europe remains on resolving the problems with Greece.

Emerging markets resumed their risk aversion path after a brief respite in January. Markets are suffering from a lack of anchor, high volatility and concerns about liquidity, particularly in the corporate bond space. The combination of a strong US dollar rally with a precipitous fall in oil and other commodity prices has left emerging markets struggling to construct a positive outlook, particularly when considering European uncertainty and doubts regarding the Chinese economic model.

One bit of positive news was the relative calm in the Ukraine conflict that helped the Russian ruble rally from its depressed levels. Meanwhile the Brazilian real continued its descent with street protests mounting against President Rousseff, combined with the ongoing Petrobras corruption scandal threatening to spread to other government-linked companies.

In Turkey, the constant meddling by President Erdogan in economics and, in particular, his strong criticism of the Central Bank's interest rate policy, only solved to deepen the lira's fall as markets remained unconvinced by his economic rationale.

Another positive from all the gloom has been that emerging market real rates of interest are now becoming quite attractive, particularly versus the extremely low nominal and real rates on offer in developed economies. Once the US dollar rally peters out (and if you believe some commentators, this is already showing signs of happening) the asset class may again enjoy investors' support.

During the month we remained slightly long EMFX, expecting a bounce (which didn't materialise) and we closed the Malaysian short interest rate position as rates have stabilised despite the poor ringgit performance year to date.

The Net Asset Value ("NAV") of The Argo Fund decreased by 1.2% in February to 238.86 largely on account of the impact of a strong dollar on a distressed debt position denominated in CHF. The 0.62% drop in the NAV of the Argo Distressed Credit Fund in the month, which finished at 1645.64, was also due to fx movements, with changes in Argentine and Venezuelan bonds offsetting each other. The NAV of the Argo Local Markets Fund fell 1.13% during February to end at 854.96.

Argo Capital Management, 24 March 2015

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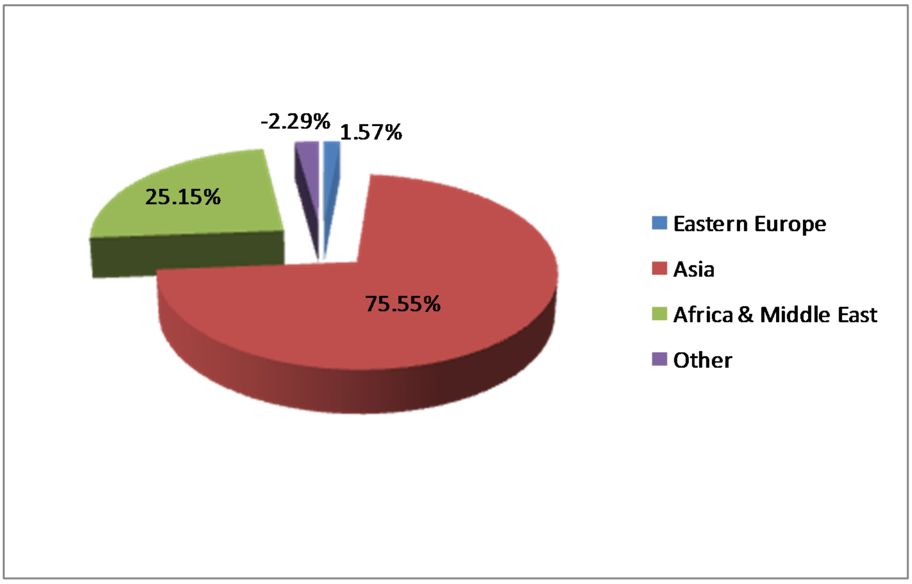
The Argo Fund Risk Report

Product Allocation as % of NAV

	Sovereign	Quasi-Sovereign	Corporate	Total
Bonds		14.1%	0.8%	14.9%
Loans	26.7%		-2.4%	24.3%
Equity		65.4%	1.6%	67.0%
Other				
Total	26.7%	79.5%	0.0%	106.2%

Regional Allocation as % of NAV



Exposure in USD

	Bonds	Loans	Equity	Other	Total
Long/(Selling Protection)	13,145,590	23,559,851	59,134,938		95,840,379
NET Exposure					95,840,379
Gross Exposure					95,840,379

Liquidity

	Bonds	Loans	Equity	Other	Total
Over 3 months	12.7%	26.2%	58.9%		97.8%
Up to 3 months	0.7%				0.07%
Within 1 month					0.0%
Within 1 week			1.5%		1.5%
					100.0%

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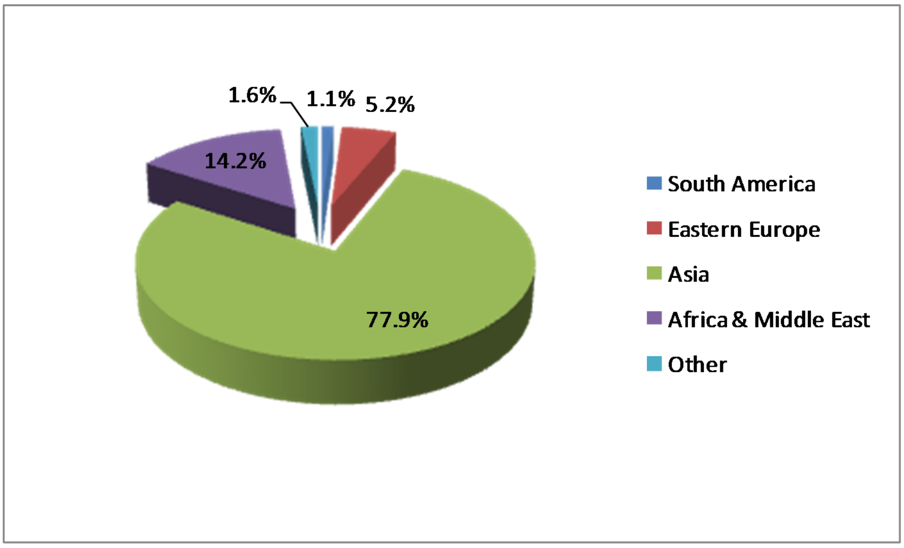
ADCF Risk Report

