



Argo Funds' Monthly Update

December 2015

The Argo Fund Ltd: 199.57
Argo Distressed Credit Fund: 1,498.61
Argo Local Markets Fund: 787.02

December 2015 Newsletter

The New Year began with fireworks in China as “circuit breakers” stopped trading on the stock market due in part to the lifting of equity sale bans on some institutional investors weighed on the market. The PBOC has been supporting the yuan with “aggressive intervention” from Beijing following devaluation of 4% in 2015 with PBOC officials quoted as wanting to keep the yuan stable against a basket of currencies, rather than just the US dollar.

After the first hike in a decade in December, Fed Funds futures now price in the next hike for June as the data is likely not strong enough to justify any movement anytime soon. Economists believe the FOMC is now using a 2% inflation target as a key to later rises, whilst monitoring the risks association with oil prices and the continuing uncertainty of the Chinese economy.

The end of the year has been a painful one for Brazil, with yields climbing over 200 bps year to date. The latest downgrade to sub-investment grade mid-month saw Brazil slip into the lower tier of EM debt and prompted a spike in the dollar-denominated bond yield. This prompted the resignation of Finance Minister Levy, to be replaced with the more left leaning Barbosa. Unfortunately 2016 looks to be headed in the same direction as the economy is expected to contract by 3% over the course of the year, compared with a drop of 3.71% in 2015. Whilst a small amount of growth is forecast for 2017, policymakers will need to combat inflation, which ended the year in excess of 10%.

In Argentina, the new finance minister moved quickly to lift capital controls, allowing the peso to float freely. In trading following the announcement, the peso dropped by 29% but the move will bring relief to the agricultural sector and multinationals operating in the country. President Macri's next challenge will be containing inflation, cutting the budget deficit and dealing with the “holdouts” in order to attract much-needed investment into the country.

The commodities slide continued over December and the New Year as oil prices dropped to \$30/bbl (and below), with further downside potential. Performance of oil in the markets over the past year is beginning to weigh heavily on a few countries including Venezuela -predicted by some to default in 2016 -whilst there are rumours of Saudi Arabia launching a partial IPO for Aramco.

South Africa is likely heading in the same direction as Brazil as they battle a commodity-related economic slowdown and worsening fiscal picture. Yields jumped dramatically in December on the unexpected sacking of the finance minister for an inexperienced replacement. Whilst this mistake was corrected days later, the damage had been done and yields only partially recovered. A 2016 downgrade is now widely expected.

The Net Asset Value (“NAV”) of The Argo Fund rose by 0.21% to finish the year at 199.57 whilst the NAV of the Argo Distressed Credit Fund rose by 0.9% to end at 1498.61. The NAV of the Argo Local Markets Fund declined by 0.48% to finish 2015 at 787.02. As mentioned previously The Argo Fund is being re-launched with a strategy focusing on liquid assets, namely emerging market bonds, fx longs/shorts and sovereign local currency bonds.

Argo Capital Management, 20 January 2016



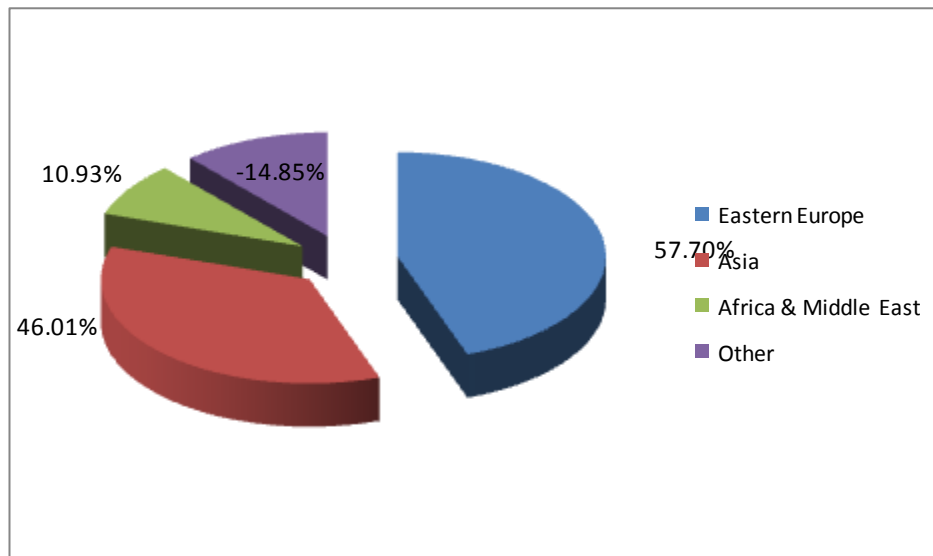
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The Argo Fund Risk Report

