

# Emerging Markets Bond Fund

Information as at: 31 January 2019

## KEY FACTS

Asset Class  
Category

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

Performance Benchmark

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

Fixed Income  
Global Emerging Markets  
bond

MeritKapital  
\$37,470,137  
\$37,470,137  
01/09/2016  
01/04/2017

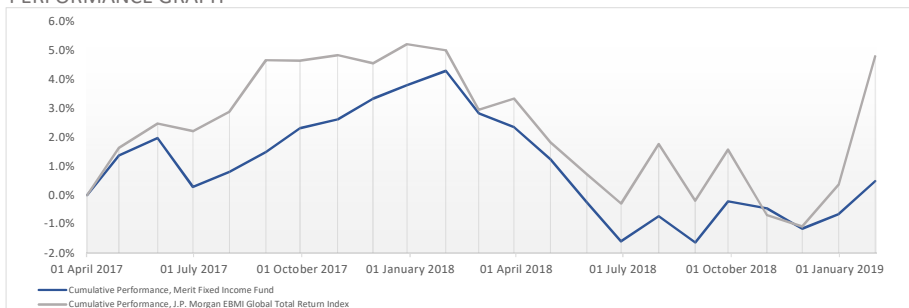
J.P. Morgan EMBI Global  
Total Return Index  
CYF000000200

Cyprus  
AIF-LNP  
MERFXPT CY  
USD  
0.75%  
15%  
3%  
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	1.14%	1.14%	0.48%
J.P. Morgan EMBI Global Total Return Index	4.42%	4.42%	4.80%

Share Class performance of 1.14% is calculated on a Net Asset Value (NAV) basis, net of fees.

Total gross performance for January 2019 is 1.34%

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

## FUND COMMENTS

January was a very strong month for financial markets in general. US main indices rallied by an average of 10% after slumping for the previous two months of November and December. Emerging markets (EM) followed suit as EM ETF inflows surged to 7BNS in January and there was thus a lot of liquidity to be employed. As noted in our December fact sheet, a driver to this bullish sentiment is the expected weakening of the US\$ following the slower pace of monetary policy tightening of the US FED and the lower level of the 10-year treasury yields that closed well below the feared 3% hurdle to 2.685% at month end. As such, credit spreads narrowed especially as valuations in the EM space reached attractive levels following the November sell off. Certain events within the EM space also helped the market trade higher.

Primarily, the recognition by the US, Canada and a majority of Latin American countries of opposition leader, Juan Guaido, as interim president of Venezuela triggered a rally in the underlying sovereign and PDVSA credit as the likelihood of a regime change came closer to a realization; PDVSA credit traded on average 60-70% up for the month while VENZ SOVS about 30-40% up. Secondly, it was confirmed that sanctions on the world's second largest aluminum producer RUSAL would be lifted following a shareholdership reshuffle whereby Deripaska divested his majority shareholdership. This factor coupled with the oil rebound triggered a rally in Russian credit. Oil and attractive valuations also pushed Sub Saharan credit considerably higher while Turkish debt was also very much in demand as the political standoff with the States subdued further and as the USDTRY remained at 5.28 for month end.

The fund performed 1.14% for the month of January versus the benchmark index return of 4.42%. Outperformers in the fund were Turkish banks, a small allocation in PDVSA 24, OMAN 47 which was oversold in December and some other commodity linked paper including Nigerian banks. We increased our allocation to Russia with some short dated ALRSRU 20 and EVRAZ 20 while we also added a small clip in RUSAL (RUALRU 22). SBERRU 24 as expected announced they will call the bond in the month of February. We switched GHANA 26 to NERIA 21 to decrease duration and still maintain an attractive yield.

## MINIMUM INVESTMENT

Share class  
A USD

BB  
1.65 years  
4.62%  
10.56%  
0.00%  
0.19%

## FUND CHARACTERISTIC

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

## COMPOSITION OF THE FUND

Sectors	% of Total
Government	33.72
Financial	32.77
Energy	4.56
Consumer, Non-cyclical	3.88
Basic Materials	8.94
Communications	4.02
Industrial	1.36
Utilities	0.00
Consumer, Cyclical	0.00

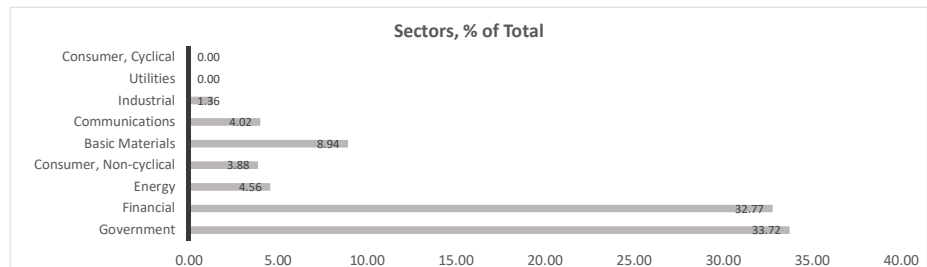
Country	% of Total
Russian Federation	29.13
Nigeria	14.61
Turkey	10.65
Cyprus	4.94
Oman	4.08
Bahrain	4.03
Kenya	3.96
South Africa	2.72
Argentina	2.67
United Arab Emirates	2.64
Other	9.82

