

# Emerging Markets Bond Fund

Information as at: 31 March 2020

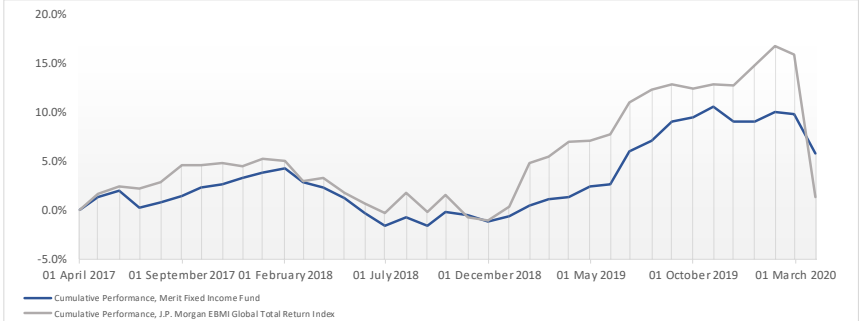
## KEY FACTS

Asset Class	Fixed Income
Category	Global Emerging Markets bond
Investment manager	MeritKapital
Total Fund Assets, USD	\$40,126,966
A USD class, USD	\$40,126,966
Fund Inception Date	01/09/2016
Strategy Inception Date	01/04/2017
Performance Benchmark	J.P. Morgan EMBI Global Total Return Index
ISIN	CYF00000200
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 leverage 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	-3.66%	-3.00%	5.79%
J.P. Morgan EMBI Global Total Return Index	-12.55%	-13.27%	1.33%

Share Class performance of -3.66% is calculated on a Net Asset Value (NAV) basis, net of fees.

Total gross performance for March 2020 is -3.55%

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

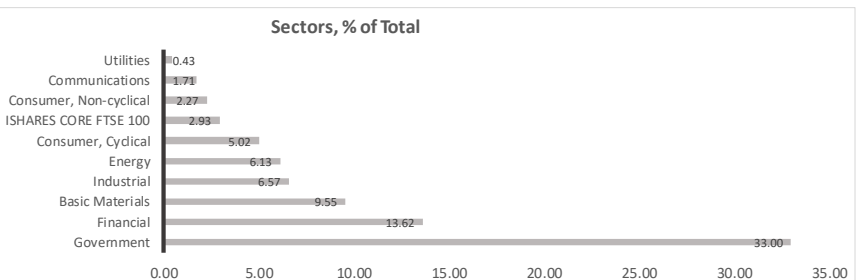
## FUND COMMENTS

March was a very challenging month for global financial markets as the WHO officially declared COVID19 as a pandemic and the predominant part of Europe and hotspots in the US such as New York incorporated strict lockdown measures putting much of the developed economy at a halt. In effect, recession fears began to price in across most asset classes including fixed income, equities, commodities (in particular oil). The OPEC+ met on March 6th in order to agree on supply cuts but instead the outcome was a spat between Saudi Arabia and Russia which led to Saudi Arabia instigating increases in output instead across the UAE, Nigeria amongst other commodity producers.

This scenario drove the equity and credit markets even lower with panic selling of any financial instruments that could be easily liquidated which brought a huge distortion in valuations. The US Fed and other global central banks as well as governments responded with significant stimulus measures which successfully calmed the financial markets and restored liquidity to a degree. Additionally, towards the end of the month the US acted as a mediator between Saudi Arabia and Russia that brought the two back to the OPEC+ negotiating table to re-discuss the output cuts. 23 nations agreed to an unprecedented 9.7million barrel cut per day from the 1<sup>st</sup> of May till the end of June.

Global equity indices bounced up on average 20% month to date from March lows to still maintain the year to date figure significantly lower; European indices some 22% lower on average while the US on average 15% lower both year to date. The fund was down 3.66% for the month of March versus the benchmark's index 12.55% decline while the equity markets were on average -13% (S&P 500), -14%(FTSE 100), -16%(DAX). Given the steep sell off in the equity markets the team took a strategic decision to allocate 18% of the fund across a diversified pool of equities which benefited from the respective rebound. The fixed income allocations were little changed.

Market analysts seem to continue to see a steep recovery in the global economy although the prospect now leans more towards a U-Shaped rather than a V-Shaped recovery. Finally, if the virus situation is contained through mass testing and sophisticated contact tracing amongst other measures, the amount of monetary and fiscal stimuli that is incorporated in the markets is so significant that a subsequent bull market could very much be in play.



## MINIMUM INVESTMENT

Share class	
A USD	\$50,000

## FUND CHARACTERISTIC

Credit Rating	BB+
Modified Duration	5.01 years
Yield to Worst	5.25%
Fixed Income	63.57%
Equity	17.66%
Cash	21.93%
Repo Instruments	-4.88%
Reverse Repo Instruments	1.72%

## COMPOSITION OF THE FUND

Sectors	% of Total
Government	33.00
Financial	13.62
Basic Materials	9.55
Industrial	6.57
Energy	6.13
Consumer, Cyclical	5.02
ISHARES CORE FTSE 100	2.93
Consumer, Non-cyclical	2.27
Communications	1.71
Utilities	0.43

## Country

Country	% of Total
Russian Federation	19.81
United States	10.75
Italy	9.04
Nigeria	8.74
Greece	6.93
United Kingdom	5.97
Cyprus	3.71
Brazil	2.29
Germany	2.25
France	2.13
Other	9.61

