

Emerging Markets Bond Fund

Information as at: 31 October 2019

KEY FACTS

Asset Class
Category

Investment manager
Total Fund Assets, USD
A USD class, USD
Fund Inception Date
Strategy Inception Date

Fixed Income
Global Emerging Markets
bond

MeritKapital
\$41,923,761
\$41,923,761
01/09/2016
01/04/2017

Performance Benchmark

J.P. Morgan EMBI Global
Total Return Index

ISIN
Fund Domicile
Fund Type
Bloomberg Ticker
Base currency
Management fee
Performance fee
Hurdle rate
Liquidity

CYF000000200
Cyprus
AIF-LNP
MERFXPT CY
USD
0.75%
15%
3%
Monthly

MINIMUM INVESTMENT

Share class
A USD

\$50,000

FUND CHARACTERISTIC

Credit Rating
Modified Duration
Yield to Worst
Cash
Repo Instruments
Reverse Repo Instruments

BB+
8.48 years
2.87%
5.85%
-17.20%
0.00%

COMPOSITION OF THE FUND

Sectors % of Total

Government	77.12
Industrial	9.12
Basic Materials	8.77
Financial	11.02
Energy	4.07
Communications	1.25
Consumer, Non-cyclical	0.00
Utilities	0.00
Consumer, Cyclical	0.00

Country % of Total

Russian Federation	27.75
Italy	12.31
United States	10.22
Greece	10.10
Cyprus	9.23
Nigeria	5.80
Romania	4.33
Indonesia	4.24
Spain	3.77
South Africa	3.72
Other	19.88

Currency Break-Down % of Total

USD	90.39
EUR	9.61
GBP	0.00

MANAGEMENT TEAM

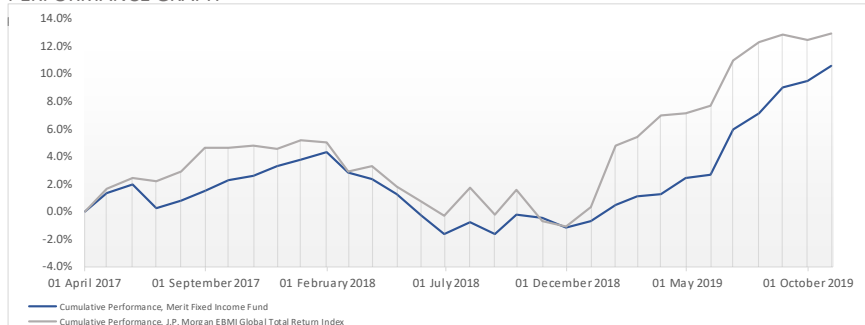
Portfolio Manager
Investment Advisor

MeritKapital Ltd
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*



PERFORMANCE*

	MTD	YTD	SI
MeritKapital Fixed Income Fund - A Shares USD	1.00%	11.29%	10.56%
J.P. Morgan EMBI Global Total Return Index	0.37%	12.50%	12.91%

Share Class performance of 1.00% is calculated on a Net Asset Value (NAV) basis, net of fees.

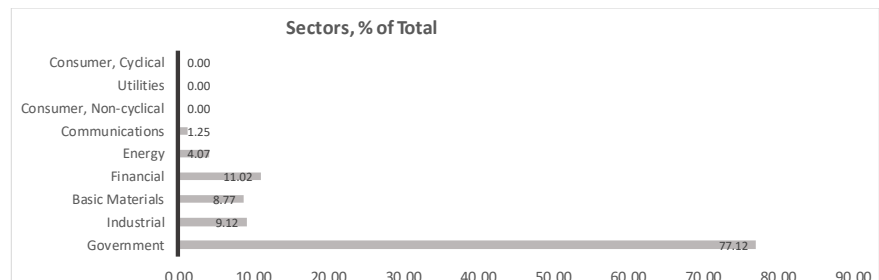
Total gross performance for October 2019 is 1.08%

*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 month of October had been dominated by a positive reversal in the sentiment of the US China trade war developments, better than expected corporate earnings announcements, as well as improving macro data news. The ECB met on October 25th and, as expected, made no change in rate policy while the US Fed made its expected 25bps rate cut move during its two-day meeting of October 29-30th. The main theme in the month of October was that incoming data shifted the outlook of the global economy to less gloomy than prior. This was evidenced by some improvement in PMI numbers in Europe and in the US, while the manufacturing numbers have declined for the third month, the services sector continued to expand while unemployment is at its lowest in 50 years. A trigger to the bettering data may have been the results of the monetary easing efforts of central banks globally. Moreover, the sentiment towards safe havens that was the trend throughout the year had begun to revert as dialogues between the US and China on trade war negotiations shifted rhetoric. In effect, the market expects no further rate cuts this year and the chances of rate cuts for the next year decreased significantly. In anticipation of the upcoming Fed meeting the market was attempting to gage the rhetoric i.e. dovish or hawkish. Unexpectedly, Fed Chairman Powell was less dovish than in the previous meetings whereby he did not signify any future rate cuts and had taken out his previously used phrase of "we will monitor and act as appropriate as the data comes in". However, even as the markets took the speech as hawkish the curve flattened with duration performing as further rate cuts were priced out of the market i.e. jerking the front end of the curve higher and as the market perceived the Fed was wrong on the state of the economy and that more rate cuts would be required.

