

Emerging Markets Bond Fund

Information as at: 31 May 2019

KEY FACTS

Asset Class	Fixed Income
Category	Global Emerging Markets bond
Investment manager	MeritKapital
Total Fund Assets, USD	\$38,300,318
A USD class, USD	\$38,300,318
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
Fund Domicile	AIF-LNP
Fund Type	MERFXPT CY
Bloomberg Ticker	USD
Base currency	0.75%
Management fee	15%
Performance fee	3%
Hurdle rate	
Liquidity	

MINIMUM INVESTMENT

Share class	
A USD	\$50,000

FUND CHARACTERISTIC

Credit Rating	BB
Modified Duration	4.80 years
Yield to Worst	2.98%
Cash	10.72%
Repo Instruments	-0.87%
Reverse Repo Instruments	15.13%

COMPOSITION OF THE FUND

Sectors	% of Total
Government	42.38
Financial	11.91
Basic Materials	9.59
Industrial	9.70
Energy	0.33
Consumer, Non-cyclical	0.00
Communications	0.00
Utilities	0.00
Consumer, Cyclical	0.00

Country

Country	% of Total
Russian Federation	24.17
Nigeria	11.54
Cyprus	8.67
Kenya	4.09
Bahrain	4.07
Romania	3.88
Egypt	2.86
South Africa	2.73
Turkey	2.37
Brazil	1.98
Other	7.55

Currency Break-Down

Currency	% of Total
USD	96.60
EUR	3.40
GBP	0.00

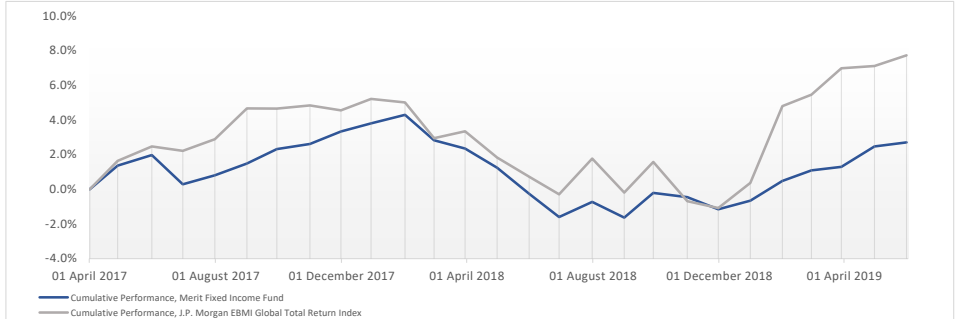
MANAGEMENT TEAM

Portfolio Manager	MeritKapital Ltd
Investment Advisor	Persella Ioannides

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	0.23%	3.38%	2.70%
J.P. Morgan EMBI Global Total Return Index	0.57%	7.33%	7.72%

Share Class performance of 0.23% is calculated on a Net Asset Value (NAV) basis, net of fees.

Total gross performance for May 2019 is 0.31%

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

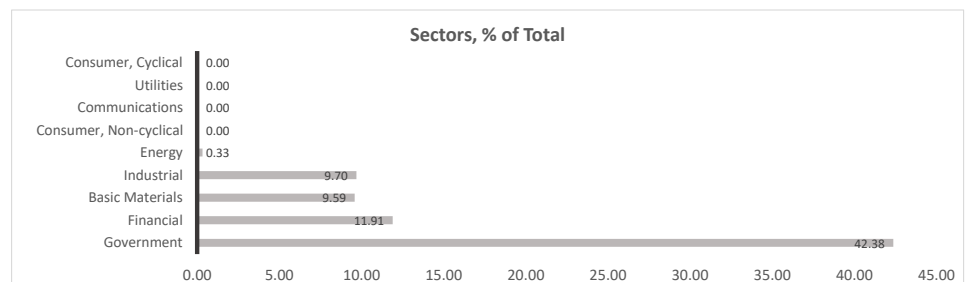
FUND COMMENTS

The month of May developed into a risk-off sentiment as the US-China trade talks shifted from an amiable to a hostile traverse and as oil continued its decline. On May 11th the US hit China with 25% tariffs on 200BN(\$) worth of goods while China shortly retaliated by announcing 25% tariffs on 60BN(\$) worth of US goods. US President Trump blamed the change of tone of negotiations to China's failure to cement previous promises made for an economically structural way forward. Trade threats that rattle global markets are not only directed towards China but also towards other countries and the possible imposition of tariffs come rather unexpected. For instance, on May 31st Mexico was the next target of possible tariffs due to the country's lax immigration enforcement on its border. This was said to be averted a week later as the two countries reached an agreement to reduce the flow of immigrants.

Two other much watched phenomena of the month were oil's (WTI's) sharp decline of 14% from April highs to close at 62\$/barrel (EOM) and the inversion of the US Treasury yield curve with 10-year yields touching 2.125% (2017 lows). Oil's decline stems from increasing US stockpiles and a fear that trade wars may dent global economic growth and adversely affect oil consumption. The US treasury yield inversion signals possible rate decrease(s) by the US Fed on such growth fears and on inflation figures (CPI) not meeting the 2% prescribed target.

Equity markets had also sold off on the back of trade war fears with US and European main indices shedding 5+% on average. Emerging market high beta bonds declined while IG paper traded higher with the US Fed taking the lead amongst global central banks on indications of a more accommodative monetary policy. The dovish stance of the ECB has also strengthened further in that direction as interest rate movements are now on hold till the mid 2020 while markets now even price a possibility of a rate decrease.

