



MeritFixed

MERIT FIXED INCOME FUND LIMITED

Incorporation Date 16 April 2014

OFFERING MEMORANDUM

THE FUND HAS APPOINTED AN ENTITY AS THE DEPOSITARY OF THE FUND ACCORDING TO THE ARTICLE 116(4) OF THE ALTERNATIVE INVESTMENT FUNDS LAW N.131(I) OF 2014.

THIS ALTERNATIVE INVESTMENT FUND WITH LIMITED NUMBER OF PERSONS IS ESTABLISHED IN THE REPUBLIC OF CYPRUS PURSUANT TO THE DECISION TAKEN BY THE CYPRUS SECURITIES AND EXCHANGE COMMISSION ON 19th JANUARY 2015. IT IS EXCLUSIVELY ADDRESSED TO PROFESSIONAL AND WELL-INFORMED INVESTORS. IT IS NOTED THAT THE AIF WITH LIMITED NUMBER OF PERSONS ENTAILS SIGNIFICANT RISK AS IT IS NOT SUBJECT TO INVESTMENT RESTRICTIONS AND INVESTMENT LIMITS AND IS SUBJECT TO A LIGHTER LEGAL FRAMEWORK. THE TOTAL NUMBER OF ITS UNIT-HOLDERS SHALL NOT EXCEED 50 PERSONS'

Regulated by the Cyprus Securities and Exchange Commission



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NOTICE

THE FUND IS RESERVED FOR PROFESSIONAL AND WELL-INFORMED INVESTORS AS DEFINED BY THE ALTERNATIVE INVESTMENT FUNDS LAW N.131(I) OF 2014 WHO, ON THE BASIS OF THIS MEMORANDUM AND THE MANAGEMENT AGREEMENT, HAVE MADE 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 THIS MEMORANDUM IS SUITABLE TO THEIR EXPECTATIONS OF PERFORMANCE AND RISK.

THE FUND WILL OPERATE AS AN ALTERNATIVE INVESTMENT FUND WITH LIMITED NUMBER OF PERSONS ACCORDING TO THE ALTERNATIVE INVESTMENT FUNDS LAW N. 131(I) OF 2014 IN THE LEGAL FORM OF A VARIABLE CAPITAL INVESTMENT COMPANY. THIS TYPE OF FUND ACCEPTS A MAXIMUM NUMBER OF 50 INVESTORS.

THIS OFFERING MEMORANDUM (“OFFERING MEMORANDUM”) HAS BEEN PREPARED FOR THE BENEFIT OF PROFESSIONAL AND WELL-INFORMED INVESTORS INTERESTED IN INVESTING IN PARTICIPATING, NON-VOTING SHARES ISSUED IN RESPECT OF MERIT FIXED INCOME FUND (“THE FUND”) OFFERED HEREBY AND ANY REPRODUCTION OR DISTRIBUTION OF THIS OFFERING MEMORANDUM IN WHOLE OR IN PART, OR THE DIVULGENCE OF ANY OF ITS CONTENTS (OTHER THAN TO PROFESSIONAL ADVISERS OF THE PROSPECTIVE INVESTORS RECEIVING THIS OFFERING MEMORANDUM), WITHOUT THE PRIOR WRITTEN CONSENT OF THE FUND IS PROHIBITED. THE PARTICIPATING SHARES ISSUED IN RESPECT OF MERIT FIXED INCOME FUND SHALL BE REFERRED TO HEREIN AS THE “SHARES” AND EACH A “SHARE”.

THIS OFFERING MEMORANDUM HAS BEEN PREPARED SOLELY FOR THE PURPOSE OF PROVIDING INFORMATION ON THE FUND. PROSPECTIVE INVESTORS ARE NOT TO CONSTRUE THE CONTENTS OF THIS 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.

NEITHER THIS OFFERING MEMORANDUM NOR THE SHARES DESCRIBED HEREIN HAVE BEEN REGISTERED OR QUALIFIED FOR OFFER OR SALE UNDER THE LAWS OF ANY JURISDICTION GOVERNING THE OFFER OR SALE OF INVESTMENT FUND SHARES OR OTHER SECURITIES, AND THIS OFFERING MEMORANDUM SHALL NOT CONSTITUTE AN OFFER TO SELL NOR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE

ANY SALE OF SUCH SHARES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE IS NOT AUTHORISED TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER, SOLICITATION OR SALE.

THE MEMORANDUM & ARTICLES OF ASSOCIATION AND THE LATEST ANNUAL REPORT ARE AVAILABLE FROM THE REGISTERED OFFICE OF THE COMPANY AND FROM THE COMPANY'S AGENTS AND SHALL BE DEEMED TO FORM PART OF THIS OFFERING MEMORANDUM.

AN INVESTMENT IN THE FUND INVOLVES FINANCIAL RISK AND PROSPECTIVE INVESTORS ARE ADVISED TO READ THIS OFFERING MEMORANDUM CAREFULLY IN ITS ENTIRETY. WITH RESPECT TO ANY QUOTATION OF EXPECTED RETURNS THROUGHOUT THIS 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 IN THIS OFFERING MEMORANDUM BY NATURE COMPRISE RISKS AND UNCERTAINTIES SINCE THEY ARE RELATED TO EVENTS AND CIRCUMSTANCES THAT MAY OR MAY NOT OCCUR OR MATERIALISE IN THE FUTURE. CERTAIN INFORMATION IN THIS OFFERING MEMORANDUM CONSTITUTES "FORWARD LOOKING STATEMENTS" WHICH CAN BE IDENTIFIED BY USE OF FORWARD LOOKING TERMINOLOGY SUCH AS "MAY", "WILL", "SHOULD", "EXPECT", "ANTICIPATE", "TARGET", "PROJECT", "SCHEME", "ESTIMATE", "INTEND", "CONTINUE" OR THE NEGATIVES THEREOF OR OTHER VARIATIONS OR COMPARABLE TERMINOLOGY. 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; INVESTMENT OBJECTIVES WILL BE ACHIEVED AND INVESTMENT RESULTS MAY BE ACHIEVED OVER TIME. INVESTMENT IN THE FUND IS NOT INTENDED ON A COMPLETE INVESTMENT PROGRAMME 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.

IN THIS OFFERING MEMORANDUM ALL REFERENCES TO DOLLARS OR US\$ ARE TO THE CURRENCY OF THE UNITED STATES.

THIS OFFERING MEMORANDUM IS BASED ON THE LAW AND PRACTICE CURRENTLY IN

FORCE IN THE REPUBLIC OF CYPRUS AND IS SUBJECT TO CHANGES THEREIN, NO ASSURANCES CAN BE GIVEN THAT EXISTING LAWS WILL NOT BE CHANGED. THIS OFFERING MEMORANDUM IS ALSO SUBJECT TO THE FUND'S MEMORANDUM AND ARTICLES OF ASSOCIATION. IF ANY PROVISION OF THE MEMORANDUM AND ARTICLES OF ASSOCIATION AT ANY TIME CONFLICTS WITH ANY OF THE PROVISIONS OF THIS OFFERING MEMORANDUM THE PROVISIONS OF THE MEMORANDUM AND ARTICLES OF ASSOCIATION SHALL PREVAIL.

THE DIRECTORS OF THE FUND HAVE TAKEN ALL REASONABLE STEPS TO ENSURE THAT THE FACTS STATED HEREIN ARE TRUE AND ACCURATE IN ALL MATERIAL RESPECTS AT THE DATE HEREOF AND THAT THERE ARE NO OTHER MATERIAL FACTS THE OMISSION OF WHICH WOULD MAKE MISLEADING ANY STATEMENT HEREIN WHETHER OF FACT OR OF OPINION. THE DIRECTORS ACCEPT RESPONSIBILITY ACCORDINGLY.

IMPORTANT: SHARES IN THE FUND ARE OFFERED SOLELY ON THE BASIS OF THE INFORMATION AND REPRESENTATIONS CONTAINED IN THIS OFFERING MEMORANDUM AND THE DOCUMENTS SPECIFIED HEREIN, WHICH ARE AVAILABLE FOR INSPECTION AT THE FUND'S REGISTERED OFFICE AND NO OTHER INFORMATION OR REPRESENTATION RELATING THERETO IS AUTHORISED. SHARES SHOULD BE ACQUIRED ONLY ON THE BASIS OF INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM OR INCORPORATED HEREIN BY REFERENCE.

THE CYPRUS SECURITIES AND EXCHANGE COMMISSION SHALL NOT BE LIABLE BY VIRTUE OF ITS RECOGNITION OF THE COMPANY AS AN ALTERNATIVE INVESTMENT FUND (AIF) WITH LIMITED NUMBER OF PERSONS BY REASON OF ITS EXERCISE OF THE FUNCTIONS CONFERRED ON IT BY THE LAW. RECOGNITION OF THE AIF DOES NOT CONSTITUTE A WARRANTY BY THE CYPRUS SECURITIES AND EXCHANGE COMMISSION AS TO THE CREDIT WORTHINESS OR FINANCIAL STANDING OF THE VARIOUS PARTIES OF THE AIF WITH LIMITED NUMBER OF PERSONS.

THE OFFERING MEMORANDUM IS NOT A PROSPECTUS IN ACCORDANCE WITH THE PROVISIONS OF THE LAW 114 (I)/2005 ("LAW PROVIDING FOR THE CONDITIONS FOR MAKING AN OFFER TO THE PUBLIC OF SECURITIES, ON THE PROSPECTUS TO BE PUBLISHED 2005") AS TO THE REQUIREMENTS OF THE CONTENT OF A PROSPECTUS.

SAVE AS REFERRED TO IMMEDIATELY ABOVE, THE SECURITIES OFFERED HEREBY HAVE NOT BEEN FILED WITH OR APPROVED OR DISAPPROVED BY ANY REGULATORY AUTHORITY OF ANY COUNTRY OR JURISDICTION, NOR HAS ANY SUCH REGULATORY AUTHORITY PASSED UPON OR ENDORSED THE MERITS OF THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS CONFIDENTIAL MEMORANDUM. ANY

REPRESENTATION TO THE CONTRARY IS UNLAWFUL. SHARES ARE NOT REGISTERED FOR SALE, AND THERE WILL BE NO PUBLIC OFFERING OF THE SHARES.

EXECUTIVE SUMMARY

The following summary is qualified in its entirety by reference to the more detailed information included elsewhere in this Offering Memorandum and the Memorandum and Articles of Association (collectively the “Articles of Association”) of Merit Fixed Income Fund Limited (the “Fund”). This summary does not purport to be complete and should be read in conjunction with such additional detailed information.

DEFINITIONS

Administrator and Registered Office

Meritservus Secretaries Limited has been appointed as administrator, registrar and transfer agent of the Fund and also provides the Fund’s registered office in the Republic of Cyprus.

Auditor

Deloitte Cyprus

Base Currency

The base currency of the Fund is US Dollars (US\$, USD).

Business Day

A day other than a Saturday or Sunday on which banks in the Republic of Cyprus are open for normal banking business and any alternative or additional days designated as a Business Day by the Directors.

Depositary

Raiffeisen Bank International AG, Vienna, Austria acts as depositary in regard to the Fund’s cash and portfolio securities.

CySEC

Cyprus Securities and Exchange Commission

Directors

The Directors of the Fund.

Dividends

The Fund may declare dividends to Shareholders in respect of the Shares but are not obligated to do so. See “Use of Proceeds”.

Duration

The Fund has perpetual duration.

Eligibility

It is the responsibility of each investor to ensure that the purchase of Shares does not violate any applicable laws in the investor’s jurisdiction of residence.

Expenses

The Fund is responsible for its own operating expenses, including but not limited to the Directors’ fees, Management fees, administrative fees, depositary fees, brokerage commissions, auditing expenses, legal expenses and government fees.

Fees

- Management Fee: Pursuant to the Management Agreement, the Fund pays the Manager a fixed monthly Management fee for each full month of the Fund’s operation charged in arrears (the “Management Fee”) equal to 0.0625% (0.75% annualized) of the Net Asset Value of each series of the Shares prior to accruals, if any, in respect of Performance Fees.
- Performance Fee: On each Valuation Day in a Performance Period, a performance fee is accrued for the account of the Manager in an amount equal to 15% of the increase in the Net Asset Value per Share determined as at such Valuation Day (before deduction of any accrued Performance Fees for such period) in excess of an annual Hurdle Rate of 3% compounded annually (the “Performance Fee”).

The Manager is entitled to an annual payment of Performance Fees, calculated as of the end of Performance period or at other times upon the redemption of Shares or dissolution of the Fund. Performance Fees paid to the Manager are calculated on the basis of unaudited data, are not refundable to the Fund, but may be subject to audit adjustments.