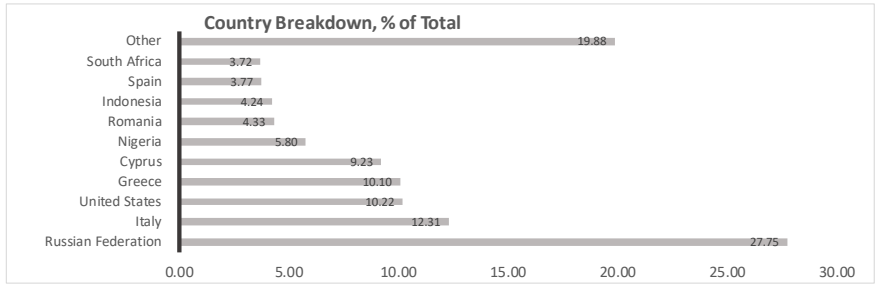
The fund returned 1% in the month of October outperforming the benchmark index's return of 0.37%. This results to a YTD return of 11.29% for the fund. The fund has a 9.6% euro position that performed well as the dollar weakened MOM versus the euro. Part of the dollar weakness was owed to the positive Brexit developments and the significant reduction of risk of a "hard" Brexit. Also, as the global picture is beginning to improve there tends to be a shift out of safe haven currencies i.e. the dollar and into higher beta ones. Other contributors for the fund despite the euro position have been investments in Greece (both corporate and sovereign). The sovereign credit was, as expected, upgraded by S&P on October 25th by a notch to 'BB+' from 'B+'. We participated in some new issues such as Credito Real (CREAL 5 02/01/27) where the yield premium has performed as per our analysis. Other performers to note have been sovereigns of Cyprus and Romania which have been recently trading in a range and for the month of October have ended



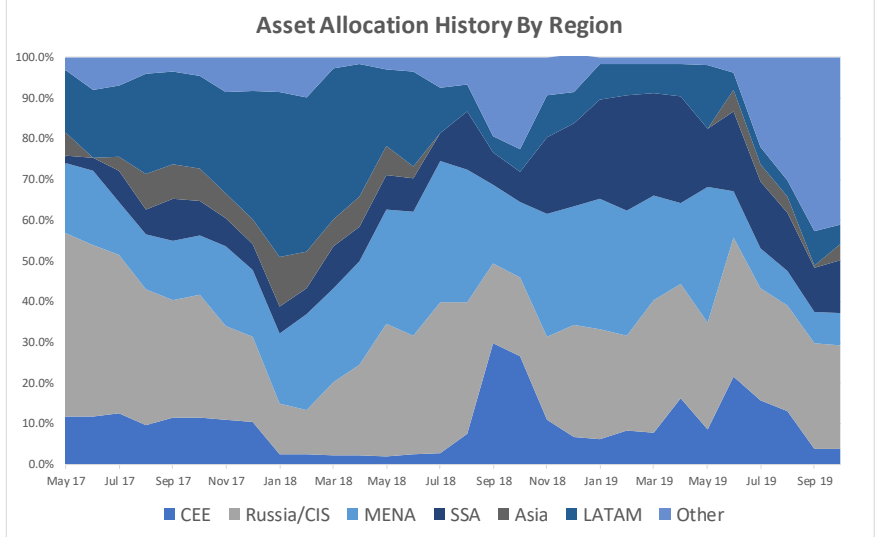
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Top 10 Holdings	% of Total
GGB 1 7/8 07/23/26	5.84
T 2 7/8 05/15/49	5.66
CYPRUS 2 3/4 02/26/34	5.65
RUSSIA 5 04/29/20	4.93
T 2 3/8 05/15/29	4.56
ROMANI 4 5/8 04/03/49	4.33
INDON 1.45 09/18/26	4.24
RUSSIA 5.1 03/28/35	3.94
BTPS 3.85 09/01/49	3.84
SPGB 2.7 10/31/48	3.77



Duration Breakdown	% of Total
Cash	5.85
Repo Instruments	-17.20
Reverse Repo Instruments	0.00
0 - 1 years	16.78
1 - 3 years	14.27
3 - 5 years	15.48
5 - 7 years	14.18
7 - 10 years	12.76
10+ years	37.87



Rating Breakdown	% of Total
Cash	5.85
Repo Instruments	-17.20
Reverse Repo Instruments	0.00
AAA	10.22
AA	0.00
A	6.06
BBB	45.40
BB	14.23
B	28.80
CCC	1.50
CC	0.00
C	0.00
D	0.09
NR	5.05

	Nov 18	Dec 18	Jan 19	Feb 19	Mar 19	Apr 19	May 19	Jun 19	Jul 19	Aug 19	Sep 19	Oct 19
CEE	10.9%	6.8%	6.1%	8.3%	7.9%	16.2%	8.5%	21.5%	15.8%	13.1%	3.8%	3.9%
Russia/CIS	20.6%	27.5%	27.1%	23.4%	32.4%	28.1%	26.4%	34.2%	27.5%	25.9%	25.9%	25.4%
MENA	30.2%	29.3%	32.1%	30.7%	25.8%	19.8%	33.4%	11.3%	9.9%	8.5%	7.9%	7.8%
SSA	18.7%	20.3%	24.3%	28.3%	25.3%	26.4%	14.1%	19.8%	16.4%	14.4%	10.8%	13.2%
Asia	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.3%	4.2%	4.1%	0.6%	3.8%
LATAM	10.2%	7.6%	8.7%	7.7%	7.2%	7.8%	15.8%	4.2%	4.0%	3.8%	8.4%	4.9%
Other	9.4%	9.3%	1.6%	1.6%	1.5%	1.8%	1.8%	3.7%	22.2%	30.4%	42.6%	41.0%
Total	100.0%	100.7%	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 past 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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