

# Emerging Markets Bond Fund

Information as at: 31 October 2024

## KEY FACTS

Asset Class	Fixed Income
Category	Global Emerging Markets bond
Investment manager	MeritKapital
Total Fund Assets, USD	\$56,721,857
A USD class, USD	\$56,721,857
Fund Inception Date	01/09/2016
Strategy Inception Date	01/04/2017
Performance Benchmark	J.P. Morgan EMBI Global Total Return Index
ISIN	CYF000000200
Fund Domicile	Cyprus
Fund Type	AIF-LNP
Bloomberg Ticker	MERFXPT CY
Base currency	USD
Management fee	0.75%
Performance fee	15%
Hurdle rate	3%
Liquidity	Monthly

## MINIMUM INVESTMENT

Share class	
A USD	\$50,000

## FUND CHARACTERISTIC

Credit Rating	BB
Modified Duration	4.07 years
Yield to Worst	12.07%
Fixed Income	14.65%
Equity	68.09%
Cash	19.11%
Repo Instruments	-9.38%
Reverse Repo Instruments	3.09%

## COMPOSITION OF THE FUND

Sectors	% of Total
Energy	28.28
Government	13.11
Consumer, Cyclical	21.95
Financial	4.36
Communications	10.16
Basic Materials	2.21
Consumer, Non-cyclical	2.62
Industrial	0.60
Funds	1.88
Technology	2.02

Country	% of Total
United States	51.72
United Kingdom	9.46
Nigeria	4.23
Germany	4.10
Egypt	3.02
Russian Federation	2.86
Ghana	1.92
Côte d'Ivoire	1.79
Italy	1.15
Angola	1.12
Other	5.82

Currency Break-Down	% of Total
USD	71.87
EUR	13.02
GBP	13.59
RUB	1.52

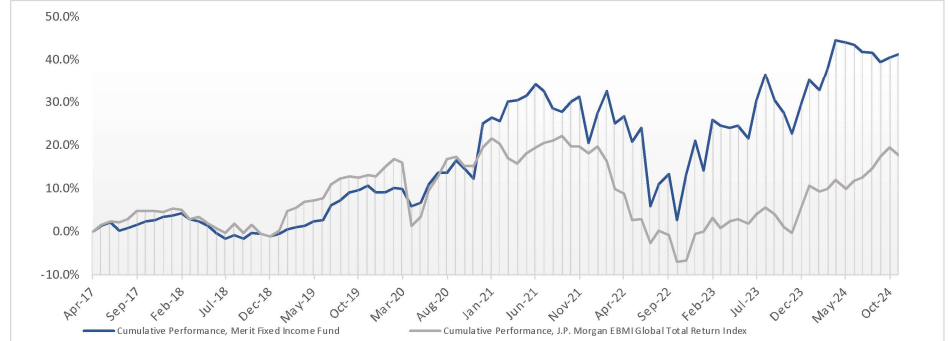
## MANAGEMENT TEAM

Portfolio Manager	MeritKapital Ltd
Investment Advisor	Persella Ioannides

## INVESTMENT OBJECTIVE

Merit Fund AIFLNP V.C.I.C Limited aims to achieve attractive returns through a combination of capital growth and income preservation. At any one time, 90% of net assets of the fund are invested plus any leveraged amount utilized within the scope of investment purposes in sovereign or corporate debt securities of predominantly emerging market countries.

## PERFORMANCE GRAPH\*



\*The fund remained dormant between Sep 2016 and Mar 2017. The performance is presented from the date the investment strategy was implemented. Share Class performance displayed in USD, Benchmark performance displayed in USD

## PERFORMANCE\*

	MTD	YTD	SI
MeritKapital Fixed Income Fund - A Shares USD	0.51%	4.43%	41.25%
J.P. Morgan EMBI Global Total Return Index	-1.51%	6.39%	17.56%

Share Class performance of 0.51% is calculated on a Net Asset Value (NAV) basis, net of fees.

Total gross performance for October 2024 is 0.52%

\*The fund remained dormant between Sep 2016 and Mar 2017. The performance is presented from the date the investment strategy was implemented.

## FUND COMMENTS

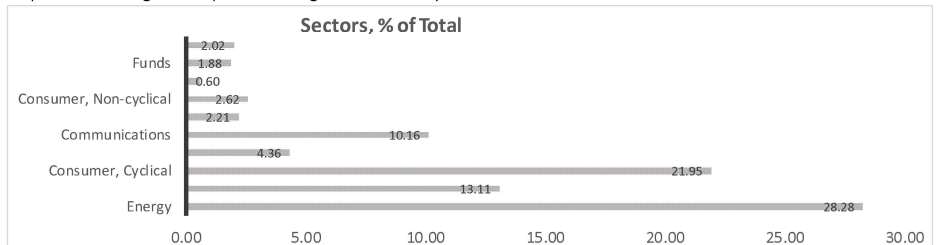
The fund rose by 0.51% in October, bringing its year-to-date returns to 4.43%.