- Performance Period: The initial "Performance Period" commenced on the date the Fund commenced operations and ended on 31st December of the same year. Each subsequent Performance Period commences on January 1st of each year and ends on the next December 31st, or on the last day of the Fund's operations, whichever is earlier.
- Admin fee: flat US\$10.000

- Director fee: flat US\$2.500

Financial Year

The Fund's financial year will end on December 31 of each year.

Fund

Merit Fixed Income Fund authorised as an Alternative Investment Fund with limited number of persons according to the Alternative Investments Fund Law N. 131(I) of 2014 in the legal form of an Open-Ended Variable Capital Investment Company incorporated and registered in the Republic of Cyprus.

Independent Valuer

Any such valuer as shall be appointed by the Directors from time to time.

Management Agreement

The Manager has entered into an Management agreement (the "Management Agreement") with the Fund and is responsible for the investment of the Fund's assets, subject to the overall supervision of, and the general policies and restrictions established by the Board of Directors and consistent with the terms and conditions set forth in the Memorandum and in the Articles of the Fund. The Management Agreement is effective from April 16, 2014 and shall continue in effect until terminated upon:

- a) commencement of the winding up of the Fund's affairs in accordance with its Memorandum of Association and Articles of Association or otherwise;
- b) by the Fund upon not less than one month's prior written notice to the Manager; or
- c) by the Manager upon not less than one month's prior written notice to the Fund.

The Management Agreement provides that neither the Manager nor its officers, directors, employees and affiliates, will be liable to the Fund or its investors for any mistake in judgment or otherwise, except by reason of their gross negligence, wilful misconduct or fraud regarding their duties under the Management Agreement.

Manager

Meritkapital Limited, Cyprus, has been appointed as Manager (the "Manager") to the Fund to provide Management services pursuant to a Management agreement (the "Management Agreement") between the Fund and the Manager. Under the terms of the Management Agreement, the Manager shall ensure the Fund complies with the "Investment Objective and Strategies" as set out in this Offering Memorandum. The Manager also has the power to appoint an advisory

committee.

Legal Counsel

Antis Triantafyllides & Sons LLC

Management Shares

100 voting shares of par value US\$0.01 each in the capital of the Fund.

Net Asset Value

The term “Net Asset Value” means the amount determined pursuant to this Offering Memorandum as being the net asset value of the Fund.

Net Asset Value per Share

The “Net Asset Value per Share” means the Net Asset Value of the Fund divided by the number of Shares which are issued and outstanding.

Offering

The Fund is offering Shares with no nominal value.

Offer Price(s)

Shares of the Fund will be issued at a price based on Valuation Day.

Professional Investor

A Professional Client, as such term is defined in the MiFID.

Well-informed Investor

A Client that is not a professional client and meets the following two requirements: (i) Confirms in writing that he/she is a qualified investor and he/she is aware of the risks involved with an investment in the relevant AIF; and (ii) (a) invests at least EUR 125.000 in the Fund; or (b) has been certified by a licensed bank/credit institution, an authorized investment firm or an authorized Management Company.

Redemption

Voluntary Redemptions by Shareholders are permitted and will be based on next in line net asset value per share.

Related Funds

The Manager and its affiliates may in the future provide investment advice to other investment funds or accounts with similar objectives to those of the Fund and in which they may have an equity interest. Shareholders shall have no contractual right to participate in such other funds or accounts.

Reports

Audited financial statements of the Fund will be prepared for the end of each Financial Year and sent to Shareholders. An annual and half yearly report will be prepared and sent to the CySEC and the unitholders within three months of the end of the financial year (in the case of the annual report) and within two months of the end of the half year (in the case of the half yearly report).

Risk Factors

The investment approach of the Fund involves certain substantial risks. There is no assurance that the Fund's Investment Objective will be met, or that the entire amount of money invested in the Fund may not be lost (refer to "Risk Factors"). Risk factors and Special Considerations are:

The investment program of the Fund is speculative and involves significant risk of loss. The value of the Fund's assets will fluctuate as the stock or bond market fluctuates. The value of its investments may decline, sometimes rapidly and unpredictably, simply because of economic changes or other events that affect large portions of the market. The use of leverage, short sales via ETFs, options, swaps, credit default swaps, futures and forward contracts may create special risks and substantially increase the impact of adverse price movements on the Fund's portfolio. The Performance Fee as described above may create an incentive for the Manager to cause the Fund to make investments that are riskier than it would otherwise make. Moreover, an investment in the Fund provides limited liquidity since the Shares are not freely transferable and the shareholders will have limited redemption rights.

Shares

The Fund initially will issue two classes of Shares: Management Shares and Participating Shares (the "Shares"), the Management Shares having a par value of US\$0.01 and Participating Shares with no nominal value. The Management Shares will be entitled to the entire voting power of the Fund (save in connection with votes relating to any variation of rights attaching to the Shares, as to which all Shares will be entitled to vote). The Management Shares, all of which will be issued to the Manager, do not entitle the holder to participate in the Fund's profits or losses and are not redeemable. Upon the winding up of the Fund, the holders of the Management Shares will be entitled to receive only their paid - in capital for such shares.

Investors in the Fund will initially subscribe for and receive Participating Shares from the Fund, with the proceeds from the sale of such shares generally invested pursuant to the parameters detailed in this Confidential Memorandum.

The Fund may issue additional classes of Shares in the future which may differ in terms of, among other things, denomination of currency, fees charged, minimum initial contributions, redemption rights and other rights. New classes of Shares may be established by the Fund without the approval of the existing shareholders. The terms of such classes will be determined by the Board of Directors. Such additional shares may be issued to persons and entities affiliated with the Manager.

Share Capital

The Fund has an authorised share capital of US\$15,000 divided into 100 Management Shares of US\$0.01 each and 1,499,900 Participating Shares with no nominal value.

Subscriber

An investor seeking to purchase Shares in the Fund.

Subscription Agreement

Subscribers for Shares of the Fund will be required to enter into an agreement to subscribe for a defined monetary amount of Shares on the terms set out in the Subscription Agreement with capital to be induced immediately.

Tax

The Fund will incur liability to tax in the Republic of Cyprus on its investment income and realisation of capital gains. Withholding tax may be imposed by certain jurisdictions upon dividends and interest received by the Fund on securities and debt obligations held by the Fund in such jurisdictions.

Transfer of Shares

The Shares will be subject to restrictions on transfers and may not be transferred without the consent of the Directors. Subject to those restrictions being met and also to the Directors providing their consent, transfers of Shares shall be deemed effective on the next Business Day following the date of receipt by the Administrator of the Share transfer form, any due diligence documentation required in respect of the transferor and/or the transferee, and any other documentation as may be required by the Administrator. Any transfer of shares shall not result in the AIF with limited number of persons having more than 50 investors.

Valuation Day

The last business day of each month is a Valuation Day. A Business Day is any day except a Saturday, Sunday or other day on which commercial banks or stock exchanges in Cyprus or in any other jurisdiction in which a relevant valuation or other determination must be made are authorized to close.

DIRECTORY

Merit Fixed Income Fund Limited

Registered Office

Eftapaton Court
256, Makarios Avenue
CY-3105 Limassol
Cyprus
Tel: +(357) 25 85 77 00
Fax: +(357) 25 35 60 10

Legal Counsel as to Cypriot Law

Antis Triantafyllides & Sons LLC
Capital Center, 9th Floor
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Directors

Hannes Boeck
Evangelia Georgiou

Manager

Meritkapital Limited
3rd Floor, Eftapaton Court
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CY-3105 Limassol Cyprus

Administrator

Meritservus Secretaries Limited
Eftapaton Court
256, Makarios Avenue
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Depository

Raiffeisen Bank International AG
Am Stadpark 9,
A-1030 Vienna,
Austria

Auditor

Deloitte Cyprus
Maximos Plaza, Block 1, 3rd Floor
213 Arch. Makariou III Avenue
CY3030 Limassol, Cyprus

INTRODUCTION

Merit Fixed Income Fund was incorporated under the ALTERNATIVE INVESTMENT FUNDS LAW N.131(I) OF 2014 on 19 January 2015 as an Alternative Investment Fund (“AIF”) with Limited Number of Persons in the legal form of a variable capital investment company. The Fund accepts a maximum number of 50 investors. The registered office of the Fund is at 3rd Floor, Eftapaton Court, 256, Makarios Avenue Mail: P.O Box 53180, CY-3301, Limassol, Cyprus.

The fund, upon being authorised by the CySEC, will be designated under the provisions of the AIF Law, as an AIF with limited number of investors according to the Alternative Investment Funds Law of 2014 and the legal form as a variable capital investment company. Accordingly, the Fund must not have more than 50 investors, must restrict the right to transfer Participating Shares in the Fund in case the transfer results in the Fund having more than 50 investors, prohibit any invitation to the public to subscribe for Participating Shares in the Fund and prohibit the issue of bearer Shares.

INVESTMENT OBJECTIVE AND STRATEGIES

Objectives

The Fund’s investment objective is to achieve capital preservation and to achieve returns superior of benchmark indices. These benchmark indices may vary as market conditions are dynamic and the fund’s underlyings are rebalanced, but they will be mentioned in the fund’s sequential reports distributed to its corresponding audience. The strategy will be a top-down, macro methodology in global markets. There are no assurances that these objectives will be achieved.

Strategy

Mechanics

Primarily, the long-term strategy of the fund will be decided whilst taking into consideration the preferences of the target investors. Taking this into account, the Merit Fund will be predominantly fixed income based, and will have two investment classes - a Euro denominated fund, and a USD denominated fund. The mechanics of investment will be as follows:

- 1) Clients will be attracted by the proprietary sales force as well as pooled from existing contacts, and a marketing channel will also be established through other institutional banks that invest in emerging funds.
- 2) The main composition of the portfolio will be dictated by the senior portfolio manager with the following objectives in mind:

- a. Diversification will apply by region, issuer name, investment rating and fixed income instrument type,
 - b. Investment in each specific issuer should be capped at 5-7%,
 - c. A segment of the portfolio should remain in cash for investment opportunities and unforeseen events (10-20%),
 - d. The maturity of debt instruments should be restricted in order to cap the duration of investments to 3-4 years and limit sensitivity to interest rates,
 - e. Allocation should be shifted to instruments that are more in line with market conditions i.e. convertible bonds in bullish markets, floating rate bonds in an inflationary environment, etc.
- 3) A team of analysts will monitor and analyze the market. The team will have an individual investment focus by region and by industry sector.
 - 4) The analysts will present their investment ideas to the portfolio manager, who will in turn shortlist the more attractive bond picks.
 - 5) Subsequently, rebalancing will occur in order to capitalize on investment opportunities, roll over existing positions, or adjust the portfolio structure according to market conditions.
 - 6) Monthly NAVs reports will be produced, and performance will be monitored by benchmarking against relevant indices, or a combination thereof. These benchmarks will be approved by the risk committee as a performance measure prior to implementation. Monthly NAVs will be available for investors to view on demand via an online interface.
 - 7) The fund will issue a report to investors on a bi-annual basis. The report will contain market trends, fund performance in relation to benchmarks, and an indication and justification of any changes in future strategy.
 - 8) The executive committee will meet with the risk management team on a bi-annual basis and ensure that proper controls in managing the portfolio are enforced and followed. Controls should encompass operational risks, as well as include risk parameters designed to keep market risks in check e.g. VaR.
 - 9) The executive committee will also meet with the fund directors on a bi-annual basis to report on performance, sales strategy and market trends.

Portfolio

The investment strategy of the Fund is to invest predominantly in fixed income instruments. However, some small positions in other investment instruments such as equities or commodities may be assumed if deemed appropriate by market conditions and the Manager.

Portfolio rebalancing will be performed regularly in order to:

- roll over maturing positions,
- increase or reduce portfolio holdings based on changing market conditions,
- make adjustment for a change in strategic targets of the portfolio,
- enter positions based on new investment opportunities
- act on new research that is performed by market sector, issuer, instrument type and geographical location.

Investors will receive semi-annual updates on the portfolio performance, market conditions and trends, rebalancing performed throughout the period, and any change in portfolio strategy.

Diversification

The fund will be well diversified by instrument type, issuer name, industry sector, maturity and geographical exposure in order to limit idiosyncratic risk and maintain consistent returns.

Fixed income instruments may be of different types including, but not limited to:

- fixed rate
- convertible
- floating rate
- callable
- perpetual
- zero coupon
- puttable

The type of instrument chosen will be based on the market environment at the time. For instance, convertible bonds whose underlying is linked with equity instruments is a likely portfolio holding in a bullish market. In a tightening monetary policy environment, floating rate bonds may be appropriate as their coupon is tied to benchmark money market rates correlated with central banks' interest rates.

