

Emerging Markets Bond Fund

Information as at: 31 July 2018

KEY FACTS

Asset Class Category	Fixed Income Global Emerging Markets bond
Investment manager	MeritKapital
Total Fund Assets, USD	37,016,916
A USD class, USD	37,016,916
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	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	2.4
Yield to Worst	4.9
Cash	26.1

COMPOSITION OF THE FUND

Sectors	% of Total
Energy	8.8
Government	23.4
Financial	17.9
Consumer, Non-cyclical	10.1
Basic Materials	6.2
Industrial	4.8
Communications	2.8
Utilities	0.0
Consumer, Cyclical	0.0

Country	% of Total
Russian Federation	21.8
Turkey	12.3
Bahrain	5.2
Brazil	4.9
Ukraine	4.8
Repo Instruments	4.7
Oman	4.6
Egypt	2.8
Netherlands	2.8
Argentina	2.7
Other	33.5

Currency Break-Down	% of Total
USD	94.0
EUR	6.0

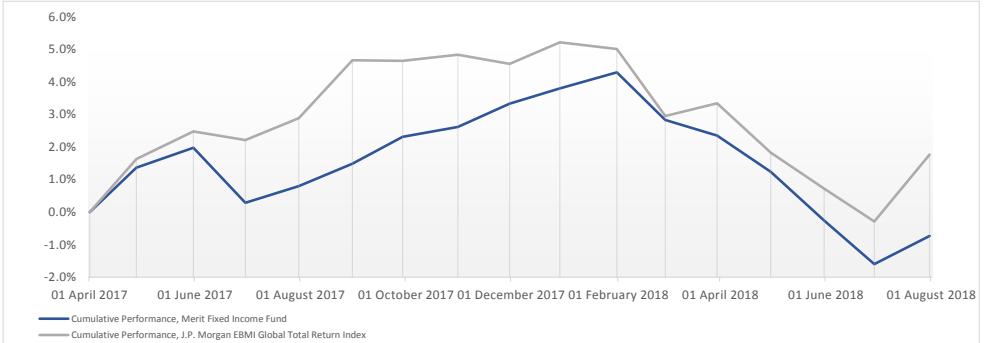
MANAGEMENT TEAM

Portfolio Manager	MeritKapital Ltd
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 (16 Months)
MeritKapital Fixed Income Fund - A Shares USD	0.88%	-0.73%

Share Class performance of 0.88% is calculated on a Net Asset Value (NAV) basis, net of fees.
Total gross performance for July 2018 is 0.96%

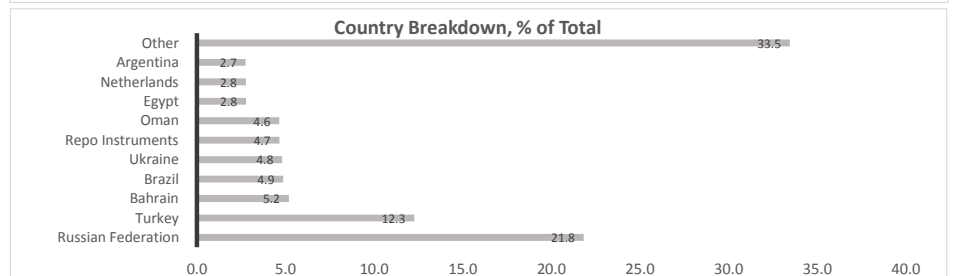
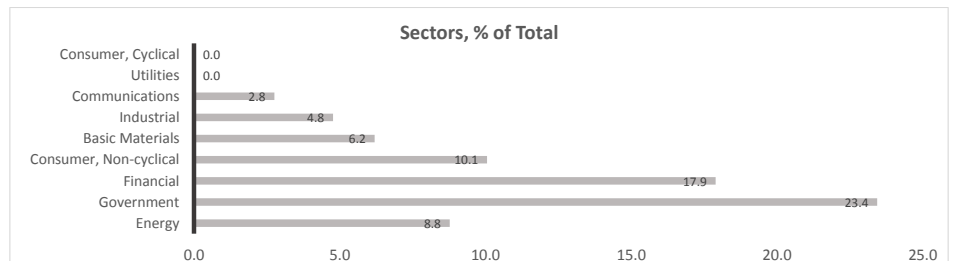
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FUND COMMENTS

Emerging Market assets recovered somewhat in July after what has been a tough 1H2018. The main drivers this time were some positive developments regarding the ongoing trade wars. The majority of the rebound occurred in the latter part of the month, as the seasonal low-liquidity summer effect remained. EM assets experienced an initial rebound on the basis that 'no news is good news'. Then reports of an EU-US agreement to avoid an all-out war and lower tariffs, followed by reports that the US and China are said to be seeking a restart of talks to defuse the situation were instrumental in furthering the rebound and spurring an increase in ETF inflows relative to previous months.

As for Central Bank meetings, the ECB maintained a dovish rhetoric to keep rates unchanged in what was mostly a non-event; President Mario Draghi remained at ease with the looming trade wars and pointed to stabilising survey results. Turkey's Central Bank stunned markets by keeping interest rates unchanged, heeding President Erdogan's demands to refrain from raising rates. This decision confirmed fears about the Central Bank's independence and Turkey's future economic policies. The BOJ also maintained a dovish stance, keeping rates unchanged with the intention of keeping long and short-term rates very low for an extended period of time. Brent prices fell 7.6% from \$79 to \$73, a decline catalysed by Saudi Arabia agreeing to the US request to pump more oil, much to the dislike of OPEC members given the agreement in Vienna in the previous month for members to only boost output by 1mnbpd.

