

Emerging Markets Bond Fund

Information as at: 30 April 2018

KEY FACTS

Asset Class Category	Fixed Income Global Emerging Markets bond
Investment manager	MeritKapital
Total Fund Assets, USD	37,753,524
A USD class, USD	37,753,524
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	USD
Fund Type	0.75%
Bloomberg Ticker	15%
Base currency	3%
Management fee	Monthly
Performance fee	
Hurdle rate	
Liquidity	

MINIMUM INVESTMENT

Share class	
A USD	50,000

FUND CHARACTERISTIC

Credit Rating	BB-
Modified Duration	5.7
Yield to Worst	6.2
Cash	13.1

COMPOSITION OF THE FUND

Sectors	% of Total
Government	25.0
Energy	17.4
Basic Materials	17.3
Consumer, Non-cyclical	9.2
Financial	6.6
Utilities	5.0
Industrial	4.1
Communications	2.4
Consumer, Cyclical	0.0

Country

Country	% of Total
Brazil	16.0
Russian Federation	11.3
Argentina	10.6
Oman	8.6
Turkey	7.2
India	4.2
Nigeria	4.0
Ukraine	3.4
Kazakhstan	3.3
Saudi Arabia	2.4
Other	29.0

Currency Break-Down

Currency	% of Total
USD	91.9
EUR	8.1

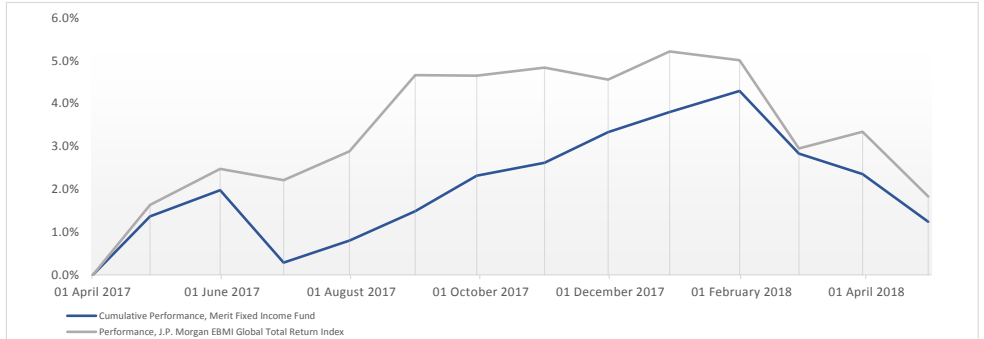
MANAGEMENT TEAM

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 (13 Months)
MeritKapital Fixed Income Fund - A Shares USD	-1.08%	1.24%

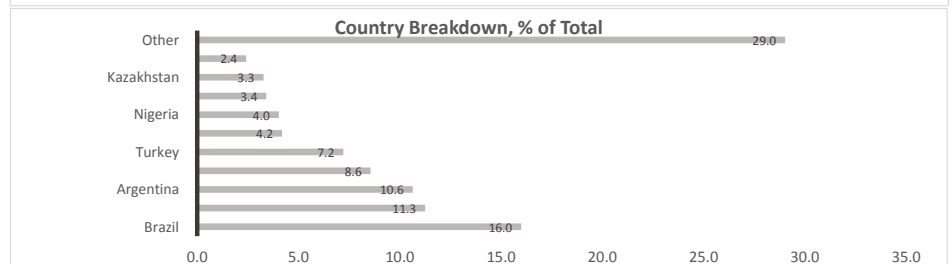
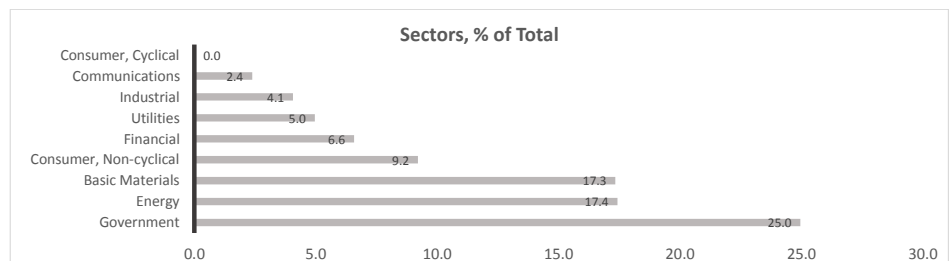
Share Class performance of -1.08% is calculated on a Net Asset Value (NAV) basis, net of fees.
Total gross performance for March 2018 is -1.00%.

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

FUND COMMENTS

Emerging Markets (EM) started the second quarter of the year on a positive tone continuing the recovery of the month end of March. However, as we entered into second week of April, the FOMC Meeting Minutes were released which the market took to have a hawkish rhetoric. In effect, the US 10 year yields shot up by 20bps to 3% from 2.8%, which was the fastest rise in such a short period of time since the summer of 2017. The US treasury yield curve continued to flatten as bond issuance remains skewed to the front end of the curve. A significant move to note was the rise of the 2-year US yields from 2.3% to 2.5% in the front end of the curve which marked a 10 year high. Oil prices continued to trend higher with Brent prices trading at \$75 as market nervousness built up on the 2015 Iran sanction pact (scheduled for review on 12 May); Should the US decide to leave the pact and reintroduce sanctions on Iran, there could be a disruption of oil supplies. The biggest surprise in the EM space was the US OFAC sanctions on certain Russian oligarchs and the SDN sanctions on Russian aluminium producer Rusal, the world's largest producer and exporter. Russian corporate eurobonds were hit the most with Rusal eurobonds losing not only half their market value but also their ability to trade and settle; other eurobond metal and mining names lost 5 to 15 points in cash price. Overall, the sentiment on EM risk has not improved and z-spreads continued to widen. The repricing of EM bonds has increased their attractiveness as can be seen from the EMBI index spread to US treasuries which reached the widest level since 2017.