Risk

The Fund will seek to minimize the risk of its investments through the use of diversification and investments with short maturities.

Consequently, the fixed income instruments will have a maturity of no greater than 4 years in order to limit interest rate and credit risk.

Currency

There will be a Euro and a USD denominated fund to accommodate investments in either currency

with no currency risk for the investor and no need for currency hedging on the Fund's side. Positions in other currencies may be taken however, making hedging necessary in some cases.

Borrowing

The Fund has the power to borrow.

The strategies employed for the Fund are speculative and entail substantial risks. No assurance can be given that the Investment Objective of the Fund will be realised. See "Risk Factors".

RISK FACTORS AND SPECIAL CONSIDERATIONS

There is a substantial risk of sustaining losses in the investments. Therefore, only prospective Subscribers who have both the requisite knowledge and are financially secure should consider investing in the Fund.

The Fund relies on each investor to obtain independent, qualified, investment and tax advice before purchasing Shares in the Fund.

General Risks of Investing

An investment in the Fund is subject to all risks incidental to investment in currencies, securities and other assets which the Fund may own. These factors include without limitation, changes in government rules and fiscal and monetary policies, changes in laws and political and economic conditions throughout the world and changes in general market conditions. There can be no guarantee that any profits will be realised by the Fund and, therefore, by the Shareholders. Under certain circumstances, the Fund may be unable to liquidate underlying portfolio investments due to the absence of a liquid market, and consequently, may not be able to compulsorily redeem Shares.

Possible Business Failure

In the current economic environment, global markets are experiencing very high level of volatility and an increased risk of corporate failures. The insolvency or other corporate failures of any one or more companies related to the Fund's investment may have an adverse effect on the Fund's performance and ability to achieve its Investment Objective. The development and exploration of oil and gas fields is a risky business with high capital requirements and uncertain future revenue streams dependent on the capacity of these fields and market demands.

Valuation of Investments

The Fund will reflect the value of its investments in its accounting records and financial

statements at cost. As a consequence, the valuation of the Fund will not reflect any increase or decrease in value unless there is permanent diminution in value nor will it reflect the amount which will be ultimately repaid to Shareholders. The valuation assigned to the investments by the Independent Valuer may be more or less than the ultimate sales proceeds of such securities.

Equity Derivatives

The Fund may invest in options and convertible bonds with the intention of subsequently acquiring equity securities in a target company. As a consequence the Fund will be subject to the risks associated with such investments including but not limited to in the case of options: loss of premium, leverage and price volatility and in the case of convertible bonds: lower current yields than non-convertible debt securities and credit risk albeit less than the risk of holding the underlying equity.

Investments in Cash and Liquid Assets

Even though interest bearing cash and money market instruments as well as debt securities are investments which promise a defined stream of income, their prices in general are inversely correlated to changes in interest rates and, therefore, subject to the risk of market price fluctuations. Their value may furthermore be affected by changes in the credit rating, liquidity or financial condition of the issuer.

RISKS RELATING TO EMERGING MARKETS

General Emerging Markets Risks

The Fund will invest in emerging markets, and the entities in which the Fund will invest are subject to numerous risks and uncertainties, including political, economic and legal risks, such as unexpected changes in regulatory requirements, tariffs, customs, duties and other trade barriers, fluctuations in currency exchange rates, foreign exchange controls which may restrict or prohibit repatriation of funds, technology export and import restrictions or prohibitions, and potentially adverse tax consequences resulting from operating in multiple jurisdictions with different tax laws, which could materially adversely impact such entities' business, results of operations and financial condition.

Investors should also note that financial turmoil in any emerging market country tends to adversely affect prices in equity or fixed-income markets of other emerging market countries as investors move their money to more stable markets. As has happened in the past, financial problems or an increase in perceived risks associated with investing in emerging economies could dampen foreign investment in these countries and adversely affect their economies. In addition, during such times,

companies operating in emerging markets can face severe liquidity constraints.

General Economic and Market Conditions

The success of the Fund's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Fund's investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of the prices of securities, commodities or other financial instruments and the liquidity of the Fund's investments. Volatility or illiquidity could impair the Fund's profitability or result in losses. The Fund may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets; the larger the positions, the greater the potential for loss.

Political System Risks

The political systems of many of the emerging market countries in which the Fund will invest have emerged from a legacy of totalitarian rule. Political conflict and, in some cases, civil unrest and ethnic strife may continue in some of these countries. Many of the economies of these countries are volatile and reliant on substantial foreign assistance. Expropriation of private businesses in such jurisdictions remains a possibility, whether by an outright taking or by confiscatory tax or other policies. There can be no assurance that the entities, in which the Fund will invest, will not be materially and adversely affected by such factors or by actions to expropriate or seize its operations. The success of free market reforms undertaken in certain of the emerging market countries in which the Fund will invest is also uncertain, and further economic instability may occur. These factors may reduce and delay business activity, economic development and foreign investment.

Legal and Regulatory Risks

Legal systems in emerging market countries frequently have limited experience with commercial transactions between private parties. The extent to which contractual and other obligations will be honoured and enforced in emerging market countries is largely unknown.

Accordingly, there can be no assurance that difficulties in protecting and enforcing rights in emerging market countries will not have a material adverse effect upon the entities in which the Fund will invest. Additionally, the entities in which the Fund will invest operate in uncertain regulatory environments. The laws and regulations applicable to such entities are in general new and subject to change and, in some cases, incomplete. There can be no assurance that local laws and regulations will become stable in the future, or that changes thereto will not adversely affect

the entities in which the Fund will invest.

Foreign Currency and Exchange Rate Risks

Some investments, made by the Fund, are expected to be denominated in currencies other than U.S. dollars. Changes in foreign currency exchange rates as against the U.S. dollar may affect the value of securities and the portfolio. The Fund may be exposed to the risks of inflation, potential shortages to the supply of foreign currency for exchange and changes of government policies regarding foreign exchange and the monetary supply, which may have a material adverse effect on the value of the Fund's investments. Though currently repatriation of investment income, capital and the proceeds of sales of securities by foreign investors are free and reliable, it is possible, however, that in the future such repatriation may require governmental registration or approval. The Fund could be adversely affected by delays in or refusal to grant required governmental registration or approval for any such proposed repatriation.

Corporate Governance

The rules in some of the emerging markets with respect to regulating ownership, control and corporate governance of companies may be seen as inadequate and may confer less protection for investors as compared to more developed economies. There may be no effective prohibitions or restrictions on the ability of management to terminate existing business operations, sell or otherwise dispose of a company's assets, or otherwise materially affect the value of the company without the consent of the company's shareholders.

Due to differing regulations, public disclosure and reporting requirements, accounting, auditing and financial reporting standards, and government supervision and regulation of securities exchanges, brokers and issuers may be less rigorous, and less information about an issuer may be available with respect to a company operating or organized in emerging markets than in other developed countries. As a result, market prices for securities may be subject to manipulation to a greater extent than in other developed countries.

Due to the foregoing risks and complications, the costs associated with investments in emerging market securities generally are higher than for securities of issuers based in developed countries.

OTHER PRINCIPAL RISKS

Dependence on Key Individuals

The success of the Fund will depend upon the ability of the key personnel, including the Fund's managers and advisors to develop and implement investment strategies that achieve the Fund's

investment objectives. If either or all of the key personnel were to become unable to participate in the management of the Fund, the consequences to the Fund would be material and adverse and could lead to the premature termination of the Fund.

Market Risk

The value of the Fund's assets will fluctuate as the stock or bond market fluctuates. The value of its investments may decline, sometimes rapidly and unpredictably, simply because of economic changes or other events that affect large portions of the market.

Interest Rate and Inflation Risk

Changes in interest rates will affect the value of investments in fixed-income securities. When interest rates rise, the value of investments in fixed-income securities tends to fall and this decrease in value may not be offset by higher income from new investments. Interest rate risk is generally greater for fixed-income securities with longer maturities or durations. Inflation decreases the value of money. As inflation increases, the value of the Fund's assets can decline. This risk again is significantly greater in securities with longer duration.

Credit risk

An issuer or guarantor of a fixed-income security, or the counterparty to a derivatives or other contract, may be unable or unwilling to make timely payments of interest and principal, or to otherwise honour its obligations. The issuer or guarantor may default causing a loss of full principal amount of security. The degree of risk for a particular security may be reflected in its credit rating. There is the possibility that the credit rating of a fixed-income security may be downgraded after purchase, which may adversely affect the value of the security.

Increased Regulatory Oversight

The financial services industry generally, and the activities of hedge funds and their managers, in particular, have been subject to increasing regulation and oversight. This may increase the Fund's and the Manager's exposure to potential liabilities and to legal, compliance and other related costs. Increased regulatory oversight can also impose administrative burdens on the Manager, including, without limitation, responding to investigations and implementing new policies and procedures. Such burdens may divert the Manager's time, attention and resources from portfolio management activities.

Conflicts of Interest

The Manager will be subject to a variety of conflicts of interest in making investments on behalf of the Fund. See "Other Activities of the Manager; Potential Conflicts of Interest" and "Brokerage

Commissions; Turnover”.

Limited Liquidity

An investment in the Fund is suitable only for certain sophisticated investors who have no need for liquidity in the investment. An investment in the Fund provides limited liquidity because Shares are not freely transferable. Generally, a shareholder’s right to redeem Shares will be limited. (See “Redemption of Shares”.)

Performance Fee

The Manager receives a Performance Fee from the Fund based upon the appreciation, if any, in the net assets of the Fund. Such compensation arrangement may create an incentive for the Manager to make investments that are riskier or more speculative than would be the case if such arrangement were not in effect. In addition, the Performance Fee was not the product of an arm’s length negotiation with any third party, and because the Performance Fee is calculated on a basis which includes unrealized appreciation of the Fund’s assets, it may be greater than if such compensation were based solely on realized gains.

Systems Risks

The Fund depends on the Manager to develop and implement appropriate systems for the Fund’s activities. The Fund relies extensively on computer programs and systems to trade, clear and settle securities transactions, to evaluate certain securities based on real-time trading information, to monitor its portfolio and net capital, and to generate risk management and other reports that are critical to oversight of the Fund’s activities. In addition, certain of the Fund’s and the Manager’s operations interface with or depend on systems operated by third parties, including its brokers and market counterparties and their sub-custodians and other service providers, and the Fund or Manager may not be in a position to verify the risks or reliability of such third-party systems. These programs or systems may be subject to certain defects, failures or interruptions, including, but not limited to, those caused by worms, viruses and power failures. Any such defect or failure could have a material adverse effect on the Fund. For example, such failures could cause settlement of trades to fail, lead to inaccurate accounting, recording or processing of trades, and cause inaccurate reports, which may affect the Fund’s ability to monitor its investment portfolio and its risks.

Operational Risk

The Fund depends on the Manager to develop the appropriate systems and procedures to control operational risk. Operational risks arising from mistakes made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or other

similar disruption in the Fund's operations may cause the Fund to suffer financial loss, the disruption of its business, liability to clients or third parties, regulatory intervention or reputational damage. The ability of its systems to accommodate an increasing volume of transactions could also constrain the Fund's ability to properly manage the portfolio.

Commingling of Fund Assets

The Manager does not commingle the property of the Fund with the property of any other person, and securities of the Fund held by brokers and other depositories are generally held in the Fund's name. However, securities pledged as collateral by the Fund to secure financing for its transactions (i.e., to engage in margin or other leveraged transactions,) may be held by the lending broker or other depository on a commingled basis. Consequently, an insolvency of a lending broker or other depository is likely to have a greater adverse impact on the Fund than if such securities were held in the Fund's name.

Liquidity of Investments

The Fund may invest in securities for which no liquid market exists. The market prices, if any, for such securities tend to be volatile and the Fund may not be able to sell them when it desires to do so or to realize what it perceives to be their fair value in the event of a sale. The sale of less liquid securities often requires more time and results in higher brokerage charges or dealer discounts and other selling expenses than does the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets.

Risks Associated with the Fund's Investment Strategies

The success of the Fund's investment activities will depend to an extent on the Manager's ability to identify and exploit opportunistic investments. Identification and exploitation of these opportunities involve uncertainty. No assurance can be given that the Manager will be able to locate investment opportunities. A lower rate of return than expected, for example, will reduce the scope for the Fund's future investment strategies. In the event that the perceived rates of return on investments underlying the Fund's positions were to fail to converge toward, or were to diverge further from, relationships expected by the Manager, the Fund may incur a loss. Further, the investments utilized in implementing such strategies will include derivatives, such as futures and options, that are themselves inherently volatile in the context of specific market movements. Certain of the investment strategies employed by the Fund are based on historical relationships between prices.

