

Emerging Markets Bond Fund

Information as at: 31 January 2018

KEY FACTS

Asset Class	Fixed Income
Category	Global Emerging Markets bond
Investment manager	MeritKapital
Total Fund Assets, USD	38,888,323
A USD class, USD	38,888,323
Fund Inception Date	01/09/2016
Strategy Inception Date	01/04/2017
Performance Benchmark	J.P. Morgan EMBI Global Total Return Index
ISIN	CYF000000200
Fund Domicile	Cyprus
Fund Type	AIF-LNP
Bloomberg Ticker	MERFXPT CY
Base currency	USD
Management fee	0.75%
Performance fee	15%
Hurdle rate	3%
Liquidity	Monthly

MINIMUM INVESTMENT

Share class	
A USD	50,000

FUND CHARACTERISTIC

Credit Rating	BB
Modified Duration	4.8
Yield to Worst	5.4
Cash	11.3

COMPOSITION OF THE FUND

Sectors	% of Total
Government	26.1
Basic Materials	9.8
Financial	11.8
Energy	15.1
Consumer, Non-cyclical	10.6
Utilities	6.6
Industrial	3.7
Consumer, Cyclical	3.3
Communications	1.6

Country	% of Total
Brazil	17.4
Argentina	9.4
Oman	5.2
Ukraine	4.9
Russian Federation	4.8
Mexico	4.7
Turkey	4.7
India	4.3
Greece	3.6
Nigeria	3.2
Other	37.7

Currency Break-Down	% of Total
USD	86.2
EUR	13.8

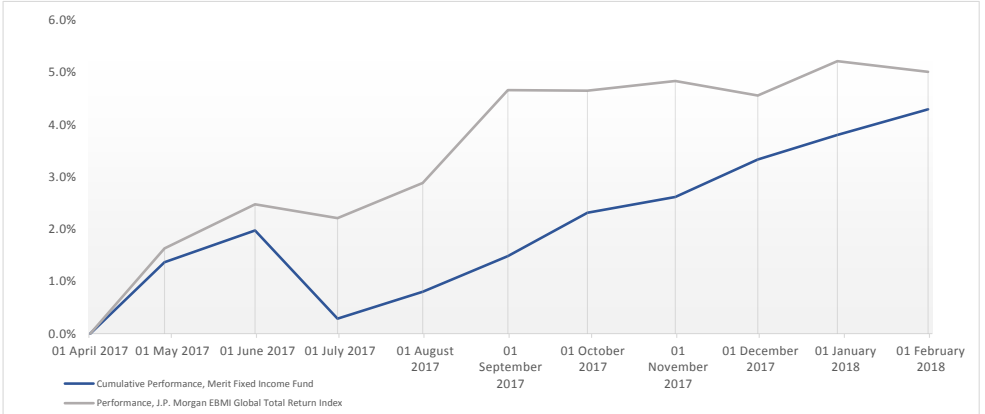
MANAGEMENT TEAM

Portfolio Manager	MeritKapital Ltd
Chief Investment Advisor	Golibjon Zohidov
Investment Advisor	Persella Ioannides

INVESTMENT OBJECTIVE

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

PERFORMANCE GRAPH*



Share Class performance displayed in USD, Benchmark performance displayed in USD

PERFORMANCE*

	MTD	Since Inception (10 Months - YTD)
MeritKapital Fixed Income Fund - A Shares USD	0.47%	4.29%

Share Class performance of 0.47% is calculated on a Net Asset Value (NAV) basis, net of fees.