The fund traded higher by 0.23% for the month of May versus the benchmark 0.50%. Winners in the fund continued to be the Russian space which continued to trade higher albeit lower oil prices, the holdings in Brazil and the whole European sovereign sphere to which the fund has an approximately 15% allocation in. The major losing position was OMAN 47 which was exited as the risk reward ratio started to deteriorate. Other losing positions have been insignificant i.e. small exposures in Sub Sahara Africa and a position in Egypt 31(€); on aggregate these are since trading higher.



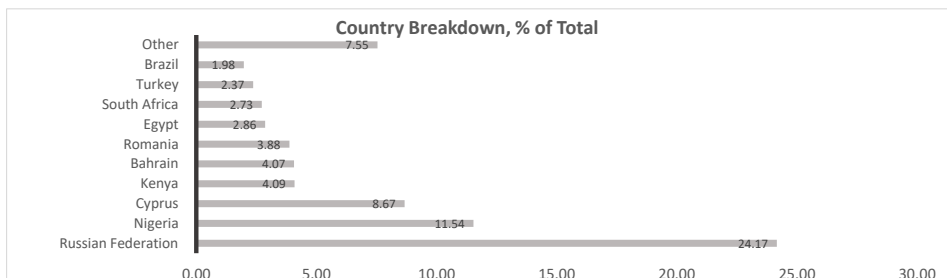
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Top 10 Holdings

% of Total

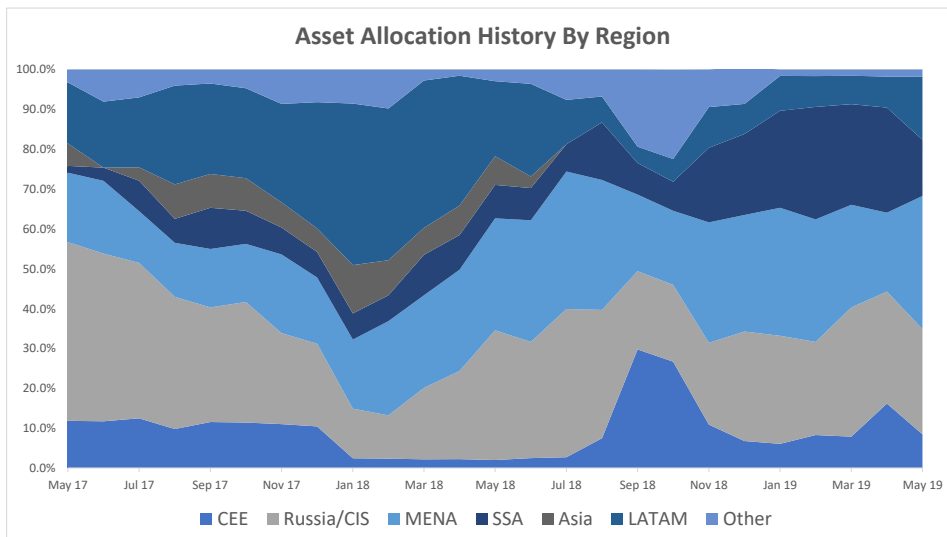
CYPRUS 2 3/4 02/26/34	5.50
RUSSIA 5 04/29/20	5.43
KENINT 5 7/8 06/24/19	4.09
BHRAIN 5 1/2 03/31/20	4.07
ROMANI 4 5/8 04/03/49	3.88
CYPRUS 2 3/4 05/03/49	3.17
RURAIL 2.2 05/23/27	2.96
EGYPT 6 3/8 04/11/31	2.86
RURAIL 5.7 04/05/22	2.80
RUSSIA 5.1 03/28/35	2.80



Duration Breakdown

% of Total

Cash	11.85
Repo Instruments	-0.87
Reverse Repo Instruments	15.13
0 - 1 years	29.31
1 - 3 years	15.43
3 - 5 years	6.19
5 - 7 years	0.00
7 - 10 years	6.43
10+ years	16.53



Rating Breakdown

% of Total

Cash	11.85
Repo Instruments	-0.87
Reverse Repo Instruments	15.13
AAA	0.00
AA	0.00
A	1.31
BBB	23.07
BB	19.61
B	21.41
CCC	8.17
CC	0.00
C	0.00
D	0.33

	Jun 18	Jul 18	Aug 18	Sep 18	Oct 18	Nov 18	Dec 18	Jan 19	Feb 19	Mar 19	Apr 19	May 19
CEE	2.5%	2.7%	7.5%	29.8%	26.7%	10.9%	6.8%	6.1%	8.3%	7.9%	16.2%	8.5%
Russia/CIS	29.2%	37.2%	32.2%	19.7%	19.2%	20.6%	27.5%	27.1%	23.4%	32.4%	28.1%	26.4%
MENA	30.5%	34.5%	32.6%	19.2%	18.6%	30.2%	29.3%	32.1%	30.7%	25.8%	19.8%	33.4%
SSA	8.1%	6.9%	14.5%	7.9%	7.3%	18.7%	20.3%	24.3%	28.3%	25.3%	26.4%	14.1%
Asia	2.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
LATAM	23.2%	11.1%	6.5%	4.1%	5.7%	10.2%	7.6%	8.7%	7.7%	7.2%	7.8%	15.8%
Other	3.6%	7.6%	6.7%	19.3%	22.4%	9.4%	9.3%	1.6%	1.6%	1.5%	1.8%	1.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.7%	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; 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

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