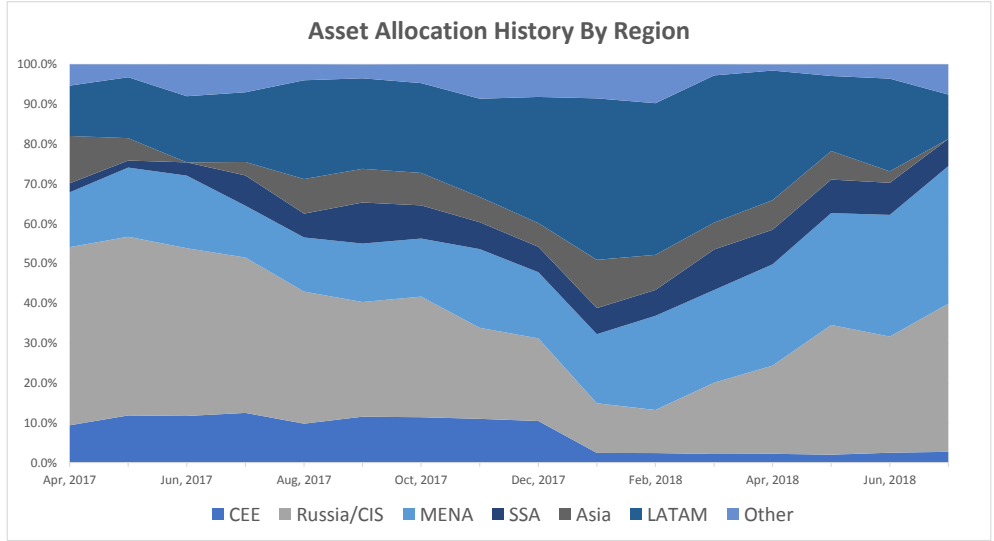
The Fund underperformed the benchmark - up +0.88% Month-to-date vs the benchmark index performance of +2.06% for the month of July. The cash position increased from 20% to 26.1% and duration further reduced to 2.4 from 4.3 as a result of exiting high-beta bonds. The weighted-average credit rating of the portfolio improved from BB- to BB. The underperformance of the fund was due to the current trend of EM correction, thus our gradual transition from high-beta to low-beta bonds during the month prior to the late market rebound. The yield for the portfolio slightly improved to 4.9% from 4.8%. We further increased our allocation of short-dated bonds - i.e. 0 - 3 years - from 46.4% to 77.4%.



Top 10 Holdings	% of Total
GAZPRU 9 1/4 04/23/19	5.7
OMAN 6 1/2 03/08/47	4.6
VEBBNK 4.224 11/21/18	4.1
KERPW 8 3/4 01/31/22	3.4
EGYPT 5 3/4 04/29/20	2.8
VIP 5.2 02/13/19	2.8
YPFDAR 8 7/8 12/19/18	2.7
KENINT 5 7/8 06/24/19	2.7
SBERRU 5.18 06/28/19	2.7
IMHRUS 7 1/2 05/04/22	2.7

Duration Breakdown	% of Total
0 - 1 yrs	56.9
1 - 3 yrs	20.5
3 - 5 yrs	7.9
5 - 7 yrs	5.1
7 - 10 yrs	0.0
10+ yrs	9.6

Rating Breakdown	% of Total
Cash	26.1
AAA	2.7
AA	0.0
A	0.0
BBB	16.4
BB	28.1
B	21.8
CCC	4.7
CC	0.0
C	0.0
D	0.3



	Aug, 2017	Sep, 2017	Oct, 2017	Nov, 2017	Dec, 2017	Jan, 2018	Feb, 2018	Mar, 2018	Apr, 2018	May, 2018	Jun, 2018	31 July 2018
CEE	9.8%	11.5%	11.4%	11.0%	10.5%	2.4%	2.4%	2.2%	2.2%	2.0%	2.5%	2.7%
Russia/CIS	33.2%	28.8%	30.3%	22.9%	20.8%	12.5%	10.8%	17.9%	22.1%	32.6%	29.2%	37.2%
MENA	13.6%	14.7%	14.6%	19.7%	16.6%	17.4%	23.6%	23.3%	25.4%	28.1%	30.5%	34.5%
SSA	6.0%	10.3%	8.3%	6.8%	6.4%	6.6%	6.5%	10.2%	8.7%	8.4%	8.1%	6.9%
Asia	8.7%	8.5%	8.2%	6.3%	5.9%	12.1%	8.8%	6.8%	7.4%	7.2%	2.9%	0.0%
LATAM	24.8%	22.7%	22.6%	24.7%	31.7%	40.5%	38.1%	37.0%	32.6%	18.8%	23.2%	11.1%
Other	4.0%	3.5%	4.7%	8.6%	8.2%	8.5%	9.7%	2.8%	1.5%	2.9%	3.6%	7.6%
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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