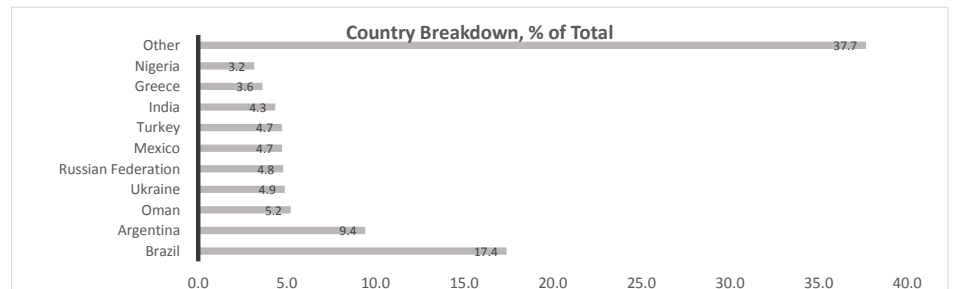
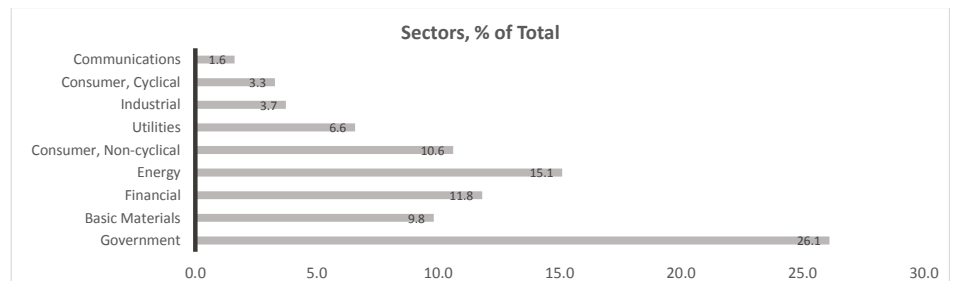
Total gross performance for January 2018 is 0.81%.

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

FUND COMMENTS

The year in the Emerging Markets (EM) space continued the bullish sentiment of December 2017. The first two weeks of the month saw healthy inflows into EM funds and the new issues pipeline was considerable. However, the last two weeks of the month saw increased volatility in "core rates" whereby 10-year Bunds yields shot up to 0.7% from 0.5% and 10-year US Treasury yields followed suit with yields breaking multi-year highs to reach 2.7%. The strong move in rates minorly affected valuations within EM credit as the commodities sector remained robust. Strong demand for EM FX due to a weaker USD also helped maintain a positive tone.

The fund generated +0.47% return versus the benchmark's -0.20% return for the month of January. The cash position of the fund slightly increased to 11.3% from 10.15% while the duration increased further to 4.8 from 4.4 but still maintained a defensive risk profile. The weighted average rating of the portfolio remained unchanged at BB. The strong performance of the fund was mainly driven by an overweight position in LATAM, which brought the total fund allocation to the region to 31.5% from 24.1%. We believe the region to remain more attractive than CEEMEA and therefore increased the allocation to Brazil and Argentina to 17.4 and 9.4%, respectively. Russian exposure was cut to 4.9% from 11.1% while Ukraine's to 4.9% from 6.3% respectively. We continued to capitalise on gains in Russia and Ukraine but look to maintain the current regional allocations in the medium term. We took profit on EUR denominated Cyprus government bonds as we decided to divert investments from low yielding, expensive euro denominated bonds to higher yielding USD denominated bonds.



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Top 10 Holdings	% of Total	Duration Breakdown	% of Total	Rating Breakdown	% of Total
BRAZIL 4 5/8 01/13/28	3.8	0 - 1 yrs	14.1	Cash	11.3
ARGENT 6 1/4 11/09/47	3.2	1 - 3 yrs	20.5	AAA	0.0
TATAIN 5.45 01/24/28	3.0	3 - 5 yrs	23.3	AA	2.5
CCOLAT 4 3/4 10/01/18	2.6	5 - 7 yrs	9.1	A	10.5
OMAN 6 1/2 03/08/47	2.6	7 - 10 yrs	17.4	BBB	8.1
MAZOON 5.2 11/08/27	2.6	10+ yrs	14.1	BB	39.4
KSA 4 5/8 10/04/47	2.6			B	26.1
PETBRA 5.999 01/27/28	2.6			CCC	0.0
TECPET 4 7/8 12/12/22	2.5			CC	2.1
PUMAFN 5 01/24/26	2.3			C	0.0
				D	0.0

DISCLAIMER

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

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