

# Emerging Markets Bond Fund

Information as at: 30 June 2023

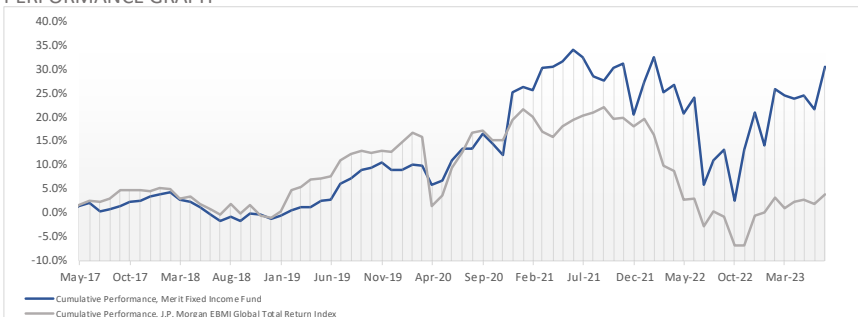
## KEY FACTS

Asset Class	Fixed Income
Category	Global Emerging Markets bond
Investment manager	MeritKapital
Total Fund Assets, USD	\$54,115,554
A USD class, USD	\$54,115,554
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	7.23%	14.34%	30.46%
J.P. Morgan EMBI Global Total Return Index	1.93%	3.81%	3.86%

Share Class performance of 7.23% is calculated on a Net Asset Value (NAV) basis, net of fees.

Total gross performance for June 2023 is 7.25%

\*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 increased by 7.23% percent for the month of June taking year to date returns to 14.34%.

The month of June was marked by a rally in global markets, showing great recovery from weaker performance in May, which was attributed to investors' concerns about the potential technical default in the US and potential subsequent recession. As we expected, positivity in recent market data, as well as the lift in the debt ceiling in the US, led to a sharp turnaround in market sentiment during the month. S&P 500 Index reached its highs since April 2022, with growth stocks among the best performers in the index, on the back of continuous investors' belief in Artificial Intelligence as a future trend-setter. European stocks also traded in the green, however with more muted results, amid stagflation concerns, but with signs of improvement. Cruise companies Carnival Corp (CCLUS) and Norwegian Cruise Line Holding outperformed for the fund, showing MoM results of +67.68% and 46.60%, respectively, given first post-Covid fully restrictions-free vacations season. Same seasonal trend also resulted in stellar performances for travel-related company holdings such as Delta Air (DAL US, +30.86%) and United Airlines (UAL US, +15.60%), AirBnB (ABNB US, +16.75%) and Airbus (AIR FP, +11.44%).

Fixed Income showed more contained results, following the continuation of the monetary tightening policies of global Central banks, despite easing inflation pressures seen from recent data. As a result, 10-year Treasuries saw an increase by 20bp in yield to 3.84%. On the European side, German Bunds widened similarly 10bp to 2.39% yield, whilst UK GILTS' yields rose (+21bp to 4.39% yield). However, intramonth volatility in the benchmarks helped the fund to earn in these assets as well using active fund management strategy. Sentiment change helped to see the recovery in EM bonds with holdings of African sovereigns gaining in price by 4%-9% (depending on duration) in the fund.

We expect continuing market recovery in terms of inflation and business activity, which also should support the commodity prices and, as a result, oil-based companies. Also, we see the banking sector recover, supported by diminishing of uncertainty after banking shock in spring 2023. However, geopolitical risks and stagflation in Europe and the UK still brings some concerns, so portfolio diversification (by countries, risks and industries) remains an important factor in asset allocation.

## MINIMUM INVESTMENT

Share class	
A USD	\$50,000

## FUND CHARACTERISTIC

Credit Rating	BB-
Modified Duration	3.94 years
Yield to Worst	18.16%
Fixed Income	27.59%
Equity	74.95%
Cash	3.82%
Repo Instruments	-9.83%
Reverse Repo Instruments	3.47%

## COMPOSITION OF THE FUND

Sectors	% of Total
Energy	1.98
Government	19.69
Consumer, Cyclical	34.12
Financial	13.56
Communications	10.72
Basic Materials	5.32
Consumer, Non-cyclical	13.88
Industrial	1.15
Funds	0.47
Utilities	0.00

## Country

Country	% of Total
United States	38.90
United Kingdom	16.16
Nigeria	8.14
Netherlands	7.95
Russian Federation	6.31
Germany	5.97
Egypt	5.01
Cyprus	2.81
France	2.73
Ghana	1.51
Other	7.04

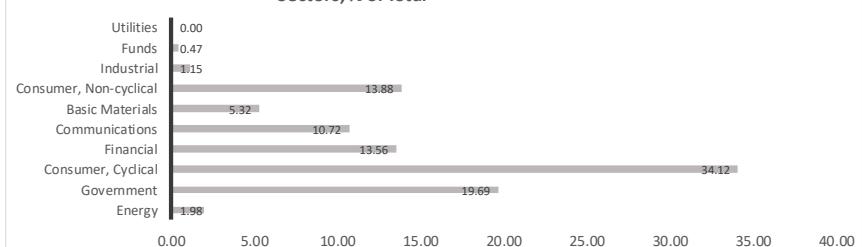
## Currency Break-Down

Currency	% of Total
USD	63.02
EUR	19.00
GBP	15.94
RUB	2.05

## MANAGEMENT TEAM

Portfolio Manager	MeritKapital Ltd
Investment Advisor	Persella Ioannides

## Sectors, % of Total



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