There can be no assurance that such historical relationships will continue, and no representation

is made by the Manager or the Fund as to what results the Fund will or is likely to achieve based on such trends and relationships.

Limited Diversification

In the normal course of making investments on behalf of the Fund, the Manager will attempt to diversify its investments. However, the Fund's portfolio could become significantly concentrated in any one industry, sector, strategy, country or geographic region, and such concentration of risk may increase the losses suffered by the Fund. In addition, it is possible that the Manager may select investments that are concentrated in a limited number or types of financial instruments. This limited diversity could expose the Fund to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in those financial instruments.

Leverage and Financing Risk

The Fund leverages its capital because the Manager believes that the use of leverage may enable the Fund to achieve a higher rate of return. Accordingly, the Fund pledges its securities in order to borrow additional funds and use them for investing purposes. The maximum leverage of the Fund will be equal with two times the raised share capital. The Fund may also leverage its investment return with options, credit default swaps, forwards and other derivative instruments.

While leverage presents opportunities for increasing the Fund's total return, it has the effect of potentially increasing volatility or losses as well. Accordingly, any event which adversely affects the value of an investment by the Fund would be magnified to the extent the Fund is leveraged. The cumulative effect of the use of leverage by the Fund in a market that moves adversely to the Fund's investments could result in a substantial loss to the Fund which would be greater than if the Fund were not leveraged.

In general, the Fund's anticipated use of short-term margin borrowings results in certain additional risks to the Fund. For example, should the securities pledged to brokers to secure the Fund's margin accounts decline in value, the Fund could be subject to a "margin call", pursuant to which the Fund must either deposit additional funds or securities with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of the Fund's assets, the Fund might not be able to liquidate assets quickly enough to satisfy its margin requirements.

The Fund may borrow by entering into reverse repurchase agreements. Under a reverse repurchase agreement, the Fund sells securities and agrees to repurchase them at a mutually agreed date and price. Reverse repurchase agreements may involve the risk that the market value of the securities retained in lieu of sale by the Fund may decline below the price of the securities the Fund has sold

but is obligated to repurchase. In the event the buyer of securities under a reverse repurchase agreement files for bankruptcy or becomes insolvent, such buyer or its trustee or receiver may receive an extension of time to determine whether to enforce the Fund's obligation to repurchase the securities and the Fund's use of the proceeds of the reverse repurchase agreement may effectively be restricted pending such decision. To the extent that, in the meantime, the value of the securities that the Fund has purchased has decreased, the Fund could experience a loss.

The financing used by the Fund to leverage its portfolio is currently extended by securities brokers and dealers in the marketplace in which the Fund invests. While the Fund attempts to negotiate the terms of these financing arrangements with such brokers and dealers, its ability to do so is limited. The Fund is therefore subject to changes in the value that the broker-dealer ascribes to a given security or position, the amount of margin required to support such security or position, the borrowing rate to finance such security or position and/or such broker-dealer's willingness to continue to provide any such credit to the Fund. Because the Fund currently has no alternative credit facility which could be used to finance its portfolio in the absence of financing from broker-dealers, it could be forced to liquidate its portfolio on short notice to meet its financing obligations. The forced liquidation of all or a portion of the Fund's portfolio at distressed prices could result in significant losses to the Fund.

Hedging Transactions

The Fund may utilize certain financial instruments both for investment purposes and to seek to hedge against fluctuations in the relative values of the Fund's portfolio positions as a result of changes in currency exchange rates, market interest rates, equity values and other factors. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus, moderating the decline in the portfolio positions' value. Such hedge transactions also limit the opportunity for gain if the value of the portfolio position should increase. Moreover, it may not be possible for the Fund to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated that the Fund is not able to enter into an economic transaction at the price sufficient to protect the Fund from the decline in value of the portfolio position anticipated as a result of such a fluctuation.

The success of the Fund's hedging transactions will be subject to its ability to predict movements in the direction of currency and interest rates. Therefore, while the Fund may enter into such transactions to seek to reduce currency exchange rate and interest rate risks, unanticipated changes in currency or interest rates may result in a poorer overall performance for the Fund than if the Fund had not engaged in any such hedging transaction. In addition, the degree of correlation

between price movements of the instruments used in a hedging strategy and price movements in the portfolio position being hedged may vary. Moreover, for a variety of reasons, the Fund may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the Fund from achieving the intended hedge or expose the Fund to risk of loss. The successful use of hedging and risk management transactions requires skills complementary to those needed in the selection of the Fund's portfolio holdings.

Short Selling

Although the fund does not intend to sell securities short, it may put on a short exposure via specific bond ETFs. Short selling involves selling securities which may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. The extent to which the Fund engages in short sales will depend upon the Manager's investment strategy and perception of market direction. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Fund of buying those securities to cover the short position. There can be no assurance that the securities necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Certain Derivative Investments

The Fund may purchase and sell ("write") options on securities, currencies and commodities on national and international exchanges and over-the-counter markets. The seller ("writer") of a put option which is covered (*e.g.*, the writer has a short position in the underlying instrument) assumes the risk of an increase in the market price of the underlying instrument above the sales price (in establishing the short position) of the underlying instrument, plus the premium received, and gives up the opportunity for gain on the underlying instrument below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying instrument below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

The writer of a call option which is covered (*e.g.*, the writer has a long position in the underlying instrument) assumes the risk of a decline in the market price of the underlying instrument below the value of the underlying instrument less the premium received, and gives up the opportunity

for gain on the underlying instrument above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying instrument above the exercise price of the option. The buyer of a call option assumes the risk of losing its entire investment in the call option.

Options may be cash settled, settled by physical delivery or by entering into a closing purchase transaction. In entering into a closing purchase transaction, the Fund may be subject to the risk of loss to the extent that the premium paid for entering into such closing purchase transaction exceeds the premium received when the option was written.

Swaps and certain options and other customized instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty.

Forward Trading

Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward and “cash” trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies and commodities they trade, and these markets can experience periods of illiquidity, sometimes of significant duration. There have been periods during which certain participants in these markets have refused to quote prices for certain currencies or commodities or have quoted prices with an unusually wide spread between the price at which they were prepared to buy and that at which they were prepared to sell. Disruptions can occur in any market traded by the Fund due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward (and futures) trading to less than that which the Manager would otherwise recommend, to the possible detriment of the Fund. Market illiquidity or disruption could result in major losses to the Fund.

Volatility Risk

The Fund's investment program may involve the purchase and sale of relatively volatile instruments such as derivatives, which are frequently valued based on implied volatilities of such derivatives compared to the historical volatility of underlying financial instruments. Fluctuations or prolonged changes in the volatility of such instruments, therefore, can adversely affect the value of investments held by the Fund. In addition, many emerging markets are not as developed or as efficient, and as a result, price volatility may be high for the Fund's investments.

Counterparty Risk

Some of the markets in which the Fund effects its transactions are “over-the-counter” or “interdealer” markets. This exposes the Fund to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not *bona fide*) or because of a credit or liquidity problem, thus causing the Fund to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Fund has concentrated its transactions with a single or small group of counterparties. The Fund is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty.

Loans of Portfolio Securities

The Fund may lend its portfolio securities. By doing so, the Fund attempts to increase its income through the receipt of interest on the loan. In the event of the bankruptcy of the other party to a securities loan, the Fund could experience delays in recovering the securities it lent. To the extent that the value of the securities the Fund lent has increased, the Fund could experience a loss if such securities are not recovered.

Credit Default Swaps

The Fund may invest in credit default swaps. A credit default swap is a contract between two parties which transfers the risk of loss if a company fails to pay principal or interest on time or files for bankruptcy. In essence, an institution which owns corporate debt instruments can purchase a limited form of default protection by entering into a credit default swap with another bank, broker-dealer or financial intermediary. Upon an event of default, the swap may be terminated in one of two ways: (i) by the purchaser of credit protection delivering the referenced instrument to the swap counterparty and receiving a payment of par value, or (ii) by the parties pairing off payments, with the purchaser of the protection receiving a payment equal to the par value of the reference security less the price at which the reference security trades subsequent to default. The first way is the more common form of credit default swap termination.

In the manner described above, credit default swaps can be used to hedge a portion of the default risk on a single corporate bond or a portfolio of bonds. In addition, credit default swaps can be used to implement the Manager’s view that a particular credit, or group of credits, will experience credit improvement. In the case of expected credit improvement, the Fund may “write” credit default protection in which it receives spread income. The Fund may also “purchase” credit default protection even in the case in which it does not own the referenced instrument if, in the judgment of the Manager, there is a high likelihood of credit deterioration.

The credit default swap market in high yield securities is comparatively new and rapidly evolving compared to the credit default swap market for more seasoned and liquid investment grade securities. Swap transactions dependent upon credit events are priced incorporating many variables including the pricing and volatility of the common stock, and potential loss upon default, among other factors. As such, there are many factors upon which market participants may have divergent views. If the Manager has a positive view of a company's credit outlook, it may enter into credit default swap transactions in which it assumes the risk of default of an issuer. It may also enter into an opposite transaction, even if the credit outlook is positive, if it believes that participants in the marketplace have incorrectly valued the components which determine the value of a swap.

High Yield Risk

Investing in high yield debt securities involves risks which are greater than the risks of investing in higher quality debt securities. These risks include: (i) changes in credit status, including weaker overall credit conditions of issuers and risks of default; (ii) industry, market and economic risk; (iii) interest rate fluctuations; and (iv) greater price variability and credit risks of certain high yield securities such as zero coupon and payment-in-kind securities. While these risks provide the opportunity for maximizing return over time, they may result in greater upward and downward movement of the value of the Fund's portfolio. Furthermore, the value of high yield securities may be more susceptible to real or perceived adverse economic, company or industry conditions than is the case for higher quality securities. Adverse market, credit or economic conditions could make it difficult at certain times to sell certain high yield securities held by the Fund.

Currency

Some of the Fund's assets will be invested in debt securities denominated in currencies, other than the U.S. dollar. The Fund will, however, value its securities and other assets in U.S. dollars. To the extent unhedged, the value of the Fund's assets will fluctuate with U.S. dollar exchange rates as well as with price changes of the Fund's investments in the various local markets and currencies. Thus, an increase in the value of the U.S. dollar compared to the other currencies in which the Fund makes its investments will reduce the effect of increases, and magnify the U.S. dollar equivalent of the effect of decreases, in the prices of the Fund's securities in their local markets. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of the Fund's non-U.S. dollar securities.

Business and Regulatory Risks of Hedge Funds

Legal, tax and regulatory changes could occur during the term of the Fund that may adversely

affect the Fund. The regulatory environment for hedge funds is evolving, and changes in the regulation of hedge funds may adversely affect the value of investments held by the Fund and the ability of the Fund to obtain the leverage it might otherwise obtain or to pursue its trading strategies. Regulators and self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies. In addition, the regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial action. The effect of any future regulatory change on the Fund could be substantial and adverse.

Assumption of Business Risks

Opportunities involving the assumption by the Fund of various risks relating to particular assets, markets or events may be considered from time to time. The Fund's portfolio is subject to the risk of loss arising from exposure that it may incur, directly or indirectly, due to the occurrence of various events, including, without limitation, hurricanes, earthquakes, and other natural disasters, terrorism and other catastrophic events and events that could adversely affect the health or life expectancy of people. These risks of loss can be substantial, could greatly exceed all income or other gains, if any, received by the Fund in assuming these risks and, depending on the size of the loss, could adversely affect the return of the Fund.

Valuation of the Fund's Assets and Liabilities

The Administrator values the assets and liabilities of the Fund in accordance with the Fund's Articles of Association after consultation with the Manager. The Fund is also independently audited by its auditors on an annual basis. Valuation determinations will be made in good faith in accordance with the Articles.

Valuation of the Fund's securities and other investments may involve uncertainties and judgmental determinations and, if such valuations should prove to be incorrect, the Net Asset Value of the Fund could be adversely affected. Independent pricing information may not at times be available regarding certain of the Fund's securities and other investments. If the Manager determines that the third-party market valuations are unavailable to value an asset or liability, the Manager will value such investment as it, in its sole discretion, reasonably determines.

The use of inaccurate valuations may prohibit the Fund from effectively managing its investment portfolio and risks, may result in the Fund exceeding certain investment guidelines and may affect the diversification and risk management of the Fund's portfolio.

Contingency Reserves

The Fund, at any time in its discretion, may establish reserves for contingencies (including general

reserves for unspecified contingencies). The establishment of such reserves will not insulate any portion of the Fund's assets from being at risk, and such assets may still be traded by the Fund. A pro rata portion of any reserve may be withheld from distribution to a redeeming shareholder pending resolution of such contingency.

