

# Emerging Markets Bond Fund

Information as at: 30 October 2020

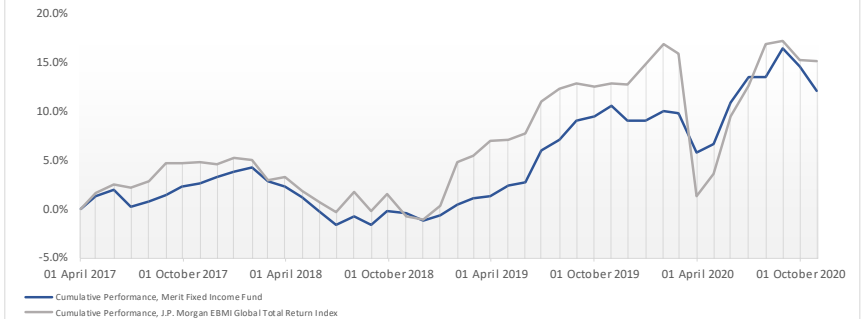
## KEY FACTS

Asset Class	Fixed Income
Category	Global Emerging Markets bond
Investment manager	MeritKapital
Total Fund Assets, USD	\$42,536,009
A USD class, USD	\$42,536,009
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

## 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	YTD	SI
MeritKapital Fixed Income Fund - A Shares USD	-2.11%	2.81%	12.13%
J.P. Morgan EMBI Global Total Return Index	-0.12%	0.25%	15.13%

Share Class performance of -2.11% is calculated on a Net Asset Value (NAV) basis, net of fees.

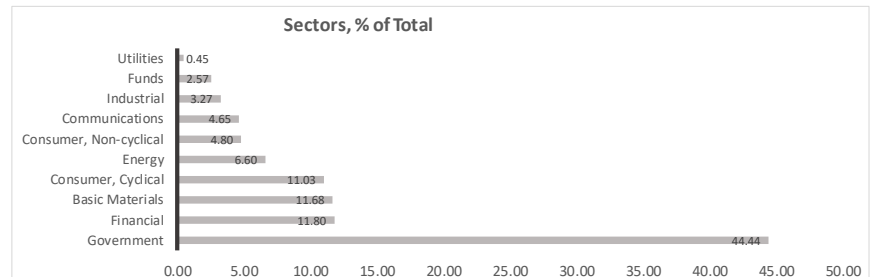
Total gross performance for October 2020 is -2.03%

\*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 fund returned -2.11% in the month of October taking year to date (YTD) returns lower to 2.81% as the risky asset component of the fund continued to sell off. The selloff gained momentum in particular during the last week of the month as the second wave of contagion triggered major European countries to reinforce underlying lockdown measures. Additionally, the presidential campaign was in its final stretch and the underlying prelection angst was also pressuring high beta valuations lower. Lastly, the stimulus negotiations between the republicans and the democrats were also adding volatility to the markets as there were politics in play prior to the elections where one party juggled the interests of the others and kept investors on their feet although the likelihood of an agreement was seen as slim. Although the market was captured by a risk off sentiment we saw the yield curve steepen in light of election result predictions where by a BLUE sweep was the likeliest scenario that would result in the biggest fiscal stimulus (3TR\$). On the European front, the 3rd quarter GDP rebounded more than expected (12.7%) but the renewed lockdown and the meagre inflation (-0.3%, YOY) led the ECB to hint towards more stimulus at its upcoming meeting in December.

Biggest losers on the fund was the equity stocks particularly energy, travel and restaurants which were impacted by the European lockdown news and fears that such measures would take hold in the US, as a second wave is imminent there also and especially as a prospective Blue government would implement more prudent measures to tackle the virus. We saw banking stocks react positively to the steepening of the US yield curve as the positively inclining curve of short to long term rates would benefit the financial sector. The fixed income section of the fund held up considerably well especially the European peripheral papers that were prying in further easing from the ECB.



## MINIMUM INVESTMENT

Share class	
A USD	\$50,000

## FUND CHARACTERISTIC

Credit Rating	BB+
Modified Duration	10.06 years
Yield to Worst	4.38%
Fixed Income	63.27%
Equity	38.02%
Cash	0.98%
Repo Instruments	-2.27%
Reverse Repo Instruments	0.00%

## COMPOSITION OF THE FUND

Sectors	% of Total
Government	44.44
Financial	11.80
Basic Materials	11.68
Consumer, Cyclical	11.03
Energy	6.60
Consumer, Non-cyclical	4.80
Communications	4.65
Industrial	3.27
Funds	2.57
Utilities	0.45

Country	% of Total
United States	24.84
Greece	10.79
Russian Federation	8.13
Italy	6.66
Germany	5.55
Cyprus	5.47
United Kingdom	4.61
Angola	4.49
Saudi Arabia	4.38
Nigeria	3.90
Other	22.47

