

# Emerging Markets Bond Fund

Information as at: 31 July 2019

## KEY FACTS

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

Fixed Income  
Global Emerging Markets  
bond  
  
MeritKapital  
\$39,952,566  
\$39,952,566  
01/09/2016  
01/04/2017

## Performance Benchmark

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

J.P. Morgan EMBI Global  
Total Return Index  
CYF000000200  
Cyprus  
AIF-LNP  
MERFXPT CY  
USD  
0.75%  
15%  
3%  
Monthly

## MINIMUM INVESTMENT

Share class  
A USD

\$50,000

## FUND CHARACTERISTIC

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

BB+  
7.41 years  
3.39%  
8.80%  
-14.59%  
3.02%

## COMPOSITION OF THE FUND

### Sectors % of Total

Government	72.47
Industrial	11.31
Financial	9.61
Basic Materials	7.94
Communications	1.26
Energy	0.18
Consumer, Non-cyclical	0.00
Utilities	0.00
Consumer, Cyclical	0.00

### Country % of Total

Russian Federation	26.93
Cyprus	9.21
Nigeria	8.40
Italy	8.07
Greece	7.04
Indonesia	4.36
Romania	4.20
Brazil	3.94
United States	3.87
Bahrain	3.84
Other	22.90

### Currency Break-Down % of Total

USD	90.77
EUR	9.23
GBP	0.00

## MANAGEMENT TEAM

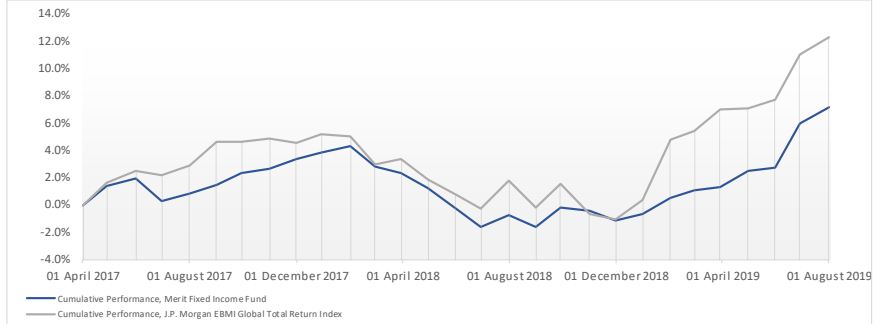
Portfolio Manager  
Investment Advisor

MeritKapital Ltd  
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	1.06%	7.83%	7.12%
J.P. Morgan EMBI Global Total Return Index	1.15%	11.87%	12.28%

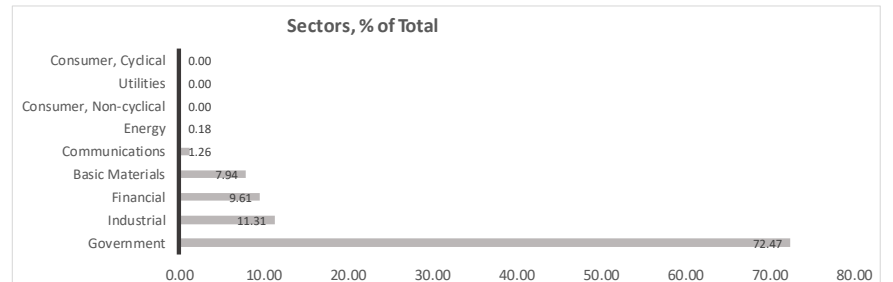
Share Class performance of 1.06% is calculated on a Net Asset Value (NAV) basis, net of fees.

Total gross performance for July 2019 is 1.14%

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

## FUND COMMENTS

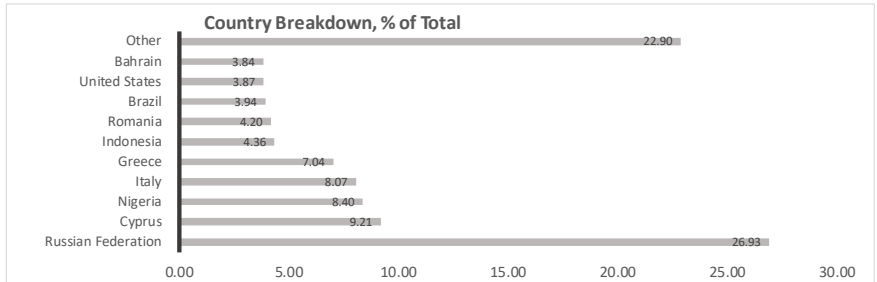
The month of July was another strong month (+1.06%) for the fund, and for the fixed income space in general, as the dovish stance of global central banks remains. Two important events of the month were Mario Draghi's speech on July 25th and the US Fed meeting on July 31st. The rhetoric of Mr. Draghi was expected to be clear and well-structured, as always, but, instead, he disappointed the markets as he added an unusual ambiguity in his speech delivery on both the type of QE due in September and on the size of rate cuts. In effect, the yields on European rates as well as treasuries increased which was deemed an opportune entry level for the fund. Mr. Draghi's delivery was probably such to allow the Fed to pave the way on monetary policy direction for the ECB and for the rest of global central banks. The US Fed's delivery on July 31st also came across with a tilt of hawkishness even though the US Fed cut rates by 25bps and ended the drawdown to the treasury book. The hawkishness was because the rate cut was characterized as one belonging to a 'midcycle' cut as opposed to a cut in a long series of rate decreases. Treasury yields remained stable with 10-year yields at 2.05% handle. On August 1st however, Donald Trump ordered the USTR to increase the tariffs on \$200 billion of Chinese imports to 25% from the originally proposed 10% which shocked the markets and treasuries rallied. Strongest movers on the fund for the month of July were European CEE and periphery bonds which include SPGB 2 1/2 10/31/48 (Spain), BTPS 4 1/2 09/01/44 (Italy), ROMANI 4 1/2 04/03/49 (Romania), some MENA such as SIB 5 PERP (Sukuk/Financial sector) and also some higher beta names such as EGYPT 6 1/2 04/11/31, as well as some Russian and Sub Saharan holdings. Russia, due to its strong macro fundamentals, its IG status as well as the current subdued sanction fear is trading like an IG asset class within EM whereby it acts like a hedge to the rest of EM amidst a general EM selloff. The Cyprus holdings of CYPRUS 2 1/2 05/03/49, CYPRUS 2 1/2 02/26/34 corrected some for the month of July and were amongst the negative positions but, at the time of writing this note, have since rallied back up. Given the financial calamity in Argentina at the time of preparation of this note, the investment team wishes to report that the fund does not have exposure in Argentina.