Indemnification

The Articles provide that the Fund will hold its Directors and their affiliates harmless against certain claims or lawsuits arising out of the Fund's activities. If the Fund were called upon to pay under such indemnity, the money otherwise available for investment by the Fund would be reduced.

Portfolio Turnover

Although the Fund does not generally invest for short-term profits, the Fund's investments may be changed when circumstances warrant, without regard to the length of time a particular security has been held. Because of the volatility of the markets in which the Fund invests, the Fund has historically had an annual portfolio turnover rate that exceeds 100%. A 100% turnover rate occurs if all the Fund's portfolio investments are sold and either repurchased or replaced within a year. A high turnover rate (100% or more) results in correspondingly greater brokerage commissions and other transactional expenses for the Fund.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Fund. Prospective investors should read this entire Confidential Memorandum and consult with their own advisors before deciding to invest in the Fund.

OTHER ACTIVITIES OF THE MANAGER;

POTENTIAL CONFLICTS OF INTEREST

The Manager and its affiliates may in the future provide investment advice to other investment funds or accounts with similar objectives to, or which overlap with, those of the Fund and in which the Manager or its affiliates may have an equity interest ("Other Accounts").

The Manager and its affiliates may give advice and recommend securities to the Other Accounts which may differ or conflict with advice given to, or securities recommended or bought for, the

Fund, even though their investment objectives may be the same or similar. The portfolio strategies the Manager and its affiliates may use for the Other Accounts could conflict with the transactions and strategies employed by the Manager in managing the Fund and affect the prices and availability of the securities and other financial instruments in which the Fund invests.

The Management Agreement does not impose any specific obligations or requirements concerning the allocation of time, effort or investment opportunities by the Manager to the Fund. The Manager is not obligated to devote any specific amount of time to the affairs of the Fund and is not required to accord exclusivity or priority to the Fund in the event of limited investment opportunities arising from the application of speculative position limits or other factors. The Manager's personnel devote such time to the affairs of the Fund as the Manager, in its discretion, determines to be necessary for the conduct of the business of the Fund.

The Manager will generally aggregate orders for the Fund and participating Other Accounts. The Fund and each Other Account that participates in an aggregated order will generally participate at the average price for all of the transactions in that security with respect to each buy/sell program on a given business day, with transaction costs generally shared *pro rata* based on the Fund's and each Other Account's participation in the transaction. Notwithstanding the foregoing, because of the diversity of objectives, risk tolerances, client-imposed limitations, tax matters and differences in the timing of capital contributions and withdrawals among the Fund and the Other Accounts and because of other factors considered relevant by the Fund and the Manager, there may often be differences among the Fund and the Other Accounts in the weighting of particular positions and in the particular securities and other instruments held. Examples of reasons why *pro rata* allocations may not occur in every situation may include, but are not limited to: (i) differences among the Fund and the Other Accounts with respect to tax matters, available capital, risk parameters, investment guidelines or investment programs; (ii) the commission costs of allocating limited purchases or sales among the Fund and the Other Accounts; (iii) the limited size of an available position; (iv) the varying ability to margin and any applicable margin requirements; (v) liquidity requirements of the Fund or the Other Accounts; (vi) the domicile of the Fund or the Other Accounts; and (vii) issuer based restrictions with respect to the Fund or the Other Accounts. If an aggregated order is filled in its entirety, it will be allocated among the Fund and the Other Accounts (the "Participating Accounts") in the manner in which it was originally placed. If the order is partially filled, it will generally be allocated *pro rata* in proportion to the size of the orders placed for each Participating Account to the extent practicable. Notwithstanding the foregoing, an aggregated order may be allocated on a different basis if all Participating Accounts receive fair and equitable treatment as determined by the Manager.

The Manager may engage in investment activities for its own accounts and for family members and friends of its officers. Such activities may involve the purchase and sale of securities that are the

same as, but in different concentrations or at different times than, those purchased or sold by the Fund. In addition, they may involve the purchase and sale of securities that are different from those purchased by the Fund.

No Independent Counsel

The business terms and structure of the Fund are not negotiated at arm's length. The Fund's counsel does not represent Shareholders or prospective Subscribers in providing advice to the Fund.

Antis Triantafyllides & Sons LLC, Cyprus acts as the Cypriot legal counsel to the Fund. In connection with the Fund's offering of Shares and subsequent advice to the Fund, Antis Triantafyllides & Sons LLC will not be representing Shareholders. No independent legal counsel has been retained to represent the Shareholders. Antis Triantafyllides & Sons LLC representation of the Fund is limited to specific matters as to which it has been consulted by the Fund. Other matters may exist that could have a bearing on the Fund as to which Antis Triantafyllides & Sons LLC has not been consulted. In addition, Antis Triantafyllides & Sons LLC does not undertake to monitor compliance by the Directors with the investment program, valuation procedures and other guidelines set forth herein, nor does Antis Triantafyllides & Sons LLC monitor ongoing compliance with applicable laws. In connection with the preparation of this Offering Memorandum, Antis Triantafyllides & Sons LLC responsibility is limited to matters of Cypriot law and it does not accept responsibility in relation to any other matters referred to or disclosed in this Offering Memorandum. In the course of advising the Fund, there are times when the interests of Shareholders may differ from those of the Fund. Antis Triantafyllides & Sons LLC does not represent the Shareholders' interests in resolving these issues. In reviewing this Offering Memorandum, Antis Triantafyllides & Sons LLC has relied upon information furnished to it by the Fund and has not investigated or verified the accuracy and completeness of information set forth herein concerning the Fund.

Indemnification of the Fund's Directors, Depositary, Manager, Administrator, legal counsel and Auditors ("Service Providers")

The Fund's Service Providers and their respective affiliates are entitled to be indemnified in certain circumstances. As a result, there is a risk that the Fund's assets will be used to indemnify such persons, companies or their employees or satisfy their liabilities as a result of their activities in relation to the Fund.

Performance

The Fund and the Manager are both recently formed entities and therefore there is no operating

history upon which Subscribers can evaluate likely performance.

Conflicts of Interest

There will be no limitation with respect to the Directors' other activities. The Directors intend to perform their duties in an equitable and fair manner at all times. Without limiting the generality of the foregoing, the Directors are required to devote only such time as may be reasonably required to further the business affairs and activities of the Fund.

Non-Voting Shares

Participating Shareholders do not have the right to receive notice of, attend or vote at general meetings of the Fund. Such rights are vested exclusively in the holder of the Management Shares who, accordingly, may make certain changes to the Fund without the consent of the Shareholders. This is subject to the requirements relating to changes that effect the rights of any Shares - see "Appendix A - Variation of Rights".

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Fund. Prospective Subscribers should read this entire Offering Memorandum and consult their own counsel and advisors before deciding whether to invest in the Fund.

MANAGEMENT OF THE FUND

Directors

Overall responsibility for the operation of the Fund will rest with the Directors. The Fund has contracted with certain parties for the provision of services to the Fund. Employees of those organisations providing services to the Fund are compensated by those organisations and none of those persons devote full time to the affairs of the Fund.

The Directors are as follows:

Mr Hannes Boeck - has significant expertise as a result of his legal and taxation background. After obtaining his graduate degree in law and subsequently a master's in taxation Mr. Boeck obtained significant experience in taxation and the structuring of products and global activities of financial institutions in his position as an Associate at Cleary, Gottlieb, Steen and Hamilton. Since then Mr. Boeck was Managing Director at Credit Suisse Financial Products and CEO and co-owner of Kuperstein Holding AG, which specialises in setting up highly rated corporate credit bank for large institutional investors.

Mrs Evangelia Georgiou - Evangelia is a Manager at D.I. Ross & Co Accountants, specializing in the

review and/or the preparation of complex group financial statements under International Financial Reporting Standards. She is ACCA qualified and joined DI Ross in 2006 having been in the audit and accounting profession since 2001. Evangelia specialises in dealing with large international conglomerates.

The Directors shall be indemnified out of the assets of the Fund against all actions, proceedings, costs, charges, losses, damages and expenses which they shall or may incur or sustain by reason of any act done or omitted in or about the execution of their duties, except such (if any) as they shall incur or sustain by or through their own material default in performing any of their duties, fraud, acts of wilful misconduct or gross negligence. The Directors shall not be answerable for the acts, receipts, neglects or defaults of any officer or auditor nor the solvency or honesty of any Depository or other persons with whom any monies or effects belonging to the Fund may be lodged or deposited for safe custody, or for any insufficiency of any security or other asset in which any monies of the Fund may be invested, or for any other loss or damage due to any such cause as aforesaid or which may happen in or about the execution of their office or trust, unless the same shall happen by reason of any act done or omitted in or about the execution of their duties, except such (if any) as they shall incur or sustain by or through their own material default in performing any of their duties, fraud, acts of wilful misconduct or gross negligence.

The Manager

The Fund has retained Meritkapital Limited, a licensed investment services firm incorporated under the laws of Cyprus on December 29, 2006 as a Manager to the Fund. The Manager has discretionary powers, under the terms of a Management agreement (“Management Agreement”) to invest the assets of the Fund and ensure compliance with and fair valuation of the assets of the Fund in accordance with this Offering Memorandum. The Manager can only be removed by a special resolution of the Directors.

Limitation on Liability and Indemnification

To the fullest extent permitted by law, the Manager and officers, directors, shareholders, employees, agents, affiliates and their respective successors and assigns shall be indemnified and held harmless by the Fund against any losses, related to or arising out of the Management Agreement or their services to the Fund, and the Fund has agreed to pay or reimburse them for the foregoing, provided, however, that such person shall not be entitled to any such indemnification with respect to any loss which was caused by such person’s own gross negligence, wilful misconduct or fraud.

All judgements against the Fund, the Manager or the Manager’s affiliates for which the Manager or its affiliates are entitled to indemnification, shall first be satisfied from Fund assets before the

Fund, the Manager or the Manager's affiliates shall be responsible for such judgements.

Advances by the Fund to the Manager and its affiliates for legal expenses and related costs will be made only if the following two conditions are satisfied: (i) the legal action relates to the performance of duties or services by the Manager or its affiliates on behalf of the Fund and (ii) the Manager or its affiliates undertake to repay the advanced funds, without interest from the initial date of such advance, to the Fund in cases in which it is determined that are not entitled to indemnification.

Neither the Manager nor its officers, directors, shareholders, employees, agents and affiliates shall be liable to the Fund or to any investor for any mistake in judgment or otherwise, except by reason of their gross negligence, wilful misconduct or fraud regarding their duties under the Management Agreement. In no event shall the Manager or its affiliates be liable for the return of any invested Funds to shareholders.

Termination

The Management Agreement is effective from 16 April 2014 and shall continue in effect until terminated upon:

- a. Commencement of the winding up of the Fund's affairs in accordance with its Memorandum of Association and Articles of Association or otherwise;
- b. by the Fund upon not less than one month's prior written notice to the Manager;
or
- c. by the Manager upon not less than one month's prior written notice to the Fund.

Administrator

Meritservus Secretaries Limited, a company incorporated under the laws of the Republic of Cyprus on January 23, 2001 is the Administrator for the Fund.

Pursuant to an Administration Agreement between the Fund and the Administrator (the "Administration Agreement"), the Administrator is responsible for, among other things: (i) maintaining the register of shareholders of the Fund and generally performing all actions related to the issuance and transfer of Shares of the Fund and the safe-keeping of certificates therefor, if any; (ii) reviewing and, subject to approval by the Fund, accepting subscriptions for Shares and accepting payment therefor; (iii) calculating and disseminating the Net Asset Value of the Fund's Shares in accordance with its Articles of Association; (iv) performing all acts related to redemption of Shares; (v) keeping such books and records as are required by law or otherwise for the proper conduct of the affairs of the Fund; and (vi) performing all other services necessary in connection with the administration of the Fund.

The Administration Agreement provides that the Administrator will not, in the absence of the administrator's dishonesty, fraud, wilful neglect, wilful misconduct or bad faith, be responsible for any loss or damage which the Fund may sustain or suffer as the result of or in the course of the discharge of its duties, and the Fund will indemnify and hold harmless the Administrator and any agent appointed by the Administrator to act as administrator, sub-administrator, or administrative service provider or otherwise (collectively, "agents"), against all claims and demands, judgments, fines, costs or damages and proper expenses in connection therewith which may be incurred by the Administrator or its agents or which may be made against the Administrator or its agents in respect of the same sustained or suffered by any third party, otherwise than by reason of the dishonesty, fraud, wilful neglect, wilful misconduct or bad faith of the Administrator or its agents, provided that the Administrator will have used reasonable care in the appointment, supervision and control of such agents.

