

# Emerging Markets Bond Fund

Information as at: 31 August 2020

## KEY FACTS

Asset Class	Fixed Income
Category	Global Emerging Markets bond
Investment manager	MeritKapital
Total Fund Assets, USD	\$43,946,695
A USD class, USD	\$43,946,695
Fund Inception Date	01/09/2016
Strategy Inception Date	01/04/2017
Performance Benchmark	J.P. Morgan EMBI Global Total Return Index
ISIN	CYF000000200
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 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	2.58%	6.75%	16.42%
J.P. Morgan EMBI Global Total Return Index	0.30%	2.06%	17.20%

Share Class performance of 2.58% is calculated on a Net Asset Value (NAV) basis, net of fees.

Total gross performance for August 2020 is 2.72%

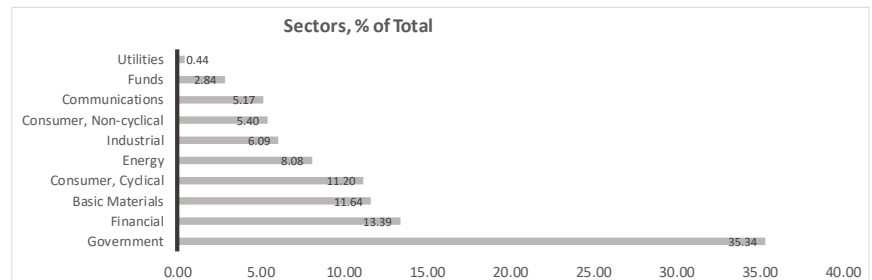
\*The fund remained dormant between Sep 2016 and Mar 2017. The performance is presented from the date the investment strategy was implemented.

## FUND COMMENTS

The fund returned 2.58% in the month of August taking year to date returns to positive 6.75% as both the equity and the fixed income allocations of the portfolio leaped higher. US Fed Head Powell delivered his speech at Jackson Hole in a more dovish than expected rhetoric as he indicated a shift of policy to allow inflation to run higher than the previous 2% hurdle and be less inclined to hike rates if unemployment runs low. This confirmed to the markets the notion that rates will stay low for longer than expected. Meanwhile, in Europe, the EURUSD has maintained its gains and most recently touched the important hurdle of 1.20 while the region's latest inflation reading printed negative at -0.4. Both data points have the markets expecting a similarly dovish ECB upon its next meeting on September 10th.

In effect, risky assets especially within the "recovery" asset class have been well bid as the market is positioned on the upturn phase of the Covid19 pandemic as the predominant pool of vaccines is in the "Phase 3" timeframe and as mortality rates and hospitalizations of countries experiencing infection spikes are low. At the time of writing this note, the tech sector, a predominant driver of the US stock rally, has sold off which could also be perceived as a positive as with an improving economic outlook there will be a shift from growth to value where the fund is well positioned. As such, the fear of frothy stock market valuations does not really apply to our underlying equity concentrations. Similarly, on the fixed income side we continue to see the emerging markets space to be well bid and flows should remain strong with the USD and interest rates at lows. With an accommodative ECB the hunt for yield will persist in the European Government Sphere as well and our positions in periphery should also benefit.

However, prevalent risks on the horizon do remain. A yield curve steepening on the back of vaccine headlines and improving economic data would not bode well with our fixed income positions, although with increasing government deficits it would be in the best interest of Central banks to keep long term rates within an acceptable range. Additionally, US election risks are on the coming as well as fall second wave risks of the Covid-19 pandemic.



## MINIMUM INVESTMENT

Share class	
A USD	\$50,000

## FUND CHARACTERISTIC

Credit Rating	BB+
Modified Duration	8.27 years
Yield to Worst	9.17%
Fixed Income	58.72%
Equity	40.90%
Cash	0.17%
Repo Instruments	-4.01%
Reverse Repo Instruments	4.23%

## COMPOSITION OF THE FUND

Sectors	% of Total
Government	35.34
Financial	13.39
Basic Materials	11.64
Consumer, Cyclical	11.20
Energy	8.08
Industrial	6.09
Consumer, Non-cyclical	5.40
Communications	5.17
Funds	2.84
Utilities	0.44

Country	% of Total
United States	26.02
Greece	10.73
Russian Federation	10.66
Germany	6.12
United Kingdom	5.74
Cyprus	5.17
Nigeria	5.11
Saudi Arabia	4.45
Netherlands	3.82
Angola	2.82
Other	18.98