Product Allocation as % of NAV

	Sovereign	Quasi-Sovereign	Corporate	Total
Bonds		10.6%	1.3%	11.9%
Loans	2.8%		4.9%	7.7%
Equity			6.2%	6.2%
Other				
Total	2.8%	10.6%	12.4%	25.8%

Regional Allocation as % of NAV



Exposure in USD

	Bonds	Loans	Equity	Other	Total
Long/(Selling Protection)	6,237,966	6,011,690	3,213,993		15,463,649
NET Exposure					15,463,649
Gross Exposure					15,463,649

Liquidity

	Bonds	Loans	Equity	Other	Total
Over 3 months	9.5%	5.9%			15.4%
Up to 3 months	1.1%				1.1%
Within 1 month					0.0%
Within 1 week		7.7%	5.5%	70.3%	83.5%
					100.0%



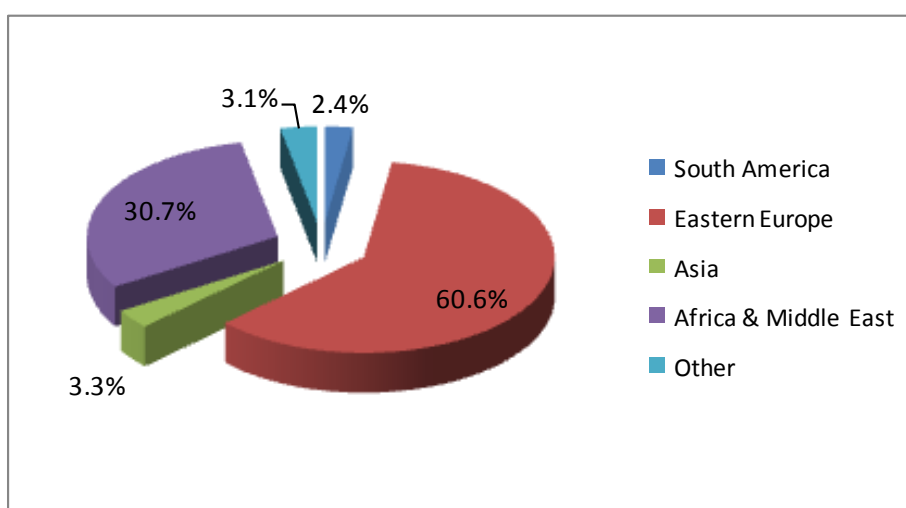
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ADCF Risk Report

Product Allocation as % of NAV

	Sovereign	Quasi-Sovereign	Corporate	Total
Bonds	1.0%		2.9%	3.9%
Loans	13.8%		28.3%	42.1%
Equity			2.7%	2.7%
Other				
Total	14.8%		33.9%	48.7%

Regional Allocation as % of NAV



Exposure in USD

	Bonds	Loans	Equity	Other	Total
Long/(Selling Protection)	873,006	9,379,036	608,567		10,860,609
NET Exposure					10,860,609
Gross Exposure					10,860,609

Liquidity

	Bonds	Loans	Equity	Other	Total
Over 3 months		36.0%			36.0%
Up to 3 months		6.5%			6.5%
Within 1 month					0.0%
Within 1 week	3.9%		2.8%	50.8%	57.5%
					100.0%

