

# Emerging Markets Bond Fund

Information as at: 30 April 2019

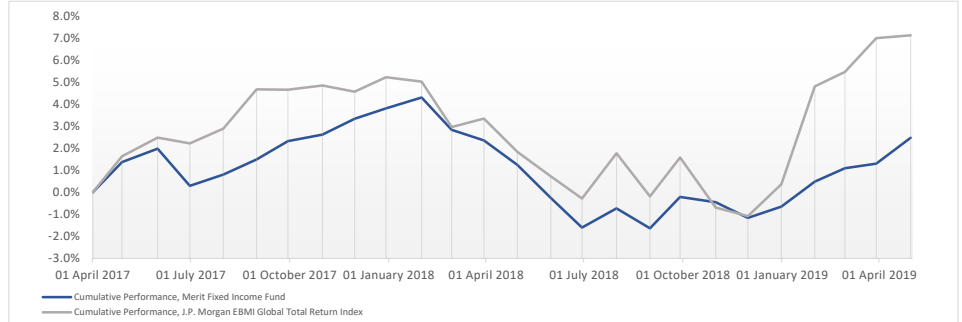
## KEY FACTS

Asset Class	Fixed Income
Category	Global Emerging Markets bond
Investment manager	MeritKapital
Total Fund Assets, USD	\$38,212,711
A USD class, USD	\$38,212,711
Fund Inception Date	01/09/2016
Strategy Inception Date	01/04/2017
Performance Benchmark	J.P. Morgan EMBI Global Total Return Index CYF000000200
ISIN	Cyprus AIF-LNP MERFXPT CY
Fund Domicile	USD
Fund Type	0.75%
Bloomberg Ticker	15%
Base currency	3%
Management fee	Monthly
Performance fee	
Hurdle rate	
Liquidity	

## 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	1.16%	3.14%	2.47%
J.P. Morgan EMBI Global Total Return Index	0.12%	6.72%	7.11%

Share Class performance of 1.16% is calculated on a Net Asset Value (NAV) basis, net of fees.

Total gross performance for April 2019 is 1.25%

\*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 April continued to perform well for MFIF (the "Fund") taking its performance to 1.16% versus the benchmark 0.12%. Following a completion of the local elections in Turkey and a decent recovery in the underlying space, we took an opportunity to divest some positions at a profit that were otherwise adding unnecessary volatility. These include CCOLAT 24, MERSIN 20 and HALKBK 19, HALKBK 20. This takes our allocation in Turkey from 7.69% down to a mere 2.30%.

Other notable happenings for the month include Cyprus's rather unexpected revisit to the primary markets after the recent 15-year new issue of 1bn (EUR), with new 5-year and 30-year notes. The fund participated in the new 30-year bond which closed +1PT above reoffer at month end. Amidst meagre growth in Europe and an accommodative ECB, European periphery paper continues to perform well with ROMANIA 49 +5PT while CYPBUS 34 traded +2PT month on month.

Oil (WTI) also traded strong during the month of April reaching a 5-month high of 66.30\$/barrel before retreating to 63\$/barrel by month end, after president Trump said he called OPEC and asked the group to control fuel costs.

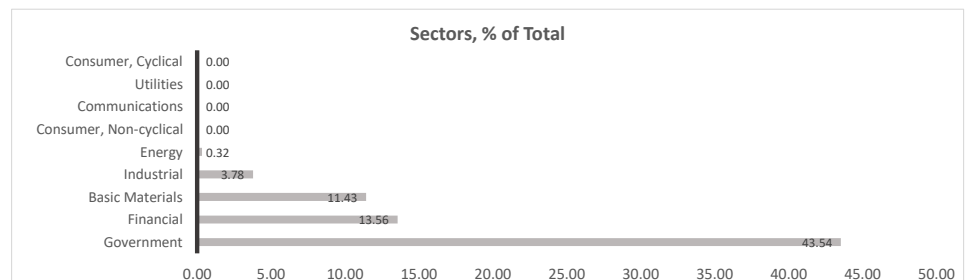
Still, the Fund's holdings in commodity producing countries such as Russia, Nigeria and Oman all traded considerably higher. RUSSIA 35, the new issue which the fund added in March closed the month +2PT, while OMAN 47 +2PT. The Omani credit has been finally well bid on the back of stronger oil, its fairer pricing relative to the comparable Bahrain sovereign curve and on S&P's statement that in the instance of financial stress it would receive support from other GCC countries.

