

Emerging Markets Bond Fund

Information as at: 31 May 2023

KEY FACTS

Asset Class	Fixed Income
Category	Global Emerging Markets bond
Investment manager	MeritKapital
Total Fund Assets, USD	\$53,174,368
A USD class, USD	\$53,174,368
Fund Inception Date	9/1/2016
Strategy Inception Date	4/1/2017
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 Fund AIFLNP V.C.I.C Limited 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	-2.32%	9.17%	21.66%
J.P. Morgan EMBI Global Total Return Index	-0.89%	2.76%	2.81%

Share Class performance of -2.32% is calculated on a Net Asset Value (NAV) basis, net of fees.

Total gross performance for May 2023 is -2.14%

*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 fund declined by -2.32% percent for the month of May taking year to date returns to 9.17%.

Global markets traded mixed with increasing variance among different sectors. On the one hand, technology stocks showed positive returns and outperformed the broader market due to investor interest in Artificial Intelligence's growing potential; consequently, tech companies like 8X8 Inc (+42.2% MoM), Tesla (+24.1%), Uber (+22.1%) and Amazon (+11.2%) were the best performers of the fund. On the other hand, manufacturing sectors – especially in Europe – were among the worst performers following weak labour and manufacturing PMI data, which showed contraction in economic activity. Commodity markets also ended the month lower, with oil and metals prices going down due to the weakness in the global economic activity. This resulted in fund's holding of oil companies –BP (-16.2% MoM), Exxon Mobile (-13.7%), Shell (-9.3%) and Occidental Petroleum (-6.3%) – underperforming and considerably contributing to the fund's loss.

In the US, concerns over a government default weighed sentiment in May (agreement to lift the debt ceiling only reached in the beginning of June). These concerns outweighed the supporting economic data and pumped up the yields (10Y Treasury bill gained 22bp to 3.646%). Nevertheless, US equity market remained resilient, ending in a small positive +0.4% growth MoM. European and UK equity ended in red zone, with German DAX, the UK FTSE and French CAC decreasing 2-6%, and almost all fund's European stocks underperformed.

We assume that such drawback was the result of overreaction to a potential US default and expect market data recently –signals of easing price pressures in Germany, for example, reported a drop in inflation (6.3% vs 7.6% in April) – to hold more sway over sentiment. Thus, we expect an improvement in performance in the foreseeable future.

MINIMUM INVESTMENT

Share class	
A USD	\$50,000

FUND CHARACTERISTIC

Credit Rating	B+
Modified Duration	2.78 years
Yield to Worst	11.73%
Fixed Income	39.41%
Equity	70.53%
Cash	6.18%
Repo Instruments	-19.74%
Reverse Repo Instruments	3.61%

COMPOSITION OF THE FUND

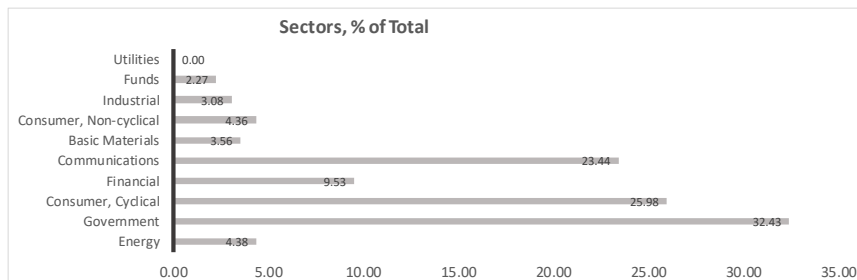
Sectors	% of Total
Energy	4.38
Government	32.43
Consumer, Cyclical	25.98
Financial	9.53
Communications	23.44
Basic Materials	3.56
Consumer, Non-cyclical	4.36
Industrial	3.08
Funds	2.27
Utilities	0.00

Country	% of Total
United States	47.83
United Kingdom	17.11
Nigeria	7.73
Netherlands	7.55
Russian Federation	6.62
Germany	5.91
Egypt	4.83
Cyprus	2.86
France	2.51
Ghana	1.44
Other	5.55