Other Statistical data

Monthly Turnover as % of NAV: 1.3%	Duration: 0.66
Annualised Net Carry as % of NAV: 1.21%	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): 2.3%	Sensitivity Analysis: Credit spreads increase by 20% 1.8% of NAV 100bps parallel shift in yield curve 0.7% of NAV



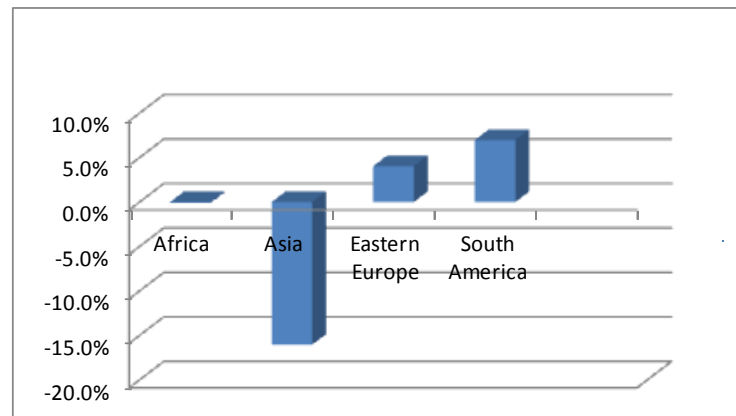
ALMF Risk Report

Product Allocation as % of NAV

	Local Currency Bonds	FX Crosses*	Interest Rates Swaps**	Other Indices/ Options***	Cash
Latin America	6.7%		31.5%		
Eastern Europe	8.9%	-5.5%			
Asia	5.4%	-21.4%			
Middle east & Africa	6.9%	-7.7%			
Total	27.9%	-34.6%	31.5%		74.6%

• 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	1,342,481		1,514,845		
Short		-1,663,144			
NET Exposure	1,342,481	-1,663,144	1,514,845		3,588,695
Gross Exposure	1,342,481	1,663,144	1,514,845		

Liquidity

	Local Currency Bonds	FX Crosses*	Interest Rates	Other Indices/	Cash
Within 1 week	27.9%	34.6%	31.5%		74.6%

Top 5 Investments (%)

Bonds		FX Local Currency		IRS	
South Africa	6.9%	China	-12.0%	Brazil	31.5%
Hungary	6.1%	Thailand	-9.4%		
Thailand	5.4%	South Africa	-7.6%		
Colombia	3.6%	Hungary	-5.5%		
Mexico	3.1%				

Other Statistical data

Monthly Turnover as % of NAV: 80.4%	Value at Risk: 1-Day VAR 0.30% of NAV / 30-Day VAR: 1.40% of NAV VAR Confidence level is 99%
Annualised Net Carry as % of NAV: 1.90%	Sensitivity Analysis: 100bps parallel shift in yield curve -1.61% of NAV
Annualised Volatility: Ex-Ante 3.68% / Ex-Post 3.49%	



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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%	-0.74%	+0.96%	-0.49%	-0.01%	-1.08%	-0.25%	-0.43%	-13.32%	-1.82%	+0.21%	-17.42%

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%	-0.20%	+1.02%	-0.40%	0.00%	-0.69%	-0.10%	-0.55%	-7.30%	-1.73%	+0.90%	-9.71%

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%	-1.36%	-0.78%	-0.33%	-2.47%	-0.35%	-0.25%	-0.54%	-0.50%	-0.63%	-1.02%	-8.41%

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	+1.27%	-0.59%	-0.80%	-0.06%	+0.25%	-1.71%	+0.28%	+0.35%	+0.25%	+0.02%	-0.16%	-0.48%	-1.39%



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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%
Full Year 2015	-17.42%	-9.71%	-8.41%	+1.82%	-0.73%	-14.92%
Since Inception	99.57%	49.86%	-21.30%	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	5.40%	6.28%	-7.22%
Annual Return (Rolling12)	-17.42%	-9.71%	-8.41%
Sharpe Ratio	0.46	0.55	-2.00

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