



NAV**The Argo Fund****295.47**

EM Credit Long/Short Strategy

Argo Distressed Credit Fund**1,996.03**EM Distressed Credit Strategy

Market Commentary

Central Bank action (or inaction) has been the prevailing theme since the last report. The Bank of Japan added another tool to its growing monetary policy arsenal by targeting 'yield curve control', in essence, promising to keep 10 year rates at around 0% and thereby stimulating longer term corporate financing. In order to achieve this they have relaxed the rules on the average maturity of their purchases and thereby continuing to expand the monetary base until inflation exceeds 2%. The market was disappointed by these announcements and quickly responded by strengthening the Yen. Meanwhile at the Fed, Janet Yellen had to fend off three hawks who opposed the ultimate decision to hold rates once again. However, Yellen's post-meeting comments were arguably positive, and chances of a rate rise before the end of the year rose once were further cemented.

Dilma Rousseff was finally displaced as Brazilian president as the senate voted above the two-thirds majority needed for impeachment. The official start to Michel Temer's presidential reign coincided with a rise in the real and the Ibovespa stock index as interest rates remain low in the US. Investors were buoyed by Temer's comments on fiscal responsibility and plans to restore growth to Latin America's biggest economy.

S&P upgraded Hungary's credit rating to BBB with a stable outlook, signalling their return to investment grade status. The ratings agency highlighted Hungary's improved external debt profile and the fact that they have not had a current account deficit since 2009.

In North America, the race for the US presidency is entering its latter stages, increasing political uncertainty for Mexico, whose assets have underperformed this year. Mexico's exports to the US makes up more than a quarter of its GDP, underscoring the importance of Republican nominee Donald Trump's disastrous visit last month that subsequently led to the resignation of Mexico's respected finance minister. With Hilary Clinton's health being questioned over a near-collapse in New York, the Mexican peso tumbled to record lows – nearly 20 to the US dollar.

Elsewhere, popular support for the ruling ANC party in South Africa declined further after a series of scandals involving President Zuma and his acolytes, most notably involving links between the president's son and the controversial Gupta family that has raised questions over state capture. With this in mind we added a small short position on the South African rand to the portfolio.

In the portfolio, there was strong performance from the sovereign credit holdings, most notably in Argentina and Ghana. Elsewhere Latam corporates – particularly in Brazil-enjoyed a good month and EM banks produced some positive returns. The Net Asset Value of The Argo Fund increased by 1.3% to end the month at 295.47. The Argo Distressed Credit Fund barely changed to end August at 1996.03.

Argo Capital Management, 22 September 2016

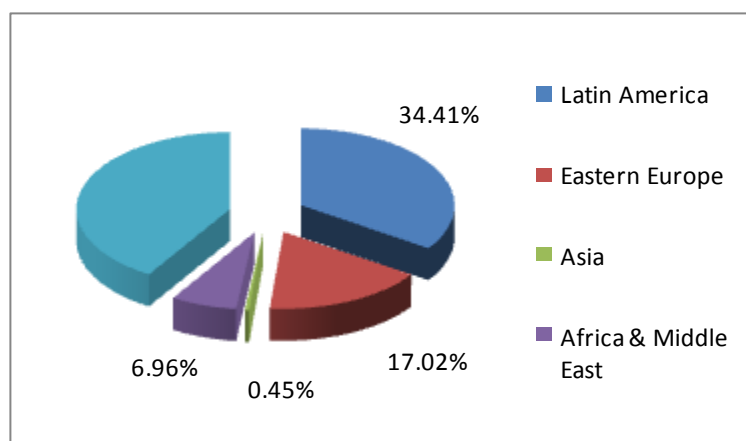


The Argo Fund Risk Report

Product Allocation as % of NAV

	Sovereign	Corporate	Total
Bonds	28.5%	30.7%	59.2%
Loans		0.1%	0.1%
Equity			
Other (fx/derivatives)			
Total	28.5%	30.8%	59.3%

Geographical Breakdown as % of NAV



Top 5 Countries

Brazil	12.4%
Mexico	9.3%
Argentina	8.2%
Russia	6.6%
Ukraine	3.9%

Statistical Data	
Average Credit Rating	B+ *
Average YTM	5.39% (9.2% for securities portfolio)
Annualised Volatility	19.59%
Annualised Downside Risk	4.37%
Duration	2.63
1 day VAR (99% CL)	\$0.306mn (0.49% NAV)
30 day VAR (99% CL)	\$1.44mn (2.32% NAV)

