



August 2014

The Argo Fund Ltd: 249.26
Argo Distressed Credit Fund: 1,713.71
Argo Local Markets Fund: 883.47

Commentary

Newsletter – August 2014

Market volatility has remained remarkably subdued given the political headwinds facing the global economy; taking the VIX index as a proxy, the levels reached in the early part of August have subsided dramatically, and the index currently trades at around a third of that seen in market sell-offs in 2010 and 2011. Despite the rhetoric from President Obama and others, the West looks impotent in the face of the continuing violence in the Middle East and Ukraine. It is hard to see aerial attacks and a “coalition of the willing” seeing off ISIS, or sanctions deterring Russia.

Prices of Venezuelan bonds have temporarily bounced after hitting six-month lows because of concerns over the government’s ability to pay external liabilities due to an shortage of dollars. Former Venezuelan Minister Ricardo Hausmann called for the country to default, a notion since rejected by analysts and market participants. The sell-off contributed to the 0.57% drop in the Net Asset Value (“NAV”) of the Argo Distressed Credit Fund in August, which finished at 1713.71, whilst the NAV of The Argo Fund fell by 0.54%, to 249.26.

August was a positive month for the Argo Local Markets Fund, as the NAV ended August 0.52% up at 883.47; local debt largely bounced back from the drawdown in July. The major news included the death of one of Brazil’s presidential candidates, Eduardo Campos, which presented the opportunity for popular politician, and former minister, Marina Silva, to more vigorously challenge the incumbent PT administration of President Dilma Rouseff. The markets took this as a positive for pending economic reforms that the country desperately needs.

In Turkey PM Erdogan emerged victorious in the presidential election, which sets the scene for continual concentration of power in the hands of the now president under the current government.

More generally, EM bonds rallied on the back of continued slowdown in Europe and more signalling from the ECB president Mario Draghi that the bank saw greater risks on the downside and promised further action to stem deflation risks, perhaps leading to a European QE program.

In the US, the markets continued to price in the chance of a more hawkish Fed as the stars continue to align on the employment outlook, and the QE taper is now set to conclude in October as expected.

The risk of a near-term interest rate hike in the US, coupled with a dire outlook for Europe and continued question marks on both Japanese and Chinese economies, poses complicated questions for EM local markets and FX going forward.

Argo Capital Management, 23 September 2014

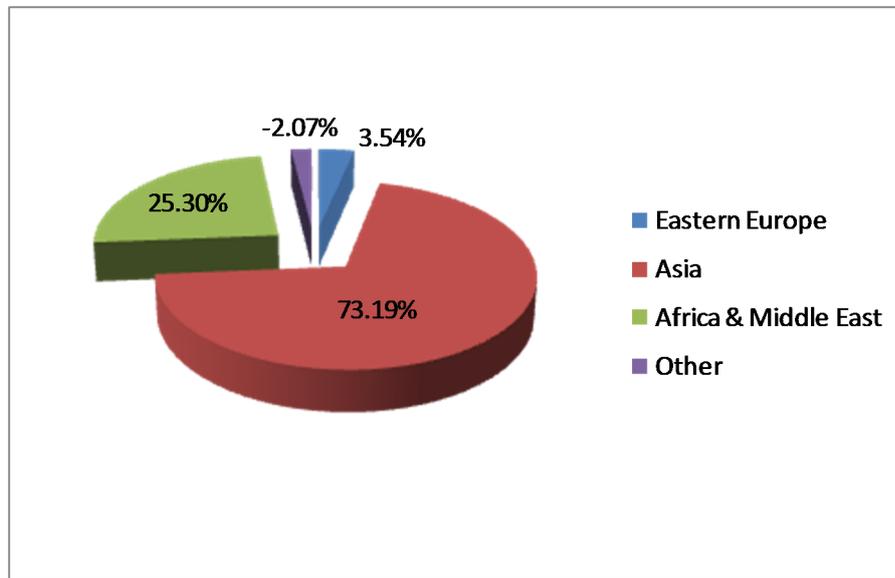


The Argo Fund Risk Report

Product Allocation as % of NAV

	Sovereign	Quasi-Sovereign	Corporate	Total
Bonds			0.8%	0.8%
Loans	26.6%	13.5%	-2.2%	37.9%
Equity		62.6%	3.7%	66.3%
Other				
Total	26.6%	76.1%	2.3%	105.0%

Regional Allocation as % of NAV



Exposure in USD

	Bonds	Loans	Equity	Other	Total
Long/(Selling Protection)	684,790	36,938,330	61,110,933		98,734,053
NET Exposure					98,734,053
Gross Exposure					101,734,053

Liquidity

	Bonds	Loans	Equity	Other	Total
Over 3 months		38.7%			38.7%
Up to 3 months	0.7%		57.2%		57.9%
Within 1 month					0.0%
Within 1 week			3.4%		3.4%
					100.0%