Finally, another positive trade of the fund for the month was the participation in Brazilian steel producer CSNABZ which, as we expected, was recently upgraded by Moody's. This was mainly driven by the issuer's continued efforts to improve its liquidity structure by renegotiating bank loans, tendering to reissue notes to meet necessary refinance needs and by improving its balance sheet through asset divestments. CSNABZ 23 closed the month +1PT.

Elsewhere in the Emerging Markets (EM), Argentina has been the story making negative headlines predominantly due to the uncertainty of the upcoming October elections and the possibility of Macri losing to Kirchner amidst a faltering economy and high inflation of 55%. The fund has no current positions in Argentina as all positions were short dated and have matured.

Looking into the month ahead possible risks that may drag on EM are the US China trade wars whose positive rhetoric took on a different toll in the first week of April with Trump increasing tariffs from 10 to 25% on 250bn\$ worth of goods while trade negotiations continue. Turkey will continue to add volatility to the EM space with President Erdogan asking for a re-run of the Istanbul mayoral elections.

Meanwhile, the US Fed's ongoing stance will continue to be on everyone's watch as the markets expect a non-event that is neither too dovish, given high equity market levels, nor too hawkish, given the dollar strength and the weak inflation figures.



## MINIMUM INVESTMENT

Share class	
A USD	\$50,000

## FUND CHARACTERISTIC

Credit Rating	BB
Modified Duration	4.70 years
Yield to Worst	4.28%
Cash	18.26%
Repo Instruments	-0.85%
Reverse Repo Instruments	9.96%

## COMPOSITION OF THE FUND

Sectors	% of Total
Government	43.54
Financial	13.56
Basic Materials	11.43
Industrial	3.78
Energy	0.32
Consumer, Non-cyclical	0.00
Communications	0.00
Utilities	0.00
Consumer, Cyclical	0.00

## Country

Country	% of Total
Russian Federation	20.39
Nigeria	10.59
Cyprus	8.01
Oman	4.18
Brazil	4.02
Kenya	3.94
Bahrain	3.91
Romania	3.76
South Africa	2.62
Turkey	2.30
Other	8.91

