

Emerging Markets Bond Fund

Information as at: 30 March 2018

KEY FACTS

Asset Class Category	Fixed Income Global Emerging Markets bond
Investment manager	MeritKapital
Total Fund Assets, USD	38,168,151
A USD class, USD	38,168,151
Fund Inception Date	01/09/2016
Strategy Inception Date	01/04/2017
Performance Benchmark	J.P. Morgan EMBI Global Total Return Index CYF000000200
ISIN	Cyprus AIF-LNP MERFXPT CY
Fund Domicile	Cyprus
Fund Type	AIF-LNP
Bloomberg Ticker	USD
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	5.7
Yield to Worst	5.7
Cash	3.4

COMPOSITION OF THE FUND

Sectors	% of Total
Government	29.3
Energy	19.4
Consumer, Non-cyclical	12.3
Basic Materials	12.2
Financial	8.7
Utilities	6.3
Industrial	4.0
Communications	3.0
Consumer, Cyclical	1.3

Country	% of Total
Brazil	16.0
Argentina	12.0
Turkey	8.6
Russian Federation	8.3
Oman	7.6
Nigeria	5.8
Ukraine	5.0
Mexico	4.7
India	4.2
Kazakhstan	2.7
Other	25.1

Currency Break-Down	% of Total
USD	91.2
EUR	8.8

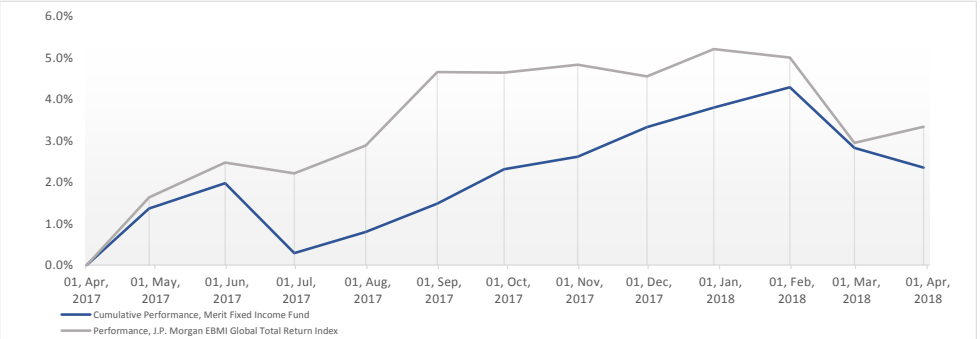
MANAGEMENT TEAM

Portfolio Manager	MeritKapital Ltd
Chief Investment Advisor	Golubjon 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*



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

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

PERFORMANCE*

	MTD	Since Inception (12 Months - YTD)
MeritKapital Fixed Income Fund - A Shares USD	-0.46%	2.35%

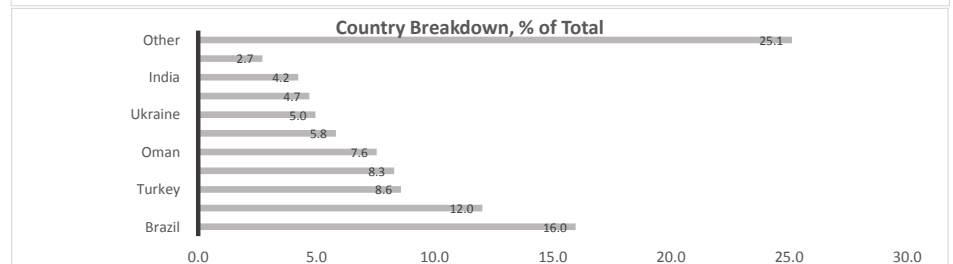
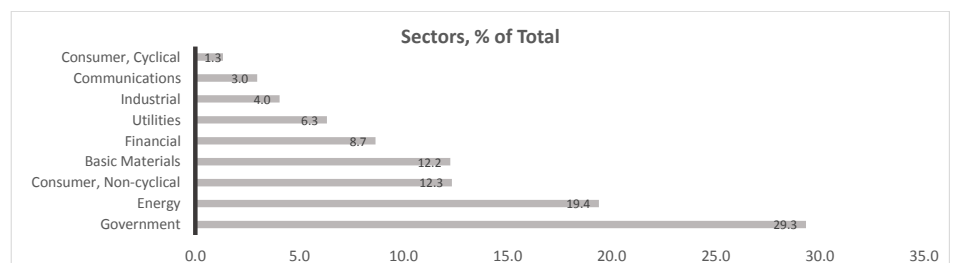
Share Class performance of -0.46% is calculated on a Net Asset Value (NAV) basis, net of fees.
Total gross performance for March 2018 is -0.38%.