Markets experienced significant volatility in October, with equities pulling back after a robust rally through the year's first three quarters. Investor concerns focused on growth risks, despite signs of resilience in the U.S. economy. Additional uncertainty stemmed from the upcoming U.S. election and the potential effects of policy changes on inflation and interest rates.

In equities, the S&P ended the month 0.9% down, while the UK and EU markets performed even worse, declining 1.6% and 3.2%, respectively. Nevertheless, the Fund's equity holdings performed well, as travel stocks continued to outperform, with United Airlines (UAL US, +37.15%), Norwegian Cruise Line (NCLH US, +23.55%), Carnival Corp (CCL US, +18.34%), and Delta Air Lines (DAL US, +12.91%). The Fund's tactical investments in the construction industry also performed well with Martin Marietta Materials (MLM US, +10.05%) and Vulcan Materials (VMC US, +9.38%). The Fund's oil company holdings fell however with BP, Chord Energy, and Occidental Petroleum as the main underperformers in absolute terms.

On the fixed-income front, bonds faced pressure amid pre-election uncertainty and disappointing macroeconomic data. The September CPI report showed that inflation eased by less than expected. Whilst headline CPI rose by 0.2% month-over-month (MOM) and 2.4% year-over-year, marking the slowest annual increase since early 2021 core inflation remained high at 3.3%, driven by rising costs in medical care, auto insurance, and airline fares. The shockingly low Nonfarm Payrolls report, with only 12,000 jobs added (versus the expected 106,000), introduced further uncertainty and heightened and led to a selloff in rates. Consequently, the yield on the benchmark 10-year U.S. Treasuries closed the month at 4.285%, up more than 50 basis points MOM. The Fund's fixed-income holdings traded mixed, with SSA (Sub Sahara Africa) bonds showing a modest profit. Specifically, Ghana sovereign bonds contributed to gains after the country implemented its restructuring plan.

At the time of writing this note the red sweep has resultingly played out in the US elections. We see actual policy implementation to play out not as 'disruptively' as per Trump's campaign rhetoric. Indeed, dollar strength and higher treasury yields have played out as expected post elections whilst risky assets were well bit with our EM holdings simultaneously trading firmer. We will thus look to capitalize on strength and reposition during bouts of volatility.



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## Top 10 Holdings

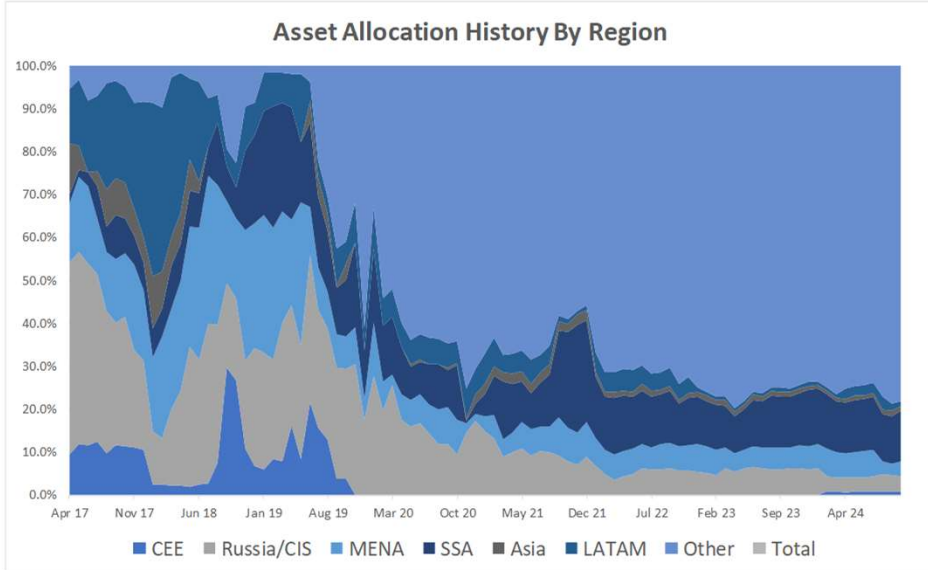
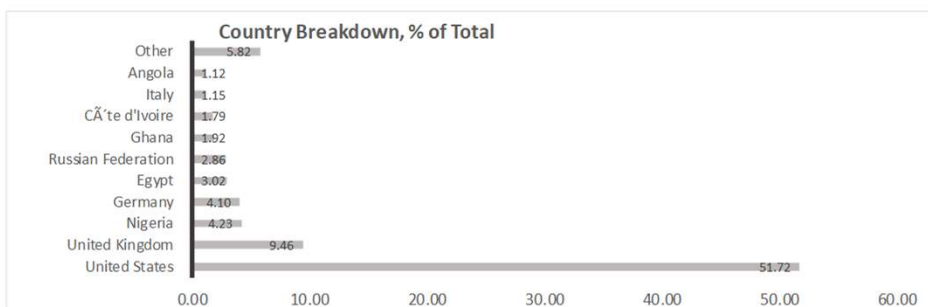
Top 10 Holdings	% of Total
SHELL NA	8.48
OXY US	8.44
BP/ LN	5.79
CHRD US	4.14
UAL US	4.01
AMZN US	3.57
IAG LN	3.39
DAL US	1.92
CCL US	1.86
EZJ LN	1.70