The fund outperformed the benchmark index, down -1.08% versus the benchmark index's performance of -1.46% for the month of April. The cash position of the fund was increased from 3.4% to 13.1% and the duration maintained at 5.7. The weighted average credit rating of the portfolio remained unchanged at BB-. The yield of the portfolio improved from 5.7% to 6.2%. The outperformance of the fund versus the index was mainly driven by the fund's underweight positioning in Russian and Turkish eurobonds which underperformed other regions. In the last week of the month we started to add Russian corporate bonds with strong fundamentals but which still remained undervalued on the back of the "risk off" sell-off. The Russian, CIS allocation thus grew from 10.8% to 17.9%. Finally, the fund's LATAM exposure was reduced from 37% to 32.55% to reshuffle proceeds back into Russia/CIS.



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Top 10 Holdings

	% of Total
OMAN 6 1/2 03/08/47	4.9
BRAZIL 4 5/8 01/13/28	3.9
ARGENT 6 1/4 11/09/47	3.0
TATAIN 5.45 01/24/28	2.9
EVRAZ 8 1/4 01/28/21	2.8
IMHRUS 7 1/2 05/04/22	2.8
NOGLN 8 07/25/22	2.7
SEPLLN 9 1/4 04/01/23	2.7
CCOLAT 4 3/4 10/01/18	2.6
PETBRA 5.999 01/27/28	2.6

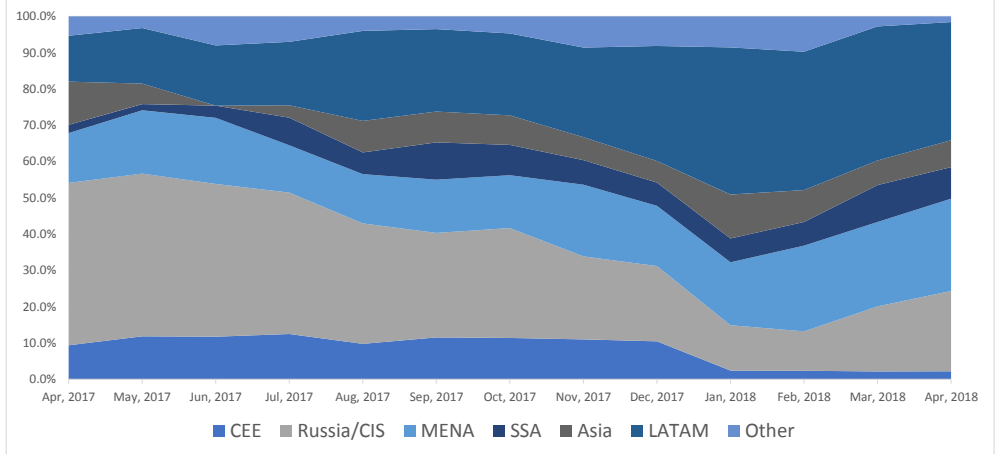
Duration Breakdown

	% of Total
0 - 1 yrs	9.6
1 - 3 yrs	19.1
3 - 5 yrs	22.3
5 - 7 yrs	12.5
7 - 10 yrs	17.6
10+ yrs	18.9

Rating Breakdown

	% of Total
Cash	13.1
AAA	0.0
AA	0.0
A	2.4
BBB	9.7
BB	42.0
B	26.9
CCC	4.0
CC	1.9
C	0.0
D	0.0

Asset Allocation History By Region



	May, 2017	Jun, 2017	Jul, 2017	Aug, 2017	Sep, 2017	Oct, 2017	Nov, 2017	Dec, 2017	Jan, 2018	Feb, 2018	Mar, 2018	Apr, 2018
CEE	11.9%	11.7%	12.5%	9.8%	11.5%	11.4%	11.0%	10.5%	2.4%	2.4%	2.2%	2.2%
Russia/CIS	44.9%	42.1%	39.0%	33.2%	28.8%	30.3%	22.9%	20.8%	12.5%	10.8%	17.9%	22.1%
MENA	17.4%	18.2%	13.0%	13.6%	14.7%	14.6%	19.7%	16.6%	17.4%	23.6%	23.3%	25.4%
SSA	1.7%	3.3%	7.6%	6.0%	10.3%	8.3%	6.8%	6.4%	6.6%	6.5%	10.2%	8.7%
Asia	5.6%	0.0%	3.4%	8.7%	8.5%	8.2%	6.3%	5.9%	12.1%	8.8%	6.8%	7.4%
LATAM	15.3%	16.6%	17.5%	24.8%	22.7%	22.6%	24.7%	31.7%	40.5%	38.1%	37.0%	32.6%
Other	3.2%	8.0%	7.0%	4.0%	3.5%	4.7%	8.6%	8.2%	8.5%	9.7%	2.8%	1.5%
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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