The Fund pays the Administrator fees out of Fund assets. The Administration Agreement may be terminated, among other things, at any time without penalty by either of the parties upon not less than 90 days' written notice.

The Administrator may, with the prior consent of the Directors, appoint a sub administrator to which it may delegate certain of these functions. The fees of any sub administrator will be paid by the Administrator from its own fees and will not be an additional expense of the Fund.

The Administrator shall be entitled to retain any information it receives, whether within or out of the Republic of Cyprus, in such manner as it shall, in its absolute discretion, consider appropriate for the purposes of performing its obligations pursuant to the Administrative Services Agreement, applicable laws and regulations. The Administrator shall be entitled to disclose any information held by it in relation to the Fund or the Shareholders whether or not confidential in nature:

- a) to professional advisers or other service providers of the Fund or of the Administrator, whether within or out of the Republic of Cyprus, where the Administrator considers such disclosure necessary or appropriate in the normal course of business or to enable the performance of its obligations or the exercise of its rights under the Administrative Services Agreement. Service providers include, but are not limited to any Director, depositary or third parties affiliated with the Administrator; or
- b) where such disclosure is required by any applicable law or order of any court of competent jurisdiction or pursuant to any direction, request or requirement (whether or not having the force of law) of any central bank or any regulatory, tax or other government agency or authority.

Depositary

Raiffeisen Bank International AG, Vienna, Austria, will serve as Depositary to the Fund in accordance with its standard customer agreements.

Raiffeisen Banking Group founded in 1927, is an Austrian largest banking group. Raiffeisen Bank International AG is a leader in banking in Austria, a major player in Central and Eastern Europe. Raiffeisen Bank International AG garners strong ratings from leading rating agencies (A2, A, A from Moody's, S&P, Fitch) and is well diversified in its provision of custody, brokerage, asset management and commercial banking services.

The Depositary shall have no responsibility to initiate, appear in, prosecute or defend any legal proceeding relating to any property held by it in its capacity as the Fund's Depositary under its respective agreements with the Fund. The Depositary shall have no responsibility to initiate any proceeding or engage the services of any third party for the collection of overdue amounts owing to the Fund in connection with its services under these agreements. If, at the request of the Fund, the Depositary agrees at its discretion to appear in, prosecute or defend any such legal or equitable proceeding, either in its own name or in the name of its nominee(s), the Fund will first indemnify the Depositary to its satisfaction against damages and expenses (including attorneys' fees) which may be sustained or incurred by it in so acting.

The Fund may choose to add additional depositories in the future at the discretion of the Directors.

Auditor

Deloitte Cyprus has been appointed auditor to the Fund and will conduct its audit in accordance with "agreed upon procedures" as determined by the Fund. In addition, the services provided to the Fund by its auditor will be subject to specific contract terms which may include certain limitations on the liability of the auditor to the Fund.

FEES AND EXPENSES

Organisation Costs

All costs and expenses associated with the organisation of the Fund, including government incorporation charges and professional fees and expenses in connection with the preparation of this Offering Memorandum and the preparation of its basic corporate and contract documents will be settled by the Fund out of the proceeds of the initial offering of Shares.

Management Fee

Pursuant to the Management Agreement, the Fund pays the Manager a fixed monthly Management fee for each full month of the Fund's operation charged in arrears (the "Management Fee") equal to 0.0625% (0.75% annualized) of the Net Asset Value of each series of the Shares prior to

accruals, if any, in respect of Performance Fees.

Performance Fee

On each Valuation Day in a Performance Period, a Performance Fee is accrued for the account of the Manager in an amount equal to 15% of the increase in the Net Asset Value per Share determined as at such Valuation Day (before deduction of any accrued Performance Fees for such period) in excess of an annual Hurdle Rate of 3% compounded annually.

The Manager is entitled to an annual payment of Performance Fees, calculated as of the end of Performance period or at other times upon the redemption of Shares or dissolution of the Fund. Performance Fees paid to the Manager are calculated on the basis of unaudited data, are not refundable to the Fund, but may be subject to audit adjustments.

Administration Fee

The Administrator will charge the Fund an administration fee of US\$10,000. The fee will be paid in equal instalments semi-annually in arrears. The Administrator shall be recompensed for all reasonably incurred and documented out of pocket expenses in the execution of its duties.

Directors' Fees

The Directors will each charge a fee of US\$2,500 to the Fund for their services which they may individually waive. The Fund will pay any reasonably incurred and documented out-of-pocket expenses incurred by the Directors in the execution of their duties.

Depositary Fees

The Depositary charges the Fund its standard fees for the range of services provided.

Independent Valuer Fees

The Fund will compensate the Independent Valuer for any fees and expenses related to the calculation of any Offer Price at which Subscribers shall purchase Shares in the Fund. Any fees charged to the Fund by the Independent Valuer in relation to the valuation of subscriptions shall be reimbursed by the relevant Subscriber wishing to make such subscription.

Other Operating Expenses

The Fund bears all other expenses incidental to its operations and business, including, but not limited to, (i) brokerage commissions and charges, underwriting charges and similar costs, (ii) fees and charges of depositories and clearing agencies, (iii) interest on debit balances, (iv) income taxes, withholding taxes, transfer taxes and other governmental charges and duties, (v) fees of the Fund's

legal counsel and auditor, (vi) costs of maintaining the Fund's registered office in the Republic of Cyprus, and (vii) the costs of printing and distributing offering materials and any reports and notices to Shareholders.

CAPITAL STRUCTURE OF THE FUND

The Fund has an authorised share capital of US\$15,000 divided into 100 Management Shares of US\$0.01 each and 1,499,900 Participating Shares with no nominal value. The Fund initially will issue only Management Shares, each having a par value of \$0.01 per share.

The unissued Shares of the Fund shall be at the disposal of the Directors which may issue them at their discretion subject to the Memorandum and Articles of Association.

Shares will be held in registered form and share certificates will not be issued. Each Subscriber will be furnished with a written confirmation of the amount of the investment made and the number of Shares purchased by it.

The Fund may issue additional classes of Shares in the future which may differ in terms of, among other things, denomination of currency, fees charged, minimum initial contributions, redemption rights and other rights. New classes of Shares may be established by the Fund without the approval of the existing shareholders. The terms of such classes will be determined by the Board of Directors. Such additional shares may be issued to persons and entities affiliated with the Directors.

Purchase of Participating Shares

Participating shares are being made available to a limited number of Professional and Well-informed Investors through the Subscription. Subscribers for Participating Shares of the Fund will be required to enter into an agreement to subscribe for a defined monetary amount of Participating Shares on the terms set out in the Subscription Agreement with capital to be induced immediately.

Participating Shares may be purchased by completing the subscription agreement (the "Subscription Agreement") for Participating Shares (in the form attached to this Offering Memorandum in Appendix D) and faxing or emailing it to the Administrator. The original, signed Subscription Agreement shall be forwarded to the Administrator as soon as possible thereafter. Participating Shares will be issued in registered form only and may be issued in fractions of up to 3 decimal places.

Subscription Agreements for Participating Shares may only be accepted by the Fund with the prior approval of the Directors, following consultation with the Manager.

The Administrator will issue a written confirmation to a Subscriber confirming acceptance of its

signed Subscription Agreement. Once a signed Subscription Agreement has been received by the Administrator, it shall be irrevocable.

Offer Price(s)

Participating Shares will initially be offered in series at a purchase price of \$1,000 per share. The Fund will offer Shares on the first business day of each month. Subscriptions received will be held in a subscription account of the Fund until such date as the sale of the subject Shares is to be effected. Each date on which Shares are purchased is herein referred to as an "Offering Date."

The Board of Directors, in its sole discretion, may refuse any proposed subscription. Participating Shares will be initially offered at a purchase price of \$1,000 (the "Offering Price") and subsequently at the net asset value per Share of the applicable class of Shares after deduction of any accrued and unpaid Performance Fees and without taking into account the subscription funds and number of shares being subscribed for on such Valuation Day. The Fund will offer Shares on the first business day of each month. Shares are issued in registered, book-entry form.

Redemption of shares

A shareholder may redeem any or all Participating Shares, upon not less than 30 days' prior written notice, subject to the discretion of the Board of Directors of the Fund to waive such notice, as of the last business day of the first full month following the 6th month after such shareholder's purchase of such Participating Shares. Thereafter, such shareholder may redeem any or all such Shares upon not less than 30 days' prior written notice, on each calendar month. Each new purchase of Participating Shares will be subject to the same redemption restrictions. Each date as of which Shares may be redeemed is herein referred to as a "Redemption Date." Redemptions will be deemed to be effective immediately following the applicable Redemption Date.

Shares of a series will be redeemed at a per Share price based on the Net Asset Value of the series (net of accrued Performance Fees) on the Redemption Date (the "Redemption Price"). Redemption proceeds may be paid in cash or in kind. Cash payments will be made in U.S. dollars.

Payment of the aggregate Redemption Price for redeemed Shares (calculated on the basis of unaudited data) normally will be made in full within 30 days following the Redemption Date. However, if a shareholder elects to redeem more than 90% of its outstanding Shares on any Redemption Date, at least 95% of the Net Asset Value of the Shares outstanding as of the Redemption Date (computed on the basis of unaudited data) will be paid within 30 days after the Redemption Date, and the remaining portion with no interest, will be distributed (subject to audit adjustments) within 30 days after the audit with respect to the fiscal year in which the redemption was made.

The Directors may suspend redemptions or postpone the date of payment thereof whenever there exists, in the opinion of the Manager, a state of affairs where disposal of the assets of the Fund, or the determination of its Net Asset Value, would not be reasonably practicable or would be seriously prejudicial to its non-redeeming Shareholders. Additionally, the Directors may suspend redemptions:

- a) during any period when any stock exchange on which any of the Fund's investments are quoted is closed, other than for ordinary holidays and weekends, or during periods in which dealings are restricted or suspended;
- b) during the existence of any state of affairs as a result of which, in the opinion of the Manager, disposal of investments by the Fund would not be reasonably practicable or would be materially prejudicial to the shareholders of the Fund;
- c) during any breakdown in the means of communication normally employed in determining the price or value of any of the Fund's investments, or of current prices in any stock market as aforesaid, or when for any other reason the prices or values of any investments owned by the Fund cannot reasonably be promptly and accurately ascertained; or
- d) during any period when the transfer of funds involved in the realisation or acquisition of any investments cannot, in the opinion of the Manager, be effected at normal rates of exchange.

To the extent that a request for redemption of Shares is not withdrawn, the redemption will be effected as of the first redemption date for the Shares in question following the recommencement of redemptions.

The Board of Directors may establish reserves for estimated accrued expenses, liabilities and contingencies which could reduce the amount of a distribution upon redemption. A redeeming shareholder may be charged any legal, accounting or administrative costs associated with a redemption of Shares. The Board of Directors, in its sole discretion, may waive or reduce any redemption fee, lock-up period or notice requirement.

Compulsory Redemption of Shares

The Board of Directors may compel the redemption of all or any part of a shareholder's Shares at any time if:

- a) the holders of the Management Shares pass a special resolution providing for such redemption at a general meeting.
- b) if at any time the Net Asset Value of the Class falls below such amount as may be determined by the Directors.
- c) if the Board of Directors in their sole discretion deem it appropriate because of material administrative disadvantage or adverse political, economic, fiscal, regulatory or other

changes or circumstances affect the Fund or any class of Participating Shares.

- d) in the event of any compulsory redemption, Shares will be redeemed at the Net Asset Value per Share as determined on the next Valuation Day. Such Shareholder will have no Shareholder rights with respect to the Shares to be redeemed after the relevant date of redemption except the right to receive the Net Asset Value per Share therefore and any dividend which has been declared and remains unpaid in respect of their Shares prior to that redemption date. Due to the illiquid nature of the Fund's investments there may be no cash available in the short term to pay the redemption monies due.

Dividends and Distributions

The Fund does not pay any dividends or other distributions with respect to the Shares, other than the distribution of redemption proceeds. Any net investment income and capital gains from the Fund's investments are reinvested by the Fund.

Payments

Payment for the purchase of Shares must be sent to and received in the Fund's account before the ownership of Shares can occur.

Payments are payable by wire transfer in Dollars. Any payment by swift or wire transfer must be payable to the Fund, noting the reference "Merit Fixed Income Fund". Wire transfer instructions are set forth in Appendix D.

The Fund has the discretion to allow for payment in specie in lieu of cash and such securities shall have the value assigned to them as determined by the Independent Valuer appointed by the Directors.