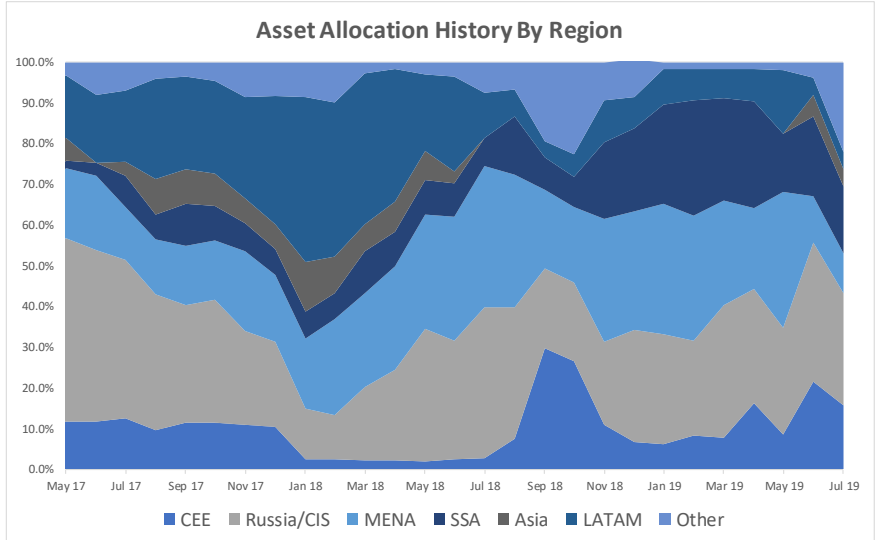
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Top 10 Holdings	% of Total
CYPRUS 2 3/4 02/26/34	5.68
GGB 1 7/8 07/23/26	5.62
RUSSIA 5 04/29/20	5.13
INDON 1.45 09/18/26	4.36
ROMANI 4 5/8 04/03/49	4.20
T 2 3/8 05/15/29	3.87
RUSSIA 5.1 03/28/35	3.85
BHRAIN 5 1/2 03/31/20	3.84
SPGB 2.7 10/31/48	3.79
CYPRUS 2 3/4 05/03/49	3.52



Duration Breakdown	% of Total
Cash	8.80
Repo Instruments	-14.59
Reverse Repo Instruments	3.02
0 - 1 years	16.09
1 - 3 years	17.01
3 - 5 years	9.13
5 - 7 years	11.26
7 - 10 years	21.90
10+ years	27.38



Rating Breakdown	% of Total
Cash	8.80
Repo Instruments	-14.59
Reverse Repo Instruments	3.02
AAA	3.87
AA	0.00
A	5.04
BBB	42.28
BB	16.58
B	29.11
CCC	3.41
CC	0.00
C	0.00
D	0.18
NR	2.32

	Aug 18	Sep 18	Oct 18	Nov 18	Dec 18	Jan 19	Feb 19	Mar 19	Apr 19	May 19	Jun 19	Jul 19
CEE	7.5%	29.8%	26.7%	10.9%	6.8%	6.1%	8.3%	7.9%	16.2%	8.5%	21.5%	15.8%
Russia/CIS	32.2%	19.7%	19.2%	20.6%	27.5%	27.1%	23.4%	32.4%	28.1%	26.4%	34.2%	27.5%
MENA	32.6%	19.2%	18.6%	30.2%	29.3%	32.1%	30.7%	25.8%	19.8%	33.4%	11.3%	9.9%
SSA	14.5%	7.9%	7.3%	18.7%	20.3%	24.3%	28.3%	25.3%	26.4%	14.1%	19.8%	16.4%
Asia	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.3%	4.2%
LATAM	6.5%	4.1%	5.7%	10.2%	7.6%	8.7%	7.7%	7.2%	7.8%	15.8%	4.2%	4.0%
Other	6.7%	19.3%	22.4%	9.4%	9.3%	1.6%	1.6%	1.5%	1.8%	1.8%	3.7%	22.2%
Total	100.0%	100.0%	100.0%	100.0%	100.7%	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.

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