## Currency Break-Down

Currency	% of Total
USD	99.45
EUR	0.55
GBP	0.00

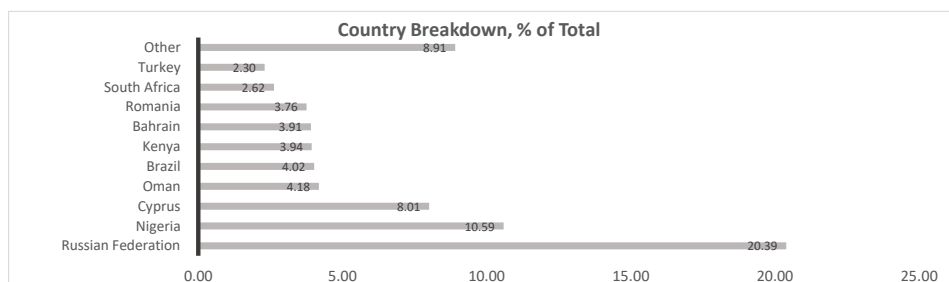
## MANAGEMENT TEAM

Portfolio Manager	MeritKapital Ltd
Investment Advisor	Persella Ioannides

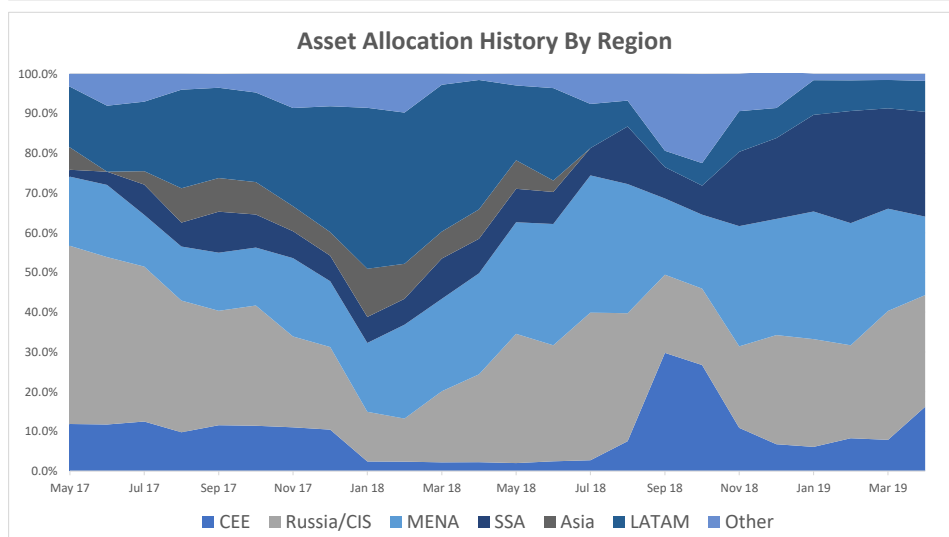
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Top 10 Holdings	% of Total
RUSSIA 5 04/29/20	5.23
CYPRUS 2 3/4 02/26/34	5.14
OMAN 6 1/2 03/08/47	4.18
KENINT 5 7/8 06/24/19	3.94
BHRAIN 5 1/2 03/31/20	3.91
ROMANI 4 5/8 04/03/49	3.76
CYPRUS 2 3/4 05/03/49	2.87
NGERIA 6 3/4 01/28/21	2.70
ACCESS 9 1/4 06/24/21	2.67
RUSSIA 5.1 03/28/35	2.67



Duration Breakdown	% of Total
Cash	18.26
Repo Instruments	-0.85
Reverse Repo Instruments	9.96
0 - 1 years	32.71
1 - 3 years	13.34
3 - 5 years	5.43
5 - 7 years	0.56
7 - 10 years	1.42
10+ years	19.17



Rating Breakdown	% of Total
Cash	18.26
Repo Instruments	-0.85
Reverse Repo Instruments	9.96
AAA	1.28
AA	0.00
A	1.26
BBB	15.42
BB	25.38
B	19.17
CCC	9.79
CC	0.00
C	0.00
D	0.32

	May 18	Jun 18	Jul 18	Aug 18	Sep 18	Oct 18	Nov 18	Dec 18	Jan 19	Feb 19	Mar 19	Apr 19
CEE	2.0%	2.5%	2.7%	7.5%	29.8%	26.7%	10.9%	6.8%	6.1%	8.3%	7.9%	16.2%
Russia/CIS	32.6%	29.2%	37.2%	32.2%	19.7%	19.2%	20.6%	27.5%	27.1%	23.4%	32.4%	28.1%
MENA	28.1%	30.5%	34.5%	32.6%	19.2%	18.6%	30.2%	29.3%	32.1%	30.7%	25.8%	19.8%
SSA	8.4%	8.1%	6.9%	14.5%	7.9%	7.3%	18.7%	20.3%	24.3%	28.3%	25.3%	26.4%
Asia	7.2%	2.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
LATAM	18.8%	23.2%	11.1%	6.5%	4.1%	5.7%	10.2%	7.6%	8.7%	7.7%	7.2%	7.8%
Other	2.9%	3.6%	7.6%	6.7%	19.3%	22.4%	9.4%	9.3%	1.6%	1.6%	1.5%	1.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.7%	100.0%	100.0%	100.0%	100.0%

## DISCLAIMER

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