Currency Break-Down	% of Total
USD	89.33
EUR	10.67
GBP	0.00

## MANAGEMENT TEAM

Portfolio Manager  
Investment Advisor

MeritKapital Ltd  
Persella Ioannides



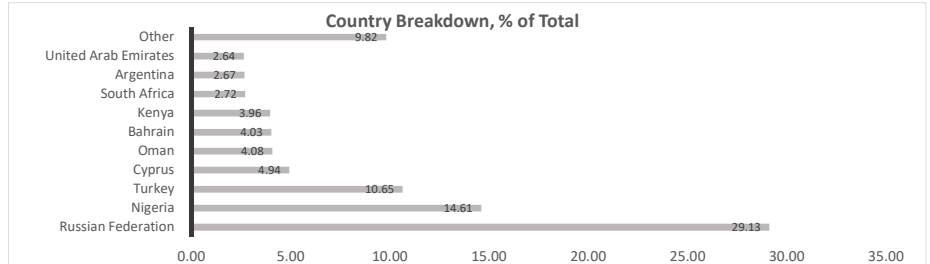
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### Top 10 Holdings

	% of Total
SBERRU 5 1/2 02/26/24	6.69
RUSSIA 5 04/29/20	5.40
OMAN 6 1/2 03/08/47	4.08
BHRAIN 5 1/2 03/31/20	4.03
VIP 5.2 02/13/19	4.02
KENINT 5 7/8 06/24/19	3.96
BOCYCY 9 1/4 01/19/27	3.30
ZENITH 6 1/4 04/22/19	3.20
ALRSRU 7 3/4 11/03/20	2.81
SOAF 5 1/2 03/09/20	2.72

### % of Total



### Duration Breakdown

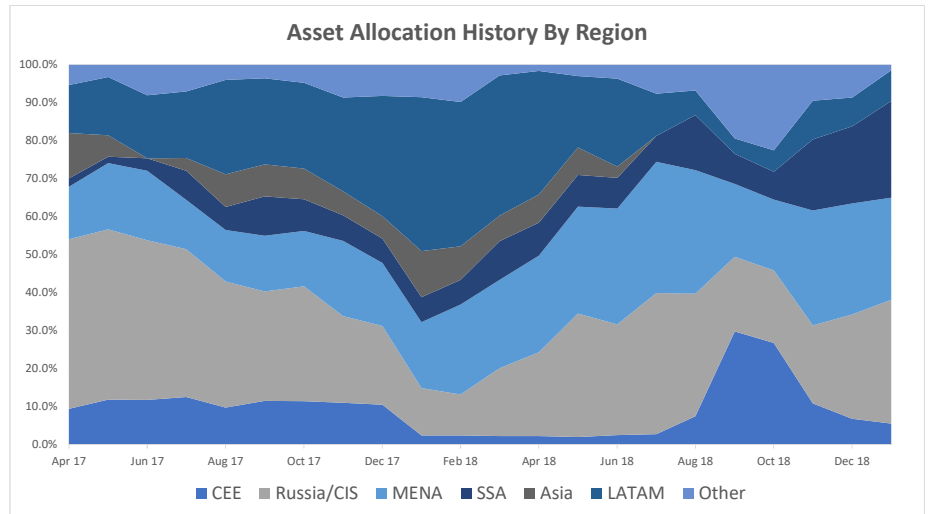
	% of Total
Cash	10.56
Repo Instruments	0.00
Reverse Repo Instruments	0.19
0 - 1 years	46.74
1 - 3 years	31.05
3 - 5 years	5.34
5 - 7 years	0.60
7 - 10 years	1.45
10+ years	4.08

### % of Total

### Rating Breakdown

	% of Total
Cash	10.56
Repo Instruments	0.00
Reverse Repo Instruments	0.19
AAA	2.51
AA	0.00
A	3.92
BBB	10.75
BB	38.54
B	23.32
CCC	9.88
CC	0.00
C	0.00
D	0.33

### % of Total



	Feb 18	Mar 18	Apr 18	May 18	Jun 18	Jul 18	Aug 18	Sep 18	Oct 18	Nov 18	Dec 18	Jan 19
CEE	2.4%	2.2%	2.2%	2.0%	2.5%	2.7%	7.5%	29.8%	26.7%	10.9%	6.8%	5.5%
Russia/CIS	10.8%	17.9%	22.1%	32.6%	29.2%	37.2%	32.2%	19.7%	19.2%	20.6%	27.5%	32.6%
MENA	23.6%	23.3%	25.4%	28.1%	30.5%	34.5%	32.6%	19.2%	18.6%	30.2%	29.3%	26.9%
SSA	6.5%	10.2%	8.7%	8.4%	8.1%	6.9%	14.5%	7.9%	7.3%	18.7%	20.3%	25.5%
Asia	8.8%	6.8%	7.4%	7.2%	2.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
LATAM	38.1%	37.0%	32.6%	18.8%	23.2%	11.1%	6.5%	4.1%	5.7%	10.2%	7.6%	8.0%
Other	9.7%	2.8%	1.5%	2.9%	3.6%	7.6%	6.7%	19.3%	22.4%	9.4%	8.6%	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

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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  
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