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FUND COMMENTS

The global markets sentiment remained clouded by the volatility in US equities, Trump's global trade war (imposition of tariffs), the FED's hawkishness despite weaker inflation data prints m/m and the increasing uncertainties in geo-politics between the West and Russia, one of the largest Emerging Markets (EM) countries. Volatility in EM bonds was lower in March whereby VIX ranged in a lower band of 15 to 22.5 compared to 13 and 37 month to month. The S&P 500 index closed in red, down 3.58% MTD at 2,581 and EMBI index spread 18bp wider at 326 back to the wiles of 2H 2017. Positively for EM bonds, US Treasuries 10 year yields fell by 6bp lower or 15bp from the peak of 2.89% to 2.74% and oil prices (Brent) posted double digit gain of 10% reaching \$70 mark. As underlying fundamentals in EM remain strong, repricing of EM assets in the last two months demonstrates a healthy correction of an ongoing bull trend.

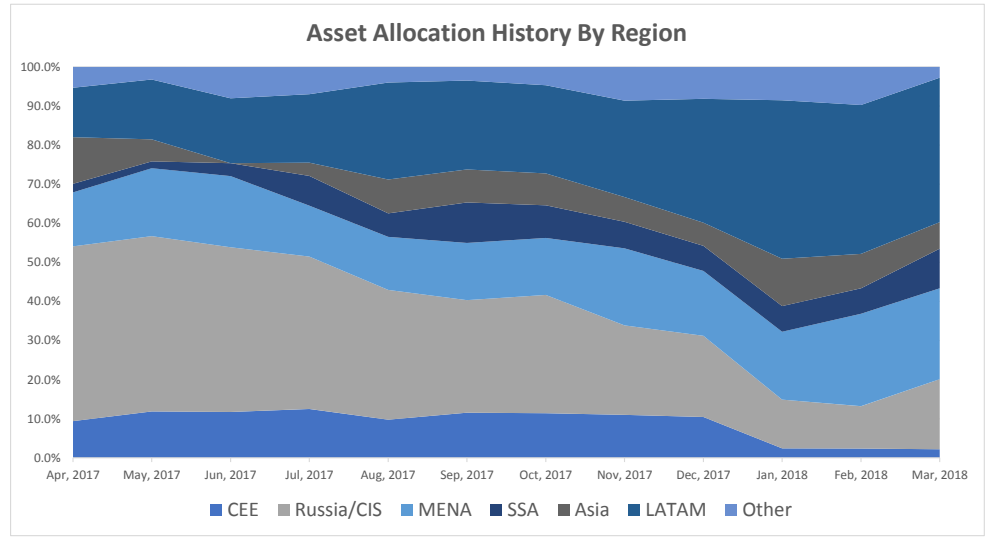
The fund underperformed the benchmark index, down -0.46% vs the benchmark's + 0.38% for the month of March. The cash position of the fund was further reduced to 3.4% from 9.9% and duration was cut to 5.7 from 6.6. The weighted average credit rating of the portfolio was lowered slightly by 1 notch to BB- from BB. The underperformance of the fund vs index was partially driven by a reduction of duration as longer duration bonds outperformed in the last week of the month driven by a strong reversal in US treasuries. The portfolio duration was reduced as we took a defensive approach to reduce the portfolio's sensitivity to interest rates. Total allocation to longer maturity bonds (7+ years) was reduced from 47.2% to 34.6%. The shorter duration bonds (1-3 years) allocation was increased from 22.9% to 30.9%. Credit risk slightly increased with the average credit rating of the portfolio lowered by 1 notch due to the increase in allocation to B rated bonds to 28.8% from 24.4%. Exposure to sovereign bonds were reduced to 29.3% from 36.8% as we increased allocation to the Energy sector from 14.9% to 19.4% which is in line with our positive outlook on oil prices. Regionally, allocation changes took place mainly in two areas: Russia/CIS and Sub Sahara Africa. In Russia/CIS, the fund allocation grew from 10.8% to 17.9% and in Sub Sahara Africa from 6.5% to 10.2%. Most of the available cash on the balance sheet was deployed into mainly short dated corporates within the Oil & Gas sector.