Currency Break-Down	% of Total
USD	63.94
EUR	18.28
GBP	15.51
RUB	2.27

MANAGEMENT TEAM

Portfolio Manager	MeritKapital Ltd
Investment Adviser	Persella Ioannides



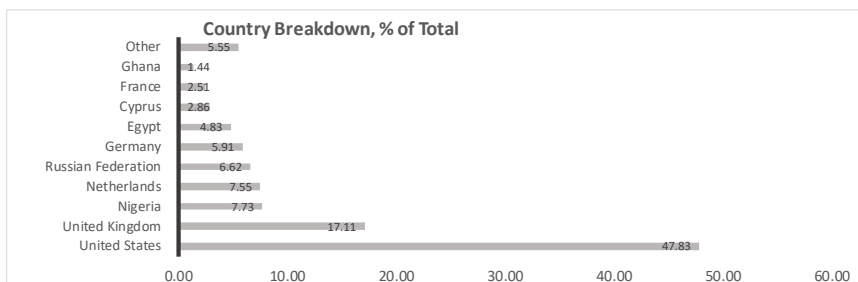
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Top 10 Holdings

% of Total

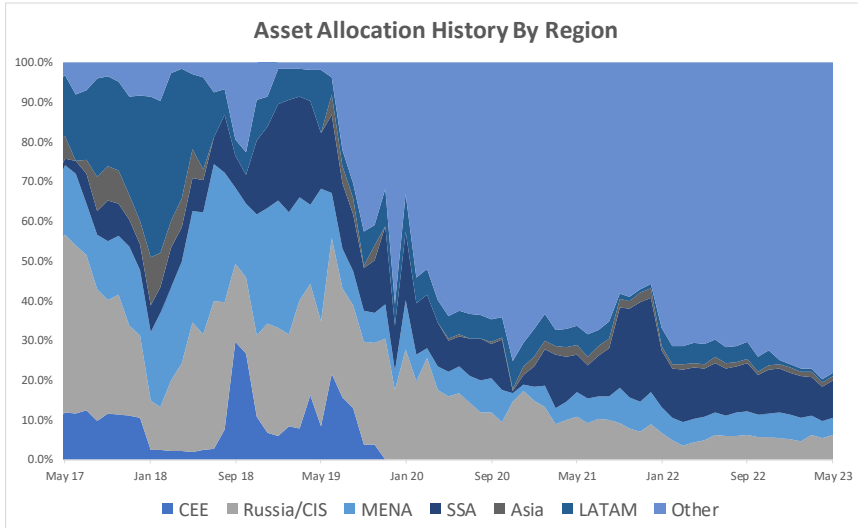
B 06/13/23	12.08
OXY US	11.31
SHELL NA	7.55
BP/ LN	7.07
CHRD US	5.95
NGERIA 7 3/8 09/28/33	4.22
EGYPT 5.8 09/30/27	3.01
UAL US	2.92
RUALRU 5.3 05/03/23	2.89
BOCYCY 2 1/2 06/24/27	2.86



Duration Breakdown

% of Total

Cash	6.18
Repo Instruments	-19.74
Reverse Repo Instruments	3.61
Equity	70.53
0 - 1 years	15.00
1 - 3 years	8.21
3 - 5 years	6.56
5 - 7 years	6.96
7 - 10 years	2.68
10+ years	0.00



Rating Breakdown

% of Total

Cash	6.18
Repo Instruments	-19.74
Reverse Repo Instruments	3.61
AAA	0.00
AA	2.93
A	20.67
BBB	10.00
BB	29.81
B	14.26
CCC	6.44
CC	1.44
C	0.00
D	0.16
NR	24.23

	Jun 22	Jul 22	Aug 22	Sep 22	Oct 22	Nov 22	Dec 22	Jan 23	Feb 23	Mar 23	Apr 23	May 23
CEE	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Russia/CIS	6.2%	5.8%	6.0%	6.4%	5.8%	5.6%	5.3%	5.2%	4.6%	6.1%	5.5%	6.2%
MENA	5.8%	5.4%	6.0%	5.8%	5.6%	6.0%	6.4%	6.1%	5.8%	5.0%	4.1%	4.4%
SSA	12.4%	11.7%	11.4%	12.2%	10.0%	10.9%	11.1%	10.5%	10.6%	9.7%	8.9%	9.5%
Asia	1.4%	1.2%	1.2%	1.1%	0.8%	1.1%	1.3%	1.3%	1.2%	1.3%	1.1%	1.0%
LATAM	4.4%	4.1%	4.1%	4.2%	3.8%	4.0%	0.9%	0.9%	0.8%	0.8%	0.7%	0.7%
Other	69.8%	71.7%	71.3%	70.3%	74.0%	72.3%	75.0%	76.0%	76.9%	77.1%	79.7%	78.2%
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

Merit Fund AIFLNP V.C.I.C 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 # LPAlF05/2014, 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'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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