Currency Break-Down	% of Total
USD	85.00
EUR	10.71
GBP	4.29

## MANAGEMENT TEAM

Portfolio Manager	MeritKapital Ltd
Investment Advisor	Persella Ioannides

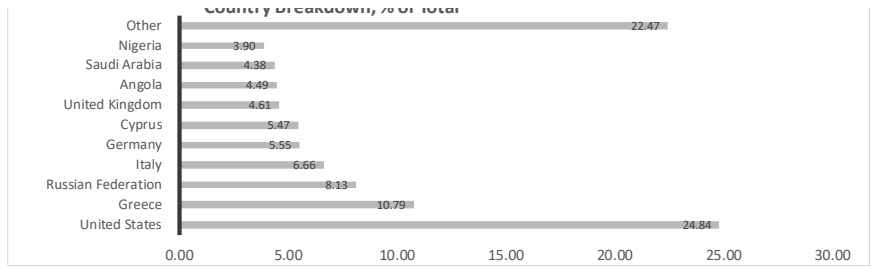
info@meritfixed.com  
www.meritkapital.com

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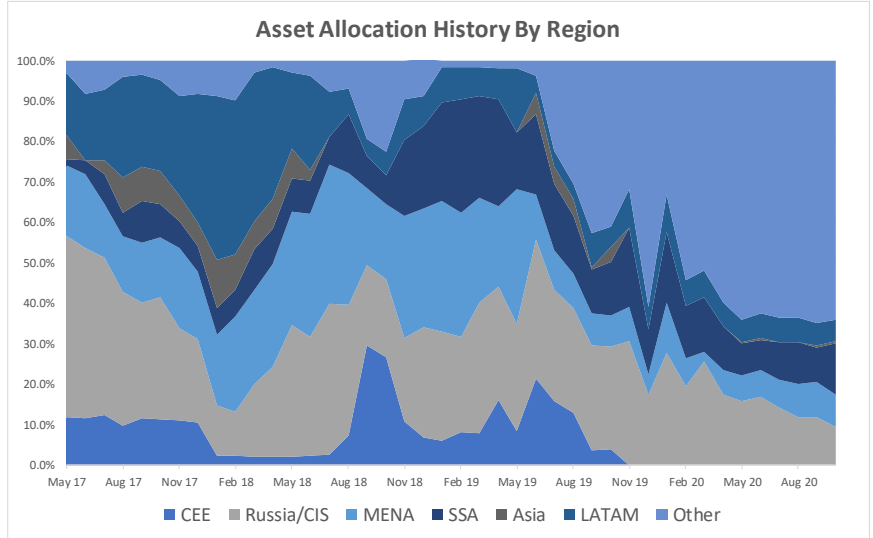
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GGB 1 7/8 02/04/35	6.53
CYPRUS 1 1/4 01/21/40	5.47
BTPS 1.7 09/01/51	5.32
T 2 3/8 05/15/29	4.44
RDSA NA	3.29
GGB 2 04/22/27	3.14
DD US	2.79
KSA 4 1/2 04/22/60	2.71
FBNNL 8 5/8 10/27/25	2.64
SBUX US	2.56



	% of Total
Cash	0.98
Repo Instruments	-2.27
Reverse Repo Instruments	0.00
Equity	38.02
0 - 1 years	1.78
1 - 3 years	4.66
3 - 5 years	12.28
5 - 7 years	6.04
7 - 10 years	13.59
10+ years	24.93



	% of Total
Cash	0.98
Repo Instruments	-2.27
Reverse Repo Instruments	0.00
AAA	4.44
AA	6.24
A	15.20
BBB	22.51
BB	23.92
B	18.38
CCC	5.61
CC	0.00
C	0.00
D	0.04
NR	4.95

	Nov 19	Dec 19	Jan 20	Feb 20	Mar 20	Apr 20	May 20	Jun 20	Jul 20	Aug 20	Sep 20	Oct 20
CEE	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Russia/CIS	30.6%	17.5%	27.9%	19.7%	25.7%	17.6%	15.9%	16.8%	14.2%	11.9%	12.0%	9.6%
MENA	8.6%	4.9%	12.3%	6.8%	2.4%	6.1%	6.2%	6.7%	6.9%	8.2%	8.6%	7.9%
SSA	19.7%	11.3%	17.4%	12.9%	13.4%	10.9%	8.0%	7.5%	9.4%	10.4%	8.6%	12.7%
Asia	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	0.4%	0.0%	0.0%	0.6%	0.5%
LATAM	9.5%	5.6%	9.3%	6.4%	6.6%	5.6%	5.5%	6.0%	6.1%	5.9%	5.6%	5.3%
Other	31.6%	60.7%	33.1%	54.2%	51.9%	59.9%	64.0%	62.5%	63.4%	63.6%	64.7%	64.0%
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%

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## Contact

Contact  
 EFTAPATON COURT, 2nd Floor  
 256 Makarios Ave., Limassol , Cyprus  
 P.O Box 53180, CY-3301, Limassol, Cyprus  
 Tel.: +357 25 857 900  
 Fax: +357 25 340 327

info@meritfixed.com  
[www.meritkapital.com](http://www.meritkapital.com)  
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