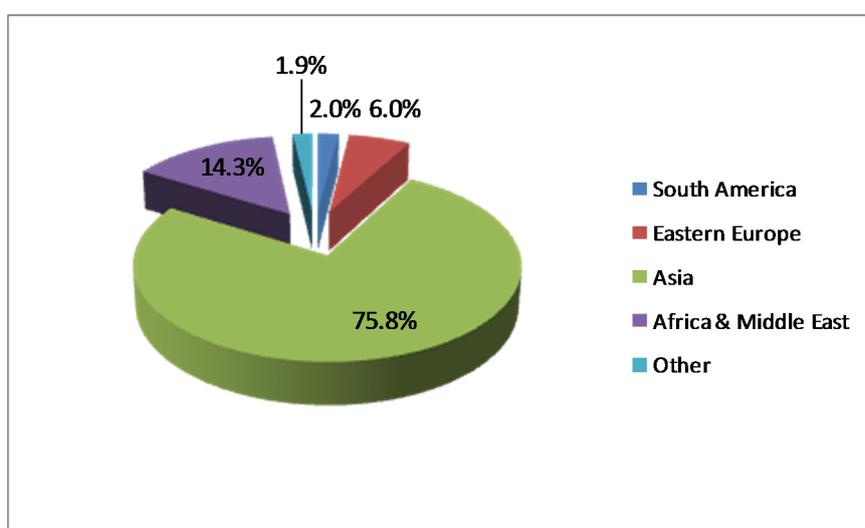
Argo Funds' Monthly Update

ADCF Risk Report

Product Allocation as % of NAV

	Sovereign	Quasi-Sovereign	Corporate	Total
Bonds	1.7%		4.2%	5.9%
Loans	13.1%		6.6%	19.7%
Equity		72.1%	1.0%	73.1%
Other				
Total	14.8%	72.1%	11.8%	98.7%

Regional Allocation as % of NAV



Exposure in USD

	Bonds	Loans	Equity	Other	Total
Long/(Selling Protection)	1,504,722	5,041,896	18,754,002		25,300,620
NET Exposure					25,300,620
Gross Exposure					25,300,620

Liquidity

	Bonds	Loans	Equity	Other	Total
Over 3 months		14.8%	72.0%		86.8%
Up to 3 months		4.8%			4.8%
Within 1 month					0.0%
Within 1 week	5.9%		1.1%	1.4%	8.4%
					100.0%

Other Statistical data

Monthly Turnover as % of NAV: 1.5%	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): 5.3%	Sensitivity Analysis: Credit spreads increase by 20% 1.8% of NAV 100bps parallel shift in yield curve 0.7% of NAV



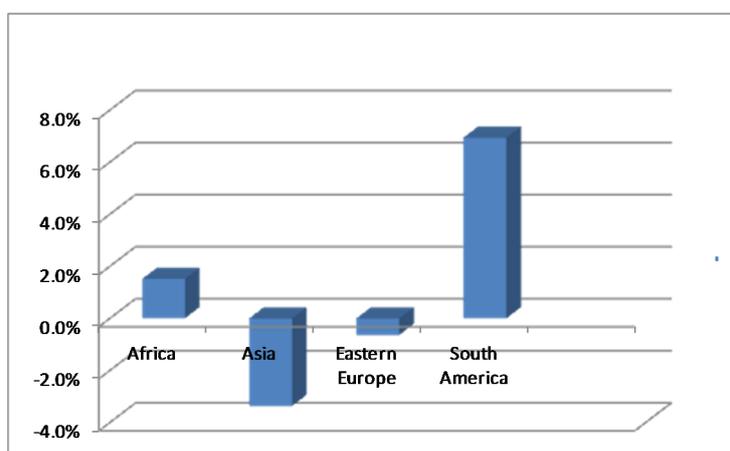
ALMF Risk Report

Product Allocation as % of NAV

	Local Currency Bonds	FX Crosses*	Interest Rates Swaps**	Other Indices/ Options***	Cash
Latin America	18.4%	-11.8%	52.1%		
Eastern Europe	13.7%	-14.5%			
Asia	7.3%	-10.6%	-26.3%		
Middle east & Africa	14.6%	-13.1%			
Total	54.0%	-50.0%	25.8%		45.1%

• 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	2,280,345	1,738,082	3,271,957		
Short		-3,850,203	-2,180,358		
NET Exposure	2,280,345	-2,112,121	1,091,599		1,9,17,762
Gross Exposure	2,280,345	5,588,285	5,452,315		

Liquidity

	Local Currency Bonds	FX Crosses*	Interest Rates Swaps**	Other Indices/ Options***	Cash
Within 1 week	54.0%	132.2%	129.0%		45.4%

Top 5 Investments (%)

Bonds		FX Local Currency		IRS	
South Africa	12.5%	South Africa	-13.1%	Brazil	63.5%
Hungary	7.7%	Hungary	-7.7%	Malaysia	-26.3%
Thailand	7.3%	Malaysia	-7.1%	Mexico	-11.4%
Colombia	6.8%	Colombia	-7.0%		
Uruguay	6.6%	Russia	-6.9%		

Other Statistical data

Monthly Turnover as % of NAV: 67.9%	Value at Risk: 1-Day VAR 0.57% of NAV / 30-Day VAR: 2.69% of NAV VAR Confidence level is 99%
Annualised Net Carry as % of NAV: 3.67%	Sensitivity Analysis: 100bps parallel shift in yield curve -4.66% of NAV
Annualised Volatility: Ex-Ante 3.11% / Ex-Post 3.44%	



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%					-1.96%

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%					-1.54%

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%					-3.56%



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%
YTD 2014	-1.96%	-1.54%	-3.56%	+10.02%	+8.39%	+5.38%
Since Inception	149.26%	71.37%	-11.65%	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	7.54%	10.08%	-6.45%
Annual Return (Rolling12)	-2.08%	-1.36%	-5.97%
Sharpe Ratio	0.64	0.82	-1.59

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