

Emerging Markets Bond Fund

Information as at: 30 August 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
\$40,659,787
\$40,659,787
01/09/2016
01/04/2017

Performance Benchmark

J.P. Morgan EMBI Global
Total Return Index
CYF000000200

Cyprus
AIF-LNP
MERFXPT CY
USD
0.75%
15%
3%
Monthly

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

MINIMUM INVESTMENT

Share class
A USD

\$50,000

FUND CHARACTERISTIC

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

BB-
8.65 years
3.08%
7.83%
-11.75%
2.86%

COMPOSITION OF THE FUND

Sectors

Government
Industrial
Financial
Basic Materials
Communications
Energy
Consumer, Non-cyclical
Utilities
Consumer, Cyclical

% of Total

75.26
10.90
6.05
7.50
1.18
0.17
0.00
0.00
0.00

Country

Russian Federation
Italy
Cyprus
United States
Greece
Nigeria
Indonesia
Romania
Spain
Bahrain
Other

% of Total

26.14
11.94
9.10
8.14
6.80
5.85
4.15
4.10
3.82
3.69
17.34

Currency Break-Down

USD
EUR
GBP

% of Total

88.78
11.22
0.00

MANAGEMENT TEAM

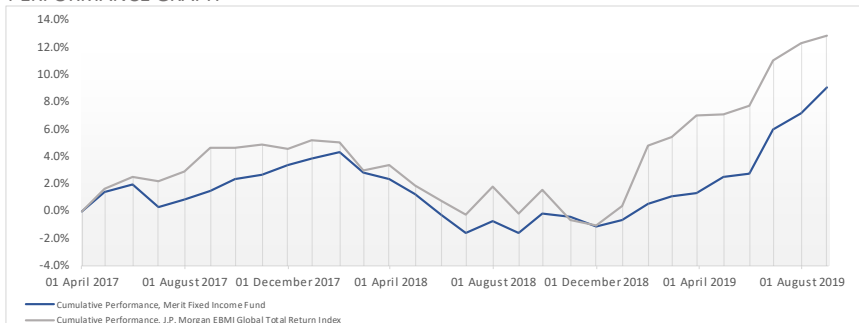
Portfolio Manager
Investment Advisor

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	1.77%	9.74%	9.02%
J.P. Morgan EMBI Global Total Return Index	0.55%	12.49%	12.89%

Share Class performance of 1.77% is calculated on a Net Asset Value (NAV) basis, net of fees.

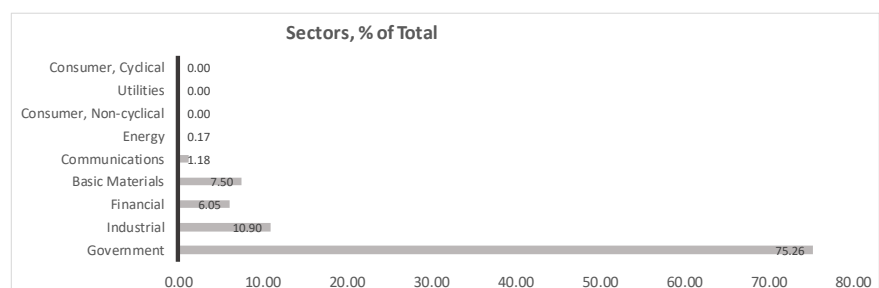
Total gross performance for August 2019 is 1.86%

*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 August was another strong month for the fund with a 1.77% return versus the benchmark index return of 0.55%. This was on the back of a European and US rates rally with the global pool of negative yielding bonds reaching \$17 trillion. The uncertainty brought about by the US -China trade wars has lured the allure of safe haven assets such as gold and US treasuries. The US Fed's monetary policy easing cycle has also taken a firmer onward path on US recessionary fears and global growth concerns stemming from China and Europe. A 25bps rate cut for the US September 18th meeting is currently priced in with an 80.5% probability. European rates also rallied more in the month of August, largely in anticipation of a QE package in the September 12th ECB meeting as rate cuts are already priced. In the last week of August, European rates sold off some as some hawkish members of the ECB council warned against further QE to maintain the ammunition of the ECB in case of more dire economic times going forward. However, the outperformers in the eurozone for the month continue to be Greece and Italy as the yield spreads compress to the rest of peripheral Europe with a more promising political situation in both. In Greece, the newly elected prime minister Mitsotakis aims to reform to stick to the fiscal targets of '19, '20 as set out by the EU. Italy had a surprise political derailment that ousted market unfriendly Salvini from the political equation and successfully formed a new coalition government of the PD (Democratic Party) and Five Stars. In the emerging markets sphere, August continued to a hard market for Argentina which was forced into capital controls and an extension of the maturity of its local denominated debt to stem the peso decline and to enable the government to manage liabilities. A voluntary reprofiling of \$50 billion longer dated debt owned by foreign investors and plans to delay \$44 billion loans to the IMF is also in consideration. Elsewhere, in the emerging markets space we have seen solid macro spaces such as Russia to continue to outperform. Higher beta spaces such as Sub Sahara sold off but trended higher during the end of the month as some resolution on trade wars was on the picture.