## Currency Break-Down

Currency	% of Total
USD	85.92
EUR	8.11
GBP	5.97

## MANAGEMENT TEAM

Portfolio Manager	MeritKapital Ltd
Investment Advisor	Persella Ioannides

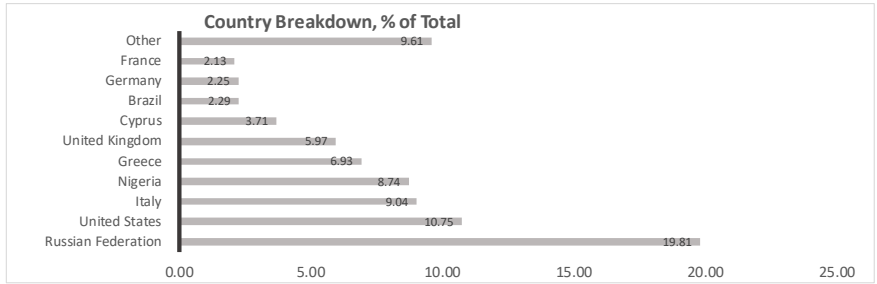
[info@meritfixed.com](mailto:info@meritfixed.com)
[www.meritkapital.com](http://www.meritkapital.com)

For Professional Client Use Only

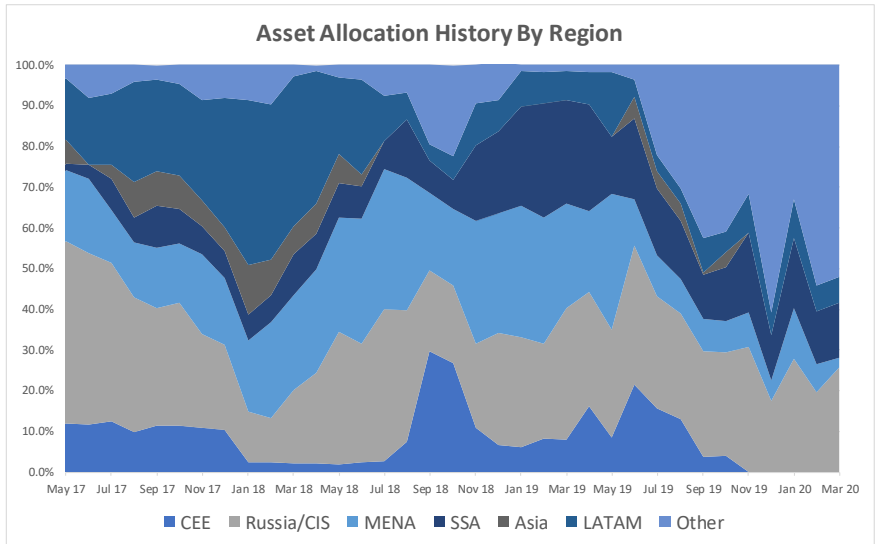
# Emerging Markets Bond Fund

Information as at: 31 March 2020

Top 10 Holdings	% of Total
BTPS 2.15 12/15/21	7.84
GGB 1 7/8 02/04/35	6.07
RUSSIA 5 04/29/20	4.86
T 2 3/8 05/15/29	4.84
TRUBRU 4.3 02/12/27	4.25
ACCESS 10 1/2 10/19/21	4.07
CYPRUS 1 1/4 01/21/40	3.71
BP/ LN	3.04
ISF LN	2.93
FIDBAN 10 1/2 10/16/22	2.41



Duration Breakdown	% of Total
Cash	21.93
Repo Instruments	-4.88
Reverse Repo Instruments	1.72
Equity	17.66
0 - 1 years	11.44
1 - 3 years	20.30
3 - 5 years	6.73
5 - 7 years	6.27
7 - 10 years	9.05
10+ years	9.78



Rating Breakdown	% of Total
Cash	21.93
Repo Instruments	-4.88
Reverse Repo Instruments	1.72
AAA	4.84
AA	3.29
A	5.93
BBB	26.74
BB	15.15
B	21.40
CCC	0.86
CC	0.00
C	0.00
D	0.08
NR	2.93

	Apr 19	May 19	Jun 19	Jul 19	Aug 19	Sep 19	Oct 19	Nov 19	Dec 19	Jan 20	Feb 20	Mar 20
CEE	16.2%	8.5%	21.5%	15.8%	13.1%	3.8%	3.9%	0.0%	0.0%	0.0%	0.0%	0.0%
Russia/CIS	28.1%	26.4%	34.2%	27.5%	25.9%	25.9%	25.4%	30.6%	17.5%	27.9%	19.7%	25.7%
MENA	19.8%	33.4%	11.3%	9.9%	8.5%	7.9%	7.8%	8.6%	4.9%	12.3%	6.8%	2.4%
SSA	26.4%	14.1%	19.8%	16.4%	14.4%	10.8%	13.2%	19.7%	11.3%	17.4%	12.9%	13.4%
Asia	0.0%	0.0%	5.3%	4.2%	4.1%	0.6%	3.8%	0.0%	0.0%	0.0%	0.0%	0.0%
LATAM	7.8%	15.8%	4.2%	4.0%	3.8%	8.4%	4.9%	9.5%	5.6%	9.3%	6.4%	6.6%
Other	1.8%	1.8%	3.7%	22.2%	30.4%	42.6%	41.0%	31.6%	60.7%	33.1%	54.2%	51.9%
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 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.

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)  
 For Professional Client Use Only