



NAV**The Argo Fund****291.66**

EM Credit Long/Short Strategy

Argo Distressed Credit Fund**1,997.23**EM Distressed Credit Strategy

Market Commentary

Emerging market credits have performed well over the past few weeks. Not only has the global low-yield environment meant that EM bonds are likely to remain an attractive destination for investors, but also EM growth has shown signs of a modest pickup in the second half of 2016 helped by a recovery in commodity prices. The Net Asset Value ("NAV") of The Argo Fund rose by 2.09 per cent in July, ending the month at 291.66. The strength of EM bonds referred to previously has been supported by investors coming back into the asset class as developed market bond yields continue to price at very low or negative interest rates. The continuing easing monetary policies in developed markets, further reinforced this July by the BoJ and the Bank of England decisions, has left investors in a grab for yield pursuit that has made emerging markets an attractive target.

Positive results in Latin American corporate issuers like Cemex (deleveraging) and Petrobras (liability management) have contributed to the fund's positive performance and a macro overlay position in an equity index taking advantage of the immediate reaction post the Brexit vote also contributed to performance. On the downside, Mexican and Russian local currency bonds were hit by dollar strength although we have hedged out the Mexican peso exposure. The NAV of the Argo Distressed Credit Fund was largely unchanged, ending the month at 1997.23.

In Turkey, President Erdogan rekindled relations with Putin's Russia following the downing of a Russian jet last November, as the post (failed) coup "cleansing" leaves Turkey increasingly at odds with its Western allies. This may revive the tourism sector, which has seen a sharp decline since package holidays to Turkish destinations were banned in Russia however the weakness of the ruble may question the extent of this bounce back. Standard and Poor's responded to this situation with a downgrade of Turkey's credit rating last month and any purge of businesses is likely to reinforce the growing negative perspective of investment in the country.

The return of the much admired Sri Mulyani Indrawati to the Indonesian Finance Ministry has raised expectations that fiscal reforms may be more forthcoming now that President Jokowi looks to be strengthened politically. Her first job will be to raise tax collection levels in order to help fund the many infrastructure investment plans Jokowi has promised in order to grow at 7% levels while also protecting the budget deficit.

In the US, Federal Reserve members are apparently split over the timing of the next rate rise as economic conditions improve but inflation remains well below the 2% target. With unemployment below 5% and rising wages, the Fed could still hike in September, although political pressure due to the forthcoming presidential election may influence their decision.

Argo Capital Management
24 August 2016

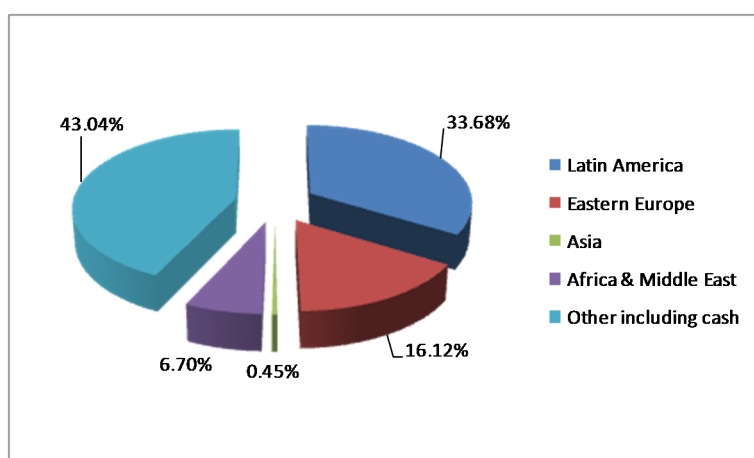


The Argo Fund Risk Report

Product Allocation as % of NAV

	Sovereign	Corporate	Total
Bonds	28.5%	29.0%	57.5%
Loans		0.1%	0.1%
Equity			
Other (fx/derivatives)			
Total	28.5%	29.1%	57.6%

Geographical Breakdown as % of NAV



Top 5 Countries

Brazil	11.6%
Mexico	9.3%
Argentina	8.2%
Russia	6.6%
Ukraine	4.0%

Statistical Data	
Average Credit Rating	BBB *
Average YTM	5.02% (8.23% for securities portfolio)
Annualised Volatility	19.75%
Annualised Downside Risk	4.41%
Duration	2.38
1 day VAR (99% CL)	\$0.40mn (0.73% NAV)
30 day VAR (99% CL)	\$1.879mn (3.41% NAV)

* cash notionally rated at AAA

Liquidity

	Bonds	Loans	Equity	Cash	Total
Over 1 month					
Within 1 month					
Within 1 week	56.9%	0.1%		43.0%	100.0%
					100.0%

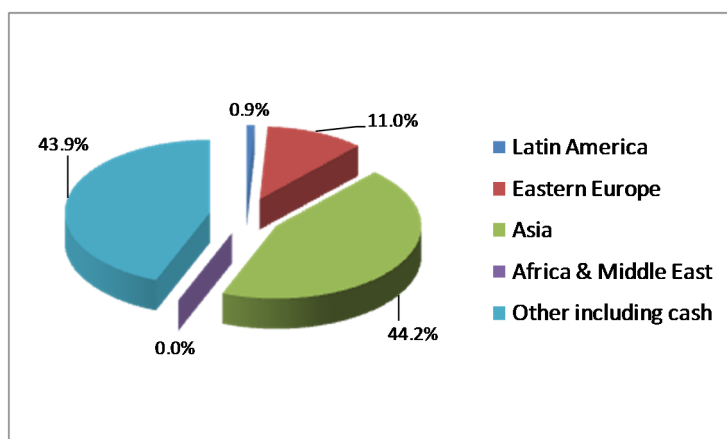


Argo Distressed Credit Fund Risk Report

Product Allocation as % of NAV

	Sovereign	Corporate	Total
Bonds	0.7%	2.9%	3.6%
Loans		40.1%	40.1%
Equity/Private Equity		23.9%	23.9%
Other (fx/derivatives)		-9.8%	-9.8%
Total	0.7%	57.1%	57.8%

Geographical Breakdown as % of NAV



Top 5 Countries

Indonesia	51.3%
Romania	11.0%
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	1.6%	36.0%	21.4%		59.0%
Within 1 month					0.0%
Within 1 week	1.6%			39.4%	41.0%
					100.0%



Argo Funds Monthly Update

July 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%						+46.14%

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%						+33.27%

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Argo Funds Monthly Update

July 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	+46.14%	+33.27%	+13.25%	+6.34%
Since Inception	191.66%	99.85%	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	7.89%	9.95%
Annual Return (Rolling12)	23.80%	21.70%
Sharpe Ratio	0.61	0.74

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