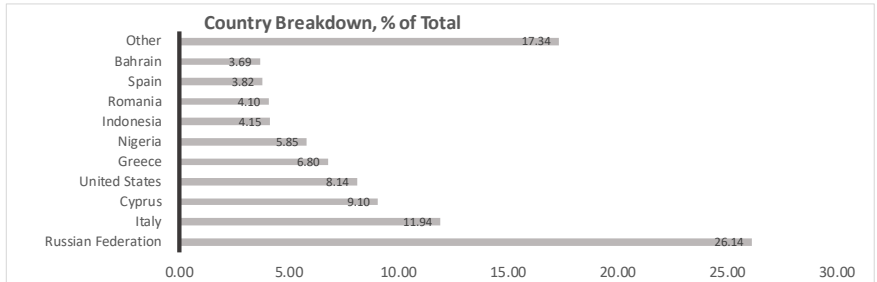
The fund's biggest winners for the month of August were positions in peripheral Europe such as Italy, Spain, Cyprus, Greece. The fund's holdings in 10 and 30-year treasuries also played out and were among the highest performing positions.



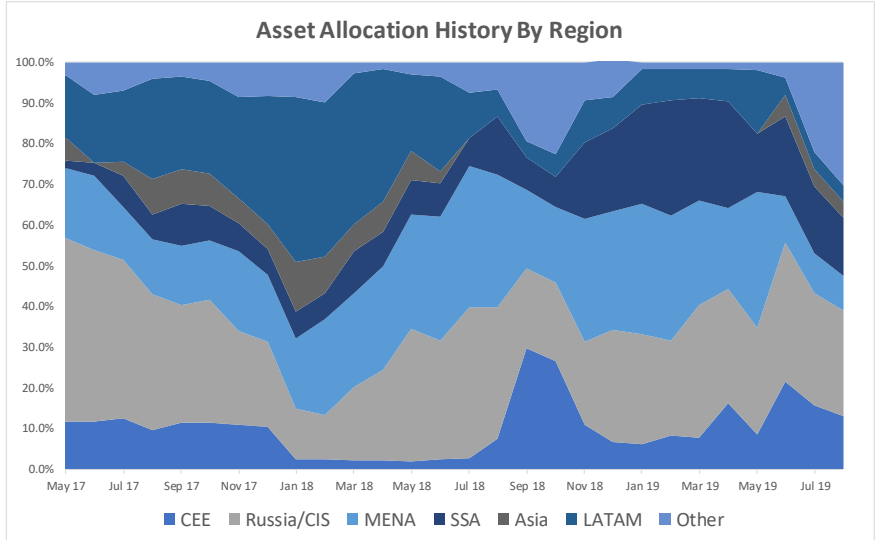
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Top 10 Holdings	% of Total
CYPRUS 2 3/4 02/26/34	5.55
GGB 1 7/8 07/23/26	5.45
RUSSIA 5 04/29/20	4.94
T 2 3/8 05/15/29	4.52
INDON 1.45 09/18/26	4.15
ROMANI 4 5/8 04/03/49	4.10
RUSSIA 5.1 03/28/35	3.84
SPGB 2.7 10/31/48	3.82
BTPS 3.85 09/01/49	3.71
BHRAIN 5 1/2 03/31/20	3.69



Duration Breakdown	% of Total
Cash	7.83
Repo Instruments	-11.75
Reverse Repo Instruments	2.86
0 - 1 years	12.35
1 - 3 years	16.23
3 - 5 years	8.65
5 - 7 years	13.02
7 - 10 years	16.79
10+ years	34.04



Rating Breakdown	% of Total
Cash	7.83
Repo Instruments	-11.75
Reverse Repo Instruments	2.86
AAA	0.00
AA	0.00
A	5.03
BBB	42.61
BB	13.49
B	28.05
CCC	1.36
CC	0.00
C	0.00
D	0.17
NR	10.37

	Sep 18	Oct 18	Nov 18	Dec 18	Jan 19	Feb 19	Mar 19	Apr 19	May 19	Jun 19	Jul 19	Aug 19
CEE	29.8%	26.7%	10.9%	6.8%	6.1%	8.3%	7.9%	16.2%	8.5%	21.5%	15.8%	13.1%
Russia/CIS	19.7%	19.2%	20.6%	27.5%	27.1%	23.4%	32.4%	28.1%	26.4%	34.2%	27.5%	25.9%
MENA	19.2%	18.6%	30.2%	29.3%	32.1%	30.7%	25.8%	19.8%	33.4%	11.3%	9.9%	8.5%
SSA	7.9%	7.3%	18.7%	20.3%	24.3%	28.3%	25.3%	26.4%	14.1%	19.8%	16.4%	14.4%
Asia	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.3%	4.2%	4.1%
LATAM	4.1%	5.7%	10.2%	7.6%	8.7%	7.7%	7.2%	7.8%	15.8%	4.2%	4.0%	3.8%
Other	19.3%	22.4%	9.4%	9.3%	1.6%	1.6%	1.5%	1.8%	1.8%	3.7%	22.2%	30.4%
Total	100.0%	100.0%	100.0%	100.7%	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 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 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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