## Duration Breakdown

Duration Breakdown	% of Total
Cash	19.11
Repo Instruments	-9.38
Reverse Repo Instruments	3.09
Equity	67.00
0 - 1 years	0.68
1 - 3 years	8.11
3 - 5 years	2.38
5 - 7 years	5.98
7 - 10 years	3.03
10+ years	0.00

## Rating Breakdown

Rating Breakdown	% of Total
Cash	19.11
Repo Instruments	-9.38
Reverse Repo Instruments	3.09
AAA	0.08
AA	5.75
A	18.54
BBB	13.81
BB	25.56
B	7.25
CCC	5.55
CC	0.00
C	0.00
D	0.00
NR	10.62



	Nov 23	Dec 23	Jan 24	Feb 24	Mar 24	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24	Oct 24
CEE	0.0%	0.0%	0.0%	0.8%	0.7%	0.7%	0.7%	0.7%	0.7%	0.9%	1.0%	0.9%
Russia/CIS	6.1%	5.9%	6.2%	3.6%	3.3%	3.4%	3.5%	3.5%	3.9%	3.7%	3.7%	3.4%
MENA	5.5%	5.6%	5.6%	6.4%	5.9%	5.8%	6.0%	6.1%	6.3%	3.2%	2.6%	3.5%
SSA	12.1%	13.0%	12.9%	12.6%	12.0%	11.8%	12.1%	12.1%	12.3%	11.1%	11.2%	11.9%
Asia	1.1%	1.0%	0.9%	0.9%	0.8%	0.9%	0.9%	0.9%	0.9%	1.0%	1.3%	1.2%
LATAM	0.9%	0.9%	0.9%	0.9%	0.8%	2.4%	2.4%	2.4%	2.5%	2.8%	1.5%	1.0%
Other	74.3%	73.6%	73.4%	74.8%	76.4%	75.1%	74.5%	74.3%	73.8%	77.2%	78.7%	78.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

## DISCLAIMER

Merit Fund AIFLNP V.C.I.C Limited (the "Fund"), is reserved for professional and well-informed investors as defined by the Alternative Investment Funds Law n.131(I) of 2014 (the "Law") who, on the basis of the Offering Memorandum (the "Offering Memorandum") and the subscription agreement, should make their own assessment of the conditions of their participation in the Fund. It is the responsibility of participating investors, to determine whether the fund described in the Offering Memorandum is suitable to their expectations of performance and risk. The Fund operates as an Alternative Investment Fund with Limited Number of Persons according to the Law, regulated by the Cyprus Securities and Exchange Commission, license # LPAIF05/2014, in the legal form of a variable capital investment company. Prospective investors are not to construe the contents of the Offering Memorandum or any communication relating to this offering as investment, legal or tax advice. Each investor should, however, consult his own legal counsel, accountant and other professional adviser as to legal, tax and related matters concerning an investment in the Fund. The Offering Memorandum, the Memorandum & Articles of Association as well as the latest monthly report are available from the registered office of the Manager and from the Fund's administrator. An investment in the Fund involves financial risk and prospective investors are advised to read the Offering Memorandum carefully in its entirety. With respect to any quotation of expected returns throughout this Report or the Offering Memorandum, it must be noted that these are generated from part research and cannot be guaranteed. The value of an investment in the Fund may fluctuate. Forward looking statements by nature comprise risks and uncertainty since they are related to events and circumstances that may or may not occur or materialise in the future. Due to various risks and uncertainties, actual events or results, the actual performance of the Fund may differ materially from those reflected or contemplated in such forward looking statements. There can be no assurance that the Fund's investment objectives will be achieved and investment results may be achieved over time. Investment in the Fund is not intended on a complete investment program for any investor. Prospective investors should carefully consider if an investment in shares in the Fund is suitable for them in light of their circumstances and their resources. No application has been made to list the shares of the Fund on any stock exchange. Important: shares in the fund are offered solely on the basis of the information and representations contained in the Offering Memorandum and the documents specified therein, which are available for inspection at the Fund's registered office and no other information or representation relating thereto is authorised.

## Contact

EFTAPATON COURT, 2nd Floor  
 256 Makarios Ave., Limassol, Cyprus  
 P.O Box 53180, CY-3301, Limassol, Cyprus  
 Tel.: +357 25 857 900

info@meritfund.com  
 www.meritfund.com

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