Transfer Restrictions

The Articles of Association of the Fund provide that Shares may not be sold, assigned, transferred, conveyed or disposed of without the prior written consent of the Board of Directors of the Fund, which consent may be given or withheld in its sole discretion. The Board of Directors generally will only permit transfers of Shares on the last business day of a fiscal month. Any attempt to sell or transfer Shares without the prior approval of the Board of Directors may subject such Shares to a compulsory redemption. Any transfer of shares shall not result in the Fund having more than 50 investors. There is no independent market for the purchase or sale of Shares, and none is expected to develop.

Anti-Money Laundering Policy

To ensure compliance with statutory and other requirements relating to money laundering, the

Fund will require verification of identity in the manner required and detailed in the Subscription Agreement from all Subscribers. If the Administrator, on behalf of the Fund, has not received satisfactory verification of identity it may, in its absolute discretion, refuse to allot the Shares applied for in which event application moneys will be returned without interest to the account from which such moneys were originally debited.

Execution of Instruments in Writing

Any act, matter, deed, agreement, contract, instrument under seal or without seal or other instrument or arrangement which is to be binding on or endure to the benefit of the Fund shall be executed by any Director, acting for and on behalf of the Fund, which shall be identified or specified, and where in writing it shall be indicated that such execution is in the name of, or by, or for the account of, the Fund.

USE OF PROCEEDS

The Directors may declare dividends but are not obligated to do so. The ability of the Fund to declare a dividend will be determined by the liquidity of its investments.

Proceeds received by the Fund from the issue of Shares, after payment of offering and organisational expenses and the holding back of any reserves, will be used for investment in accordance with its Investment Objective and for operating expenses of the Fund.

ELIGIBLE SUBSCRIBERS AND LIMITS ON TRANSFERABILITY

Purchasers of Shares may be required to bear the economic risk of their investment for an indefinite period of time because the Shares have not been and will not be registered under the U.S. Securities Act or under the securities laws of any other jurisdiction. No public trading market exists for the Shares. Generally, shareholders may redeem Shares effective only as of the last Business Day of a month. Transfers are permitted only in the discretion of the Board of Directors of the Fund. These restrictions on transferability should be regarded as substantial. Any transfer of shares shall not result in the Fund having more than 50 investors.

Shares will be sold only to persons who satisfy the applicable suitability standards set forth in the Subscription Documents. Prospective shareholders in the Fund must be sophisticated investors and must fall in the categories of Professional and Well-informed investors as described in the description of this Offering Memorandum. The satisfaction of these standards, however, does not necessarily mean that an investment in the Fund is a suitable investment for a prospective investor. The Fund reserves the right to reject a subscription if, in its discretion, it believes a prospective

investor does not meet the applicable suitability requirements or is otherwise deemed unsuitable.

The Fund will rely on the accuracy of each prospective investor's representations to the Fund in the Subscription Documents. The Fund may require supplemental evidence that a prospective investor meets the standards set forth above at any time prior to acceptance of a prospective investor's subscription.

Each prospective investor is urged to consult with his own advisers to determine the suitability of an investment in the Shares, and the relationship of such an investment to the purchaser's overall investment program and financial and tax position. Each purchaser of Shares will be required to further represent that, after all necessary advice and analysis, its investment in Shares is suitable and appropriate in light of the foregoing considerations.

Each prospective shareholder will be required to agree that no Shares, nor any interest therein, will be transferred, sold, assigned, conveyed or disposed of without the prior consent of the Board of Directors, which consent may be withheld in the discretion of the Board of Directors, and that, prior to considering any request to permit transfer of Shares, the Board of Directors may require the submission by the proposed transferee of a certification as to the matters referred to in the preceding paragraphs as well as such other documents the Board of Directors considers reasonably necessary. The Fund's Articles of Association provide, and each subscriber for Shares will be required to agree, that: (i) any transfer or attempted transfer in violation of the foregoing restrictions will be invalid, and (ii) in the event that the Board of Directors has reason to believe that a shareholder has violated the applicable restrictions on transfer or that any material matters set forth in the certifications referred to in the preceding paragraphs were false, the Board of Directors is entitled to compulsorily redeem all Shares held by such shareholder.

NET ASSET VALUE

The Net Asset Value of the Fund and each Share will be determined in accordance with the Fund's Articles of Association. The Net Asset Value of the Fund will equal its gross assets less its gross liabilities (prior to accruals, if any, in respect of Performance fees) on any valuation date.

Because the various series of Shares are issued at different dates, the Net Asset Value per Share of each series of Shares will differ. Shares within a series will have the same Net Asset Value per Share.

Net Asset Value per Share (prior to the determination of any Performance fee) is determined by first allocating any increase or decrease in the Net Asset Value of the Fund among the various classes of Shares (other than the Management Shares) *pro rata* in accordance with the Net Asset Value of each Class at the beginning of such period, second, allocating any increase or decrease in

Net Asset Value of the particular Class for such period among the series of such Class *pro rata* in accordance with the Net Asset Value of each series at the beginning of such period and third, dividing the Net Asset Value of such series by the number of outstanding Shares therein. The accrued Performance fee or Management Fee determined with respect to a particular series of Shares will be debited against the Net Asset Value of that series.

Valuation of Fund Assets and Liabilities

Assets are valued in accordance with the following principles:

- a) any security which is listed or quoted on any securities exchange or similar electronic system and regularly traded thereon is valued at its last traded price on the relevant Valuation Day or, if no trades occurred on such day, the assets will be valued by a competent independent person.
- b) any security which is not listed or quoted on any securities exchange or similar electronic system or if, being so listed or quoted, is not regularly traded thereon or in respect of which no prices as described above are available, shall be valued at its realisation value, by an independent expert appointed by the Directors.
- c) investments, other than securities, which are dealt in or traded through a clearing firm or an exchange or through a financial institution are valued by reference to the most recent official settlement price quoted by that clearing house, exchange or financial institution. If the most recent official settlement price quoted was in excess of five years then an Independent Valuer shall be appointed by the Directors to value the assets. If there is no such price, then the average is taken between the lowest offer price and the highest bid price at the close of business on any market on which such investments are dealt in or traded, provided that where such investments are dealt in or traded on more than one market, the Directors may determine at their discretion which market shall prevail and provided also that the Directors, by use of an independent expert, may permit some other method of valuation to be used if they consider that it better reflects value and is in accordance with good accounting practice.
- d) any value (whether of an investment or cash) otherwise than in U.S. dollars is converted into U.S. dollars at the exchange rate prevailing as at the close of business on the relevant Valuation Day.

The liabilities of the Fund are computed in accordance with the International Financial Reporting Standards and include, but are not limited to:

- a) the fees of the Directors, Depositary and the Administrator earned but not yet paid;

- b) all necessary allowances for estimated audit, statutory and legal fees; and
- c) any contingencies for which reserves are determined to be required by the Directors.
- d) other third-party fees such as but not limited to exchange fees, management fees, performance fees, depositary fees, base fees and brokerage fees.

In the absence of bad faith or manifest error, the Net Asset Value determinations by the Administrator are conclusive and binding on all Shareholders. The Directors may in their discretion apply other methods of valuation to the assets and/or liabilities of the Fund if they determine that such resulting valuation better reflects the fair value of such asset and/or liability of the Fund.

TAXATION

Tax Aspects

The following is a general summary of certain tax aspects of the Participating Shares under Cyprus law in force and applied as at the date of this Offering Memorandum and does not purport to be a comprehensive description of all Tax aspects relating to the Participating Shares. This summary does not constitute and should not be construed as tax or legal advice. Prospective Investors should consult their own tax and other professional advisers as to the specific tax consequences of acquiring, holding and disposing of the Participating Shares and of receiving any distributions on the Participating Shares.

This is a general summary of Cyprus tax only and does not consider the tax laws and regulations of any other jurisdiction.

Introduction

In accordance with the provisions of the Income Tax Law, Law 118(I)/2002 (as amended) (the "Income Tax Law") a person (natural or legal) is liable to tax on its worldwide income on the basis of residency. A person is resident in Cyprus for tax purposes where, in the case of a natural person, that person is present in Cyprus for a period (or periods in the aggregate) exceeding 183 in the tax year and in the case of a company, its management and control is exercised in Cyprus. The tax year for the purposes of the Income Tax Law coincides with the calendar year.

Interest Income

Persons (natural or legal) who are not resident for tax purposes in Cyprus pursuant to the Income Tax Law, will not be liable to income tax or special defence contribution.

In the case of an individual that is tax resident in Cyprus, interest income received or credited will

be exempt from income tax but will be liable to special defence contribution at the rate of 15% under the Special Contribution for the Defence of the Republic Law, Law 117(I)/2002 (as amended) (the “SCDR Law”).

In the case of a company that is tax resident in Cyprus, interest income received or credited will be exempt from income tax but liable to special defence contribution at the rate of 15% under the SCDR Law.

Where the interest income arises from the ordinary carrying on of business or closely connected with the carrying on of its business, it is not considered as interest income for the purposes of the SCDR Law but is considered business profit and is liable to tax at the rate of 10% under the Income Tax Law.

Any interest earned by the Fund is not considered interest for the purposes of the SCDR Law and is considered business profit and liable to tax at the rate of 10%.

Dividend Income

An individual or a company that is not a tax resident of Cyprus, any dividends paid will not be liable to tax in Cyprus. There is also no withholding tax in Cyprus on the payment of those dividends to the non tax resident individual.

In the case of a tax resident individual receiving dividends from a Cyprus company, there is no change to income tax but special defence contribution of 20% is payable in accordance with the SCDR Law.

In the case of a tax resident company receiving dividends from a Cyprus resident company, these are exempt from income tax and also exempt from special defence contribution under the SCDR Law.

Any dividends received by the Fund will be exempt from income tax and also exempt from special defence contribution so long as the foreign entity paying the dividend does not derive its income, directly or indirectly by more than 50% from investment (passive) income and the tax burden of the foreign entity is not substantially lower than the tax burden applicable in Cyprus.

Profits from the Disposal of Shares

Any gain from the disposal by an investor in the Fund of any Participating Shares is not liable to Cyprus income tax irrespective of the trading nature of the gain, the number of Participating Shares held or the period for which they were held. Any gain is also outside the scope of the Capital Gains Tax Law.

Any gain or profit made by the Fund from the disposal of shares or securities held by the Fund is

exempt from income tax.

There is no exchange control in the Republic of Cyprus at the date of this Offering Memorandum.

In view of the number of different jurisdictions the laws of which may be applicable to holders of shares, no attempt is made in this offering memorandum to summarise the possible local tax consequences of the acquisition, holding or disposal of shares. Subscribers should consult their professional advisors on the possible tax, exchange control or other consequences of buying, holding, selling or redeeming shares under the laws of their country of citizenship, residence or domicile.

MUTUAL FUNDS LAW

The Fund does not fall within the definition of a “mutual fund” under the Mutual Funds Law (2009 Revision) of the Republic of Cyprus (the “Law”) and accordingly it will not be registered under that Law.

ANTI-MONEY LAUNDERING

General

Measures aimed at the prevention of money laundering may require Subscribers in the Fund to verify their identity to the Administrator. Depending on the circumstances of each such application, verification may not be required where the investor makes the payment from an account held in the applicant's name at a recognised financial institution, or the application is made through a recognised intermediary. These exceptions will only apply if the financial institution or intermediary referred to above is within a country recognised by the Republic of Cyprus as having equivalent anti-money laundering regulations.

In the event of delay or failure by the applicant to produce any information required for verification purposes, the Administrator may refuse to accept the application and any subscription monies. Each Subscriber acknowledges that the Administrator shall be held harmless against any loss arising as a result of a failure to process an application for Shares if such information and documentation as detailed in this Offering Memorandum has not been provided by the Subscriber.

Exemptions to the identification requirements do exist and will be adopted where appropriate by the Administrator.

If any person resident in the Republic of Cyprus knows or suspects or has reasonable grounds for

knowing or suspecting that another person is engaged in criminal conduct or is involved with terrorism or terrorist property and the information for that knowledge or suspicion came to their attention in the course of business in the regulated sector, the person will be required to report such knowledge or suspicion to (i) the Financial Reporting Authority of the Republic of Cyprus, pursuant to the Proceeds of Crime Law, 2008 of the Republic of Cyprus if the disclosure relates to criminal conduct or money laundering, or (ii) to a police officer of the rank of constable or higher pursuant to the Terrorism Law (2009 Revision) of the Republic of Cyprus if the disclosure relates to involvement with terrorism or terrorist financing and property. Such a report shall not be treated as a breach of confidence or of any restriction upon the disclosure of information imposed by any enactment or otherwise.

Specific Guidelines for Evidence of Identity

Where the funding is wired from a Subscriber's bank account in a country which is NOT on the "Approved Country"¹ list, the investor MUST provide the evidence of identity listed below to the Administrator.

