

Emerging Markets Bond Fund

Information as at: 31 December 2020

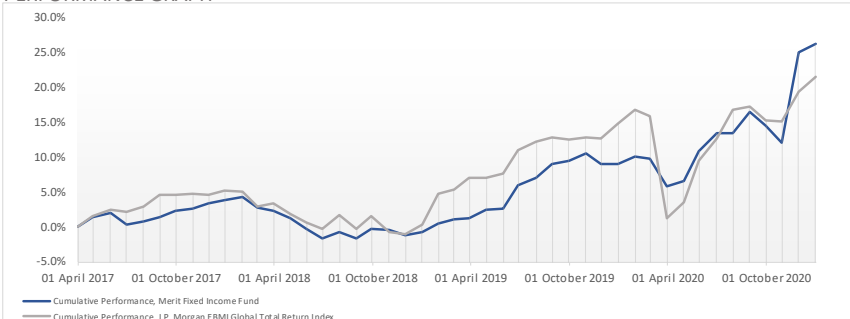
KEY FACTS

Asset Class	Fixed Income
Category	Global Emerging Markets bond
Investment manager	MeritKapital
Total Fund Assets, USD	\$47,273,994
A USD class, USD	\$47,273,994
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	0.96%	15.80%	26.30%
J.P. Morgan EMBI Global Total Return Index	1.79%	5.88%	21.59%

Share Class performance of 0.96% is calculated on a Net Asset Value (NAV) basis, net of fees.

Total gross performance for December 2020 is 1.40%

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

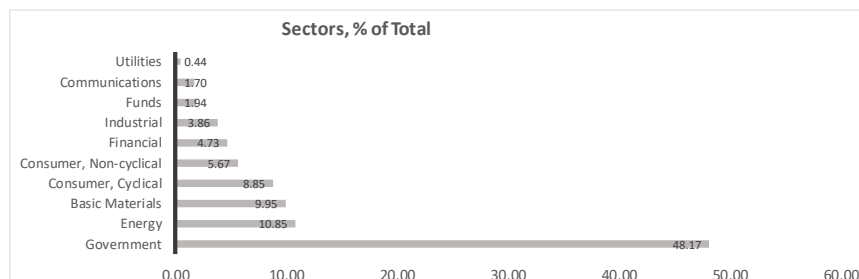
FUND COMMENTS

The fund returned a solid 0.96% for the month of December to end the year at a stellar 15.80% return. Risky assets continued their upward trajectory on the positive vaccine news and as the US and the UK had already begun their vaccination processes. Additionally, another driver to the positive momentum, was the passing of the long-awaited fiscal stimulus in the US after a lengthy negotiation process in congress. Turning over to Europe the post-Brexit trade agreement had also finally come into fruition.

Global central banks continue their dovish rhetoric and supportive monetary policy stance with indications that these will stay in place for the considerable future. As expected, the ECB increased the size of its planned asset purchases by EUR 500 billion to EUR 1,850 billion and extended the horizon over which it will make these purchases by nine months to the end of March 2022. The caveat was added that purchases can be terminated early, if no longer needed, or extended, if needed, which helped to cap bond yields going into year end. This helped to keep bond yields down in the eurozone going into the new year, despite the expected large amount of gross government bond supply due to pandemic relief programs.

Forward looking into 2021, the outlook still remains murky as the COVID outbreak took a turn for the worse in the past quarter of 2020 and with most of Europe and parts of the US in lockdown state. Additionally, a new variant of the virus was identified in the UK and South Africa that seems to be more contagious and thus burdens the healthcare systems further. Thus far, research from vaccine producers suggests that the vaccines can protect against the new mutation but there is no certainty of such or that another mutation will be necessarily covered going forward. This implies that the turnaround to global economic recovery may take longer than expected. Still support mechanisms from central banks will remain in place to back unforeseen economic pullbacks.

The fund realized a decent amount of profits in both the fixed income and equity holdings in November to crystallize the good returns for the year. Similarly, December was not a particularly active turnover month. The portfolio manager remains bullish on the growth to value rotation trade as the recovery from the pandemic continues. Similarly, oil should continue trending higher and benefit the much "beaten down" oil majors contained in the fund. Emerging market bonds are also amongst the winners of next year's outlook with core rates tied down by the monetary policy stimuli and amidst a weakening dollar.