## Currency Break-Down

Currency	% of Total
USD	89.08
EUR	6.06
GBP	4.86

## MANAGEMENT TEAM

Portfolio Manager	MeritKapital Ltd
Investment Advisor	Persella Ioannides

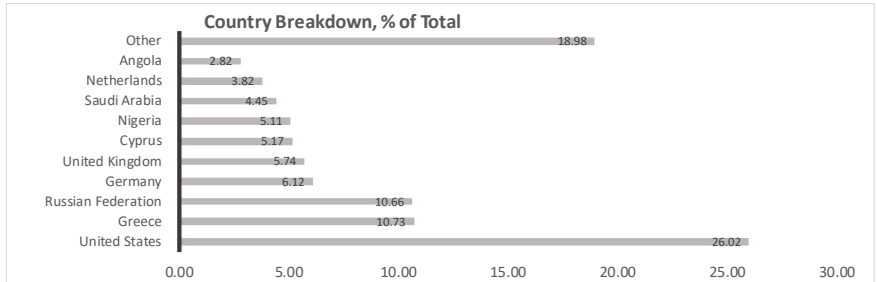
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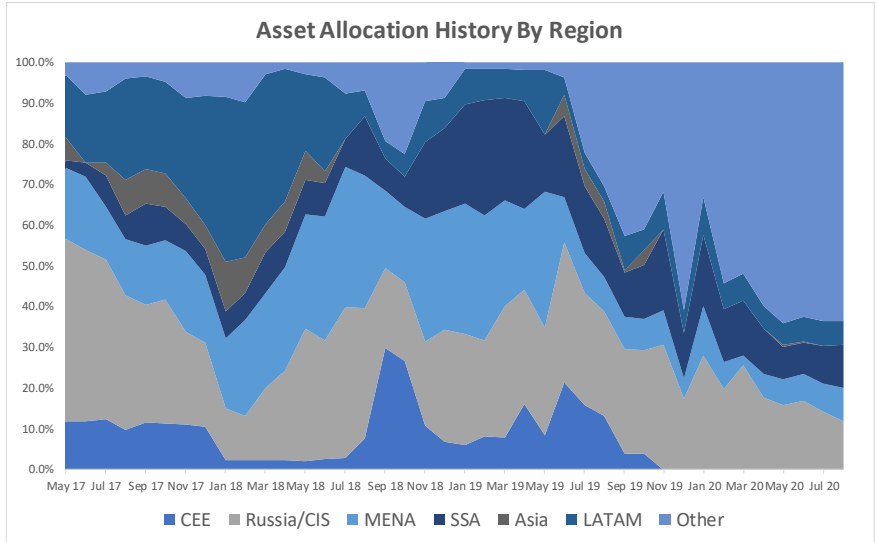
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Top 10 Holdings	% of Total
GGB 1 7/8 02/04/35	6.47
CYPRUS 1 1/4 01/21/40	5.17
T 2 3/8 05/15/29	4.46
ACCESS 10 1/2 10/19/21	3.82
RDSA NA	3.82
BP/ LN	3.45
GGB 2 04/22/27	3.13
KSA 4 1/2 04/22/60	2.78
DD US	2.71
AXP US	2.59



Duration Breakdown	% of Total
Cash	0.17
Repo Instruments	-4.01
Reverse Repo Instruments	4.23
Equity	40.90
0 - 1 years	3.85
1 - 3 years	8.97
3 - 5 years	6.61
5 - 7 years	8.30
7 - 10 years	11.53
10+ years	19.46



Rating Breakdown	% of Total
Cash	0.17
Repo Instruments	-4.01
Reverse Repo Instruments	4.23
AAA	4.46
AA	7.38
A	16.27
BBB	20.06
BB	24.30
B	18.61
CCC	2.98
CC	0.00
C	0.00
D	0.82
NR	4.74

	Sep 19	Oct 19	Nov 19	Dec 19	Jan 20	Feb 20	Mar 20	Apr 20	May 20	Jun 20	Jul 20	Aug 20
CEE	3.8%	3.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Russia/CIS	25.9%	25.4%	30.6%	17.5%	27.9%	19.7%	25.7%	17.6%	15.9%	16.8%	14.2%	11.9%
MENA	7.9%	7.8%	8.6%	4.9%	12.3%	6.8%	2.4%	6.1%	6.2%	6.7%	6.9%	8.2%
SSA	10.8%	13.2%	19.7%	11.3%	17.4%	12.9%	13.4%	10.9%	8.0%	7.5%	9.4%	10.4%
Asia	0.6%	3.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	0.4%	0.0%	0.0%
LATAM	8.4%	4.9%	9.5%	5.6%	9.3%	6.4%	6.6%	5.6%	5.5%	6.0%	6.1%	5.9%
Other	42.6%	41.0%	31.6%	60.7%	33.1%	54.2%	51.9%	59.9%	64.0%	62.5%	63.4%	63.6%
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

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