All documents of identity provided must be notarised or certified true copies by an appropriate independent party.²

Documents must be in English or accompanied by a certified translation.

(a) For individuals:

- i. evidence of true name, signature and date of birth and photographic identification (e.g., passport copy);
- ii. evidence of permanent address (e.g., utility bill or driver's licence); and
- iii. reference from a bank with whom the individual maintains a current relationship and has maintained such a relationship for at least two years.

(b) For companies:

¹ Approved countries include: Argentina, Australia, Austria, Bahamas, Bahrain, Barbados, Belgium, Bermuda, Brazil, British Virgin Islands, Canada, Denmark, Finland, France, Germany, Gibraltar, Guernsey, Greece, Hong Kong, Iceland, Ireland, Italy, Isle of Man, Japan, Jersey, Liechtenstein, Luxembourg, Malta, Mexico, Netherlands, New Zealand, Norway, Panama, Portugal, Singapore, Spain, Sweden, Switzerland, Turkey, United Arab Emirates, United Kingdom, United States of America. Islands, Canada, Denmark, Finland, France, Germany, Gibraltar, Guernsey, Greece, Hong Kong, Iceland, Ireland, Italy, Isle of Man, Japan, Jersey, Liechtenstein, Luxembourg, Malta, Mexico, Netherlands, New Zealand, Norway, Panama, Portugal, Singapore, Spain, Sweden, Switzerland, Turkey, United Arab Emirates, United Kingdom, United States of America.

²A suitable certifier would include a lawyer, accountant or custodian. The certifier should sign the document (printing his or her name clearly underneath) and clearly indicate his position or capacity, together with a contact address and phone number. Any queries concerning the suitability of a certifier should be addressed to the Administrator, whose decision will be final.

- i. copy of certificate of incorporation and any change of name certificate;
- ii. certificate of good standing;
- iii. register or other acceptable list of directors and officers;
- iv. properly authorised mandate of the company to subscribe in the form, for example, of a certified resolution which includes naming authorised signatories;
- v. a description of the nature of the business of the company;
- vi. identification as described for individuals above of at least two directors and authorised signatories;
- vii. register of shareholders; and
- viii. identification as described above for shareholders who are beneficial owners
- ix. of 10% or more of the share capital.

(c) For partnerships and unincorporated businesses:

- i. a copy of any certificate of registration and certificate of good standing, if registered;
- ii. identification, as described for individuals and, where relevant, companies above of a majority of the partners, owners or managers and the authorised signatories;
- iii. a copy of the mandate from the partnership or business authorising the subscription in the form, for example, of a certified resolution which includes naming authorised signatories; and
- iv. a copy of any constitutional documents.

(d) For trustees:

- i. identification, as described above for individuals or companies (as the case may be) in respect of the trustees
- ii. identification, as described above for individuals, in respect of beneficiaries, any person on whose instructions or in accordance with whose wishes the trustee/nominee is prepared or accustomed to act and of the settlor of the trust; and
- iii. evidence of the nature of the duties or capacity of the trustee.

REPORTS

Publication of yearly and half-yearly reports

An annual and half yearly report will be prepared and sent to the CySEC and the unitholders within three months of the end of the financial year (in the case of the annual report) and within two months of the end of the half year (in the case of the half yearly report).

Auditors

Deloitte, Cyprus has been appointed auditor to the Fund and will conduct its audit in accordance with “agreed upon procedures” as determined by the Fund.

The fiscal year for the Fund will end on December 31 of each year (the “Fiscal Year”). Audited financial statements of the Fund will be prepared and made available to Shareholders. The first audit will be undertaken for the period ended December 31, 2015.

GENERAL COMMENTS

This Offering Memorandum does not purport to be and should not be construed as a complete description of the Memorandum and Articles of Association of the Fund, the Management Agreement and the Administrative Services Agreement copies of which will be furnished to prospective Subscribers and Shareholders on request made to the Fund at its registered office address.

Among other things, the Articles of Association provide certain rights of indemnification in favour of the Directors, officers and liquidators of the Fund against legal liability and expenses if such persons have acted in accordance with certain standards of conduct.

Where this Offering Memorandum may be translated into more than one language any ambiguity or inconsistency arising with regard to the terms of the English version of this Offering Memorandum and a version of the Offering Memorandum translated into another language, the provisions of the English version shall prevail.

FURTHER INFORMATION

Further information is contained in the following Appendices:

- A. Share Capital and Rights
- B. Directors
- C. General Information
- D. Subscription application
- E. Documents available for inspection

APPENDIX A - SHARE CAPITAL AND RIGHTS

Shares

The Fund has an authorised share capital of US\$15,000 divided into 100 Management Shares of US\$0.01 each and 1,499,900 Participating Shares with no nominal value.

All Management Shares have been issued for cash at par and are held by the Manager.

The holder of the Management Shares has the right to receive notice of, attend at and vote at general meetings of the Fund, and on a poll shall have the right to one vote for each such share registered in its name.

The holders of the Participating Shares do not have the right to receive notice of, attend at and vote at general meetings of the Fund.

The authorised share capital of the Fund may be increased from time to time by a resolution of the holder of the Management Shares.

Transfers

Participating Shares may not be transferred without the prior written consent of the Directors, which may be withheld without any given reason. Any transfer of shares shall not result in the Fund having more than 50 investors.

Rights on Winding Up

Under the Fund's Articles of Association, the liquidation of the Fund may be commenced at any time by special resolution of the directors.

The sums available for distribution on liquidation will be applied:

- (1) First, in the payment to the holders of the Participating Shares of a sum equal to the nominal amount of the Participating Shares held by such holders respectively.
- (2) Secondly, in the payment to the holders of the Management Shares of sums up to the nominal amount paid up thereon.
- (3) Thirdly, in the payment to the holders of the Management Shares of any balance then remaining, such payment being made in proportion to the number of Shares held.

Variation of Rights

The rights attached to any separate class of Shares may, subject to the laws of the Republic of Cyprus and unless otherwise provided by the terms of issue of the Shares of that class, be varied

or abrogated with the consent in writing of the holders of three-fourths of the issued Shares of that class or with the sanction of a resolution passed at a separate meeting of the holders of the Shares of the class by a majority of two-thirds of the votes cast at that meeting.

Meetings of Shareholders

The Fund is not required to hold an annual general shareholders meeting.

Other meetings of the holders of the Management Shares may, however, be convened at the discretion of the Directors. Only the holders of the Management Shares have the right to receive notice of and attend such meetings.

APPENDIX B - DIRECTORS

The Directors may act in a professional capacity for the Fund (other than as auditor) and may receive remuneration for such professional services. A Director may also hold any other office or place of profit with the Fund (other than the office of auditor) and may be a director, officer or member of any company in which the Fund may be interested.

1. The Directors may contract with the Fund and no contract or arrangement made by the Fund in which the Directors are in any way interested shall be liable to be avoided, provided that the nature of their interest must be declared in advance or by general notice.
2. The Directors may normally vote in respect of any contract in which they are materially interested provided such interest has been declared in advance.
3. The Directors shall be entitled to such remuneration for special work or services as may be voted by a resolution of the Directors. The Directors may also be reimbursed for reasonably incurred and documented expenses incurred in connection with the business of the Fund.
4. There is no share qualification for the Directors.
5. The Directors may be removed, or additional Directors appointed, at any time by resolution to that effect of the holder of the Management Share.

APPENDIX C - GENERAL INFORMATION

1. This Alternative Investment Fund with limited number of persons is established as in the Republic of Cyprus on 16 April 2014 according to the Alternative Investment Funds Law of 2014 in the legal form of a variable capital investment company. The Fund must not have more than 50 investors.
2. The constitution of the Fund is set out in its Memorandum and Articles of Association. Its registered office is at Eftapaton Court, 256 Makarios Avenue, CY-3105 Limassol, Cyprus.
3. The Fund is not engaged in any litigation or arbitration. No litigation or claim is known to the Directors to be pending or threatened against the Fund.
4. The following contracts, which are material, have been entered into:
 - a. an Administration Agreement between (1) the Fund and (2) the Administrator, whereby the Administrator has agreed to provide administrative services to the Fund; and
 - b. Depositary agreements dated between (1) the Fund and (2) the Depositary whereby the C has agreed to provide depositary services to the Fund.
 - c. Management agreement made between (1) the Fund and (2) the Manager pursuant to which the Manager has agreed to provide management and advisory services to the Fund.
5. The Fund has been incorporated with unlimited objects. The Directors have adopted as the investment policy of the Fund the Investment Objective and Strategies as set out in this Offering Memorandum and the Articles of Association.
6. The Directors of the Fund are Mrs. Georgiou and Mr. Hannes Boeck.
7. The Directors are not prevented from holding Shares in the Fund.
8. Save as disclosed herein:
 - a. no amount or benefit has been paid or given to any promoter by the Fund since its incorporation and none is intended to be paid or given;
 - b. no commissions, discounts, brokerages or other special terms have been granted in relation to shares, debentures or other capital issued or to be issued by the Fund;
 - c. as at the date hereof, no shares, debentures or other capital of the Fund have been issued or agreed to be issued, fully or partly paid up, in cash or otherwise than in cash, nor is any such capital under option, or agreed conditionally or unconditionally to be put under option.

APPENDIX D - SUBSCRIPTION APPLICATION

Subscription Documents

All applications should be made in writing using the accompanying Subscription Agreement and Economic Profile Questionnaire (“Subscription Documents”) provided as a supplement to the Offering Memorandum dated 19 January 2015. Subscription Documents, duly completed, should be sent to the Administrator at the address shown on the Subscription Agreement.

The Fund reserves the right to reject any application in whole or in part, in which event the application monies or any balance thereof will be returned to the applicant without interest, at his own risk and net of transfer costs. A properly completed and signed copy of the Subscription Agreement may be submitted to the Administrator by facsimile or attached to an e-mail in advance of submitting the original, in order to expedite processing of the application. The signed original must be submitted as soon as possible, however, within one month thereafter.

Subscription Payments

Payments in full, as advised to Subscribers, should be made in Dollars by bank wire transfer. Accepted subscriptions in-specie will be subject to valuation by an Independent Valuer.

All payments shall be made to the account designated by the Fund, which initially shall be:

To: Raiffeisen Bank International AG

In favour of: Merit Fixed Income Fund Limited

Account Number: EUR 1-54.316.542

IBAN: AT823100000154316542

In order to comply with regulations aimed at the prevention of money laundering, the Directors and the Administrator will require verification of identity from all prospective Subscribers. Depending on the circumstances of each subscription, a detailed verification might not be required where:

- i. a prospective Subscriber makes the payment for his investment from an account held in the prospective Subscriber’s name at a recognised financial institution; or
- ii. the prospective Subscriber is regulated by a recognised regulatory authority and is based or incorporated in, or formed under the law of, a recognised jurisdiction; or

- iii. the subscription is made through an intermediary which is regulated by a recognised regulatory authority and is based or incorporated in, or formed under the law of, a recognised jurisdiction.

For the purposes of these exceptions, recognition of a financial institution, regulatory authority or jurisdiction will be determined in accordance with the Regulations by reference to those jurisdictions recognised by the Republic of Cyprus as having sufficient anti-money laundering regulations.

The Directors and Administrator reserve the right to request such information as is necessary to verify the identity of a prospective Subscriber. In the event of delay or failure by the prospective Subscriber to produce any information required for verification purposes, the Directors and the Administrator will refuse to accept the application and, if so, any consideration received will be returned without interest to the account from which the consideration was originally received.

If any person resident in the Republic of Cyprus knows or suspects or has reasonable grounds for knowing or suspecting that another person is engaged in criminal conduct or is involved with terrorism or terrorist property and the information for that knowledge or suspicion came to their attention in the course of business in the regulated sector, the person will be required to report such knowledge or suspicion in accordance with Law No.188(I)/2007 The Prevention and Suppression of Money Laundering and Terrorist Financing Law of 2007 and 2010. Such a report shall not be treated as a breach of confidence or of any restriction upon the disclosure of information imposed by any enactment or otherwise.

Words and phrases defined in the Offering Memorandum shall have the same meaning where used herein unless the context otherwise requires.

APPENDIX E - DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (public holidays excepted) at the offices of Meritservus Secretaries Limited Eftapaton Court, 256, Makarios Avenue Mail: P.O Box 53180, CY-3301, Limassol, Cyprus:

- a) the Memorandum and Articles of Association of the Fund;
- b) Fund License;
- c) the Companies Law of the Republic of Cyprus under which the Fund was incorporated;
- d) the contracts referred to in paragraph 4 of Appendix C;