Product Allocation as % of NAV

	Sovereign	Quasi-Sovereign	Corporate	Total
Bonds	0.9%		3.8%	4.7%
Loans	13.2%		6.2%	19.4%
Equity		75.6%	0.5%	76.1%
Other				
Total	14.1%	75.6%	10.5%	100.2%

Regional Allocation as % of NAV



Exposure in USD

	Bonds	Loans	Equity	Other	Total
Long/(Selling Protection)	1,141,579	4,754,906	18,602,874		24,499,359
NET Exposure					24,499,359
Gross Exposure					24,499,359

Liquidity

	Bonds	Loans	Equity	Other	Total
Over 3 months		14.7%	75.4%		90.1%
Up to 3 months		4.7%			4.7%
Within 1 month					0.0%
Within 1 week	4.6%		0.5%	0.1%	5.2%
					100.0%

Other Statistical data

Monthly Turnover as % of NAV: 0%	**Duration**: 0.66
Annualised Net Carry as % of NAV: 0.99%	**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): 5.9%	**Sensitivity Analysis: Credit spreads increase by 20%** 1.8% of NAV **100bps parallel shift in yield curve** 0.7% of NAV

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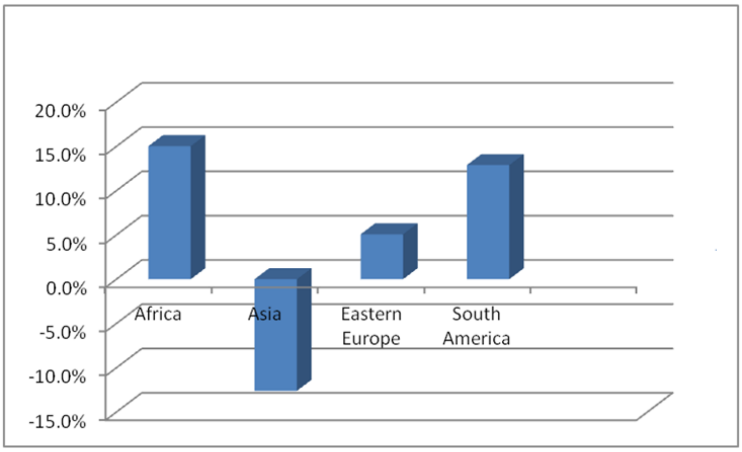
ALMF Risk Report

Product Allocation as % of NAV

	Local Currency Bonds	FX Crosses*	Interest Rates Swaps**	Other Indices/ Options***	Cash
Latin America	17.3%	-4.6%	53.7%		
Eastern Europe	11.8%	-7.3%			
Asia	7.4%	-20.0%			
Middle east & Africa	14.9%	-0.3%			
Total	51.3%	-32.2%	53.7%		49.5%

- *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	2,020,388	1,113,042	2,111,784		
Short		-2,379,021			
NET Exposure	2,020,388	-1,265,979	2,111,784		1,948,909
Gross Exposure	2,020,388	3,492,062	2,111,784		

Liquidity

	Local Currency Bonds	FX Crosses*	Interest Rates Swaps**	Other Indices/ Options***	Cash
Within 1 week	51.3%	88.7%	53.7%		49.5%

Top 5 Investments (%)

Bonds		FX Local Currency		IRS	
South Africa	12.5%	China	-10.0%	Brazil	53.7%
Hungary	8.6%	Korea	-7.6%		
Thailand	7.4%	Hungary	-7.3%		
Uruguay	6.9%	Thailand	-7.1%		
Colombia	5.7%	Indonesia	4.9%		

Other Statistical data

Monthly Turnover as % of NAV: 0.2%	**Value at Risk:** 1-Day VAR 0.40% of NAV / 30-Day VAR: 1.87% of NAV VAR Confidence level is 99%
Annualised Net Carry as % of NAV: 4.16%	**Sensitivity Analysis**: 100bps parallel shift in yield curve –3.39% of NAV
Annualised Volatility: Ex-Ante 3.46% / Ex-Post 3.43%	

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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%	-0.29%	-1.02%	**-4.94%**
2015	+0.04%	-1.20%											**-1.16%**

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%**
2015	-0.23%	-0.62%											**-0.85%**

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%***
2015	+0.63%	-1.13%											***-0.50%***

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%***
2015	+1.26%	-0.60%											***+0.66%***

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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%
Full Year 2014	-4.94%	-4.64%	-6.19%	+6.15%	+11.39%	-5.72%
YTD 2015	-1.16%	-0.85%	-0.50%	+1.30%	+2.21%	-1.01%
Since Inception	138.86%	64.56%	-14.50%	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	6.96%	8.60%	-6.42%
Annual Return (Rolling12)	-6.00%	-5.14%	-4.00%
Sharpe Ratio	0.60	0.73	-1.60

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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