* cash notionally rated at AAA

Liquidity

	Bonds	Loans	Equity	Cash	Total
Over 1 month					
Within 1 month					
Within 1 week	58.8%	0.1%		41.1%	100.0%
					100.0%

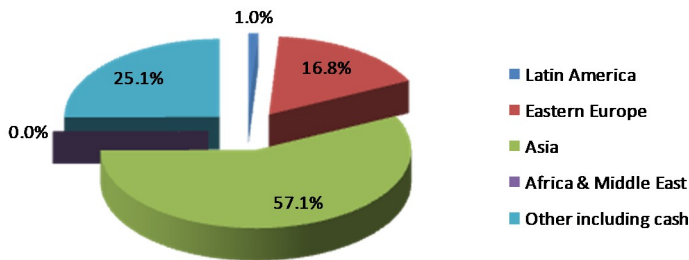


Argo Distressed Credit Fund Risk Report

Product Allocation as % of NAV

	Sovereign	Corporate	Total
Bonds	0.7%	2.9%	3.6%
Loans		56.5%	56.5%
Equity/Private Equity		23.9%	23.9%
Other (fx/derivatives)		-4.2%	-4.2%
Total	0.7%	79.1%	79.8%

Geographical Breakdown as % of NAV



Top 5 Countries

Indonesia	64.0%
Romania	14.7%
India	1.8%
Kazakhstan	1.0%
Greece	1.0%

Main Positions

The fund's largest position is a company which owns the catalyst in a petrochemical refinery in Tuban, Indonesia. This is a new investment added in the wake of our track record with TPPI. The refinery which is now operated by Pertamina (the state-owned oil company to whom we sold our equity stake last year) is currently producing mogas. The catalyst is leased to the refinery but negotiations over a renewal of the lease or outright sale have been ongoing for some time. ADCF owns a secured loan together with equity. The second largest position is equity (majority stake) in a Romanian regulated non-bank financial institution and mortgage provider which is also funded by OPIC, the US government agency. As well as extending US dollar mortgages in the local market, this company has the potential to provide servicing capability on non-performing loan portfolios. The Indian exposure is a bond issued by Essar Steel. Essar has been suffering from the global oversupply of steel and is said to be in negotiations with its creditors; the fund may seek to increase its exposure if the appropriate entry level is found.

Liquidity

	Bonds	Loans	Equity	Cash	Total
Over 1 month	1.7%	53.4%	22.5%		77.6%
Within 1 month					0.0%
Within 1 week	1.7%			20.7%	22.4%
					100.0%



Argo Funds Monthly Update

August 2016

The 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%
2016	+10.44%	+0.17%	+2.22%	+5.03%	+1.13%	+19.17%	+2.09%	+1.30%					+48.05%

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%
2016	-0.63%	+0.29%	+3.56%	+0.13%	+9.89%	+17.44%	-0.06%	-0.06%					+33.19%

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Argo Funds Monthly Update

August 2016

Argo Returns vs Indices				
	TAF ¹	ADCF ²	EMBI+ ³	S&P 500
Oct – Dec 2000 ¹	0.25%		4.00%	-7.60%
2001	31.53%		-0.80%	-13.00%
2002	22.74%		13.98%	-23.36%
2003	26.01%		29.11%	26.38%
2004	14.78%		11.78%	8.99%
2005	9.51%		11.86%	3.00%
2006	11.11%		10.49%	13.62%
2007	12.31%		6.45%	3.53%
2008	-39.86%	0.49%	-9.70%	-38.49%
2009	12.18%	11.06%	25.95%	23.45%
2010	8.55%	10.32%	11.83%	12.78%
2011	0.10%	1.18%	9.20%	0.00%
2012	-0.07%	24.05%	18.04%	13.41%
2013	8.49%	12.64%	-8.31%	29.60%
2014	-4.94%	-4.64%	+6.15%	+11.39%
2015	-17.42%	-9.71%	+1.82%	-0.73%
YTD 2016	+48.05%	+33.19%	+15.25%	+6.21%
Since Inception	195.47%	99.60%	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. 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).

	The Argo Fund	ADCF
Annualised Return	7.93%	9.83%
Annual Return (Rolling12)	25.72%	21.76%
Sharpe Ratio	0.61	0.74

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