MINIMUM INVESTMENT

Share class	
A USD	\$50,000

FUND CHARACTERISTIC

Credit Rating	BB+
Modified Duration	11.06 years
Yield to Worst	2.53%
Fixed Income	64.57%
Equity	31.59%
Cash	19.48%
Repo Instruments	-15.64%
Reverse Repo Instruments	0.00%

COMPOSITION OF THE FUND

Sectors	% of Total
Government	48.17
Energy	10.85
Basic Materials	9.95
Consumer, Cyclical	8.85
Consumer, Non-cyclical	5.67
Financial	4.73
Industrial	3.86
Funds	1.94
Communications	1.70
Utilities	0.44

Country	% of Total
United States	16.72
Russian Federation	15.15
Italy	12.28
Greece	11.03
United Kingdom	7.66
Cyprus	5.59
Netherlands	4.33
Germany	3.69
SNAT	3.54
Brazil	2.71
Other	13.46

Currency Break-Down	% of Total
USD	76.51
EUR	12.02
GBP	7.40
RUB	4.07

MANAGEMENT TEAM

Portfolio Manager	MeritKapital Ltd
Investment Advisor	Persella Ioannides

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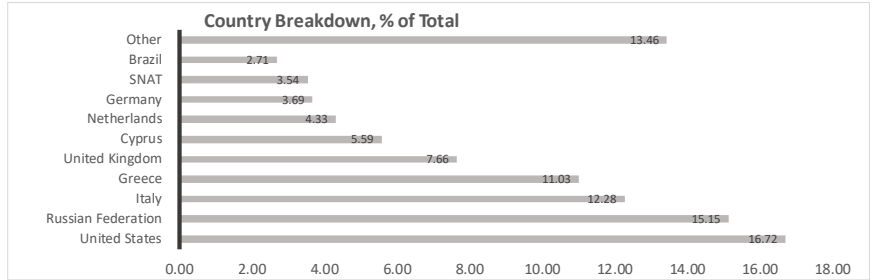
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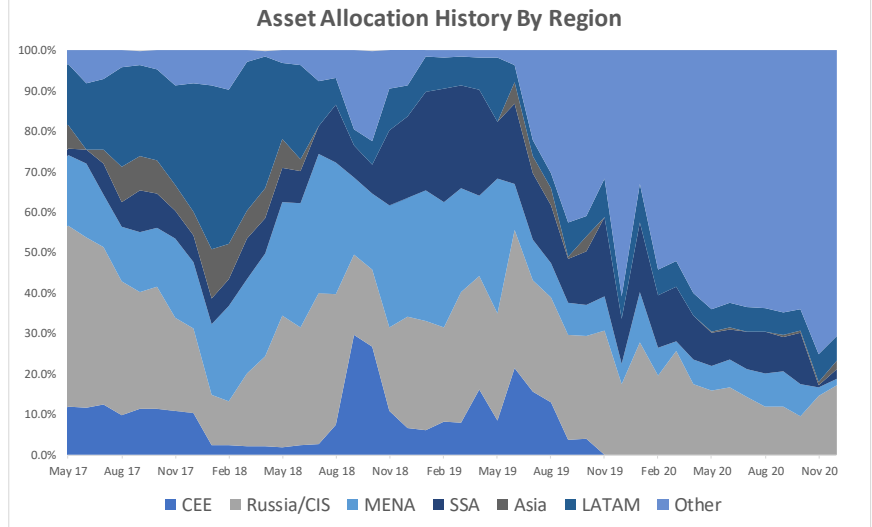
Top 10 Holdings

	% of Total
BTPS 1.7 09/01/51	10.93
GGB 1 7/8 02/04/35	6.64
CYPRUS 1 1/4 01/21/40	5.59
RDSA NA	4.33
T 2 3/8 05/15/29	4.12
EU 0 07/04/35	3.54
BP/ LN	3.21
GGB 2 04/22/27	3.14
RUSSIA 1.85 11/20/32	2.58
CREAL 5 02/01/27	2.19



Duration Breakdown

	% of Total
Cash	19.48
Repo Instruments	-15.64
Reverse Repo Instruments	0.00
Equity	31.59
0 - 1 years	1.69
1 - 3 years	4.28
3 - 5 years	8.56
5 - 7 years	7.27
7 - 10 years	13.50
10+ years	29.28



Rating Breakdown

	% of Total
Cash	19.48
Repo Instruments	-15.64
Reverse Repo Instruments	0.00
AAA	4.12
AA	9.30
A	8.54
BBB	25.27
BB	26.74
B	10.31
CCC	3.52
CC	0.00
C	0.00
D	0.04
NR	8.33

	Jan 20	Feb 20	Mar 20	Apr 20	May 20	Jun 20	Jul 20	Aug 20	Sep 20	Oct 20	Nov 20	Dec 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	27.9%	19.7%	25.7%	17.6%	15.9%	16.8%	14.2%	11.9%	12.0%	9.6%	14.7%	17.2%
MENA	12.3%	6.8%	2.4%	6.1%	6.2%	6.7%	6.9%	8.2%	8.6%	7.9%	2.1%	1.7%
SSA	17.4%	12.9%	13.4%	10.9%	8.0%	7.5%	9.4%	10.4%	8.6%	12.7%	0.4%	2.4%
Asia	0.0%	0.0%	0.0%	0.0%	0.5%	0.4%	0.0%	0.0%	0.6%	0.5%	0.7%	2.2%
LATAM	9.3%	6.4%	6.6%	5.6%	5.5%	6.0%	6.1%	5.9%	5.6%	5.3%	7.0%	5.9%
Other	33.1%	54.2%	51.9%	59.9%	64.0%	62.5%	63.4%	63.6%	64.7%	64.0%	75.1%	70.7%
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 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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