Top 10 Holdings	% of Total
OMAN 6 1/2 03/08/47	5.0
BRAZIL 4 5/8 01/13/28	3.9
ARGENT 6 1/4 11/09/47	3.1
TATAIN 5.45 01/24/28	2.9
NOGLN 8 07/25/22	2.7
CCOLAT 4 3/4 10/01/18	2.7
SEPLLN 9 1/4 04/01/23	2.6
MAZOOON 5.2 11/08/27	2.6
PETBRA 5.999 01/27/28	2.6
TECPET 4 7/8 12/12/22	2.6

Duration Breakdown	% of Total
0 - 1 yrs	14.9
1 - 3 yrs	16.0
3 - 5 yrs	21.1
5 - 7 yrs	13.4
7 - 10 yrs	15.9
10+ yrs	18.7

Rating Breakdown	% of Total
Cash	3.4
AAA	0.0
AA	0.0
A	5.8
BBB	13.6
BB	42.2
B	28.0
CCC	3.9
CC	3.2
C	0.0
D	0.0



	Apr, 2017	May, 2017	Jun, 2017	Jul, 2017	Aug, 2017	Sep, 2017	Oct, 2017	Nov, 2017	Dec, 2017	Jan, 2018	Feb, 2018	Mar, 2018
CEE	9.4%	11.9%	11.7%	12.5%	9.8%	11.5%	11.4%	11.0%	10.5%	2.4%	2.4%	2.2%
Russia/CIS	44.7%	44.9%	42.1%	39.0%	33.2%	28.8%	30.3%	22.9%	20.8%	12.5%	10.8%	17.9%
MENA	13.8%	17.4%	18.2%	13.0%	13.6%	14.7%	14.6%	19.7%	16.6%	17.4%	23.6%	23.3%
SSA	2.2%	1.7%	3.3%	7.6%	6.0%	10.3%	8.3%	6.8%	6.4%	6.6%	6.5%	10.2%
Asia	11.9%	5.6%	0.0%	3.4%	8.7%	8.5%	8.2%	6.3%	5.9%	12.1%	8.8%	6.8%
LATAM	12.6%	15.3%	16.6%	17.5%	24.8%	22.7%	22.6%	24.7%	31.7%	40.5%	38.1%	37.0%
Other	5.3%	3.2%	8.0%	7.0%	4.0%	3.5%	4.7%	8.6%	8.2%	8.5%	9.7%	2.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

DISCLAIMER

Merit 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's investment objectives will be achieved and investment results may be achieved over time. Investment in the Fund is not intended on a complete investment program for any investor. Prospective investors should carefully consider if an investment in shares in the Fund is suitable for them in light of their circumstances and their resources. No application has been made to list the shares of the Fund on any stock exchange. Important: shares in the fund are offered solely on the basis of the information and representations contained in the Offering Memorandum and the documents specified therein, which are available for inspection at the Fund's registered office and no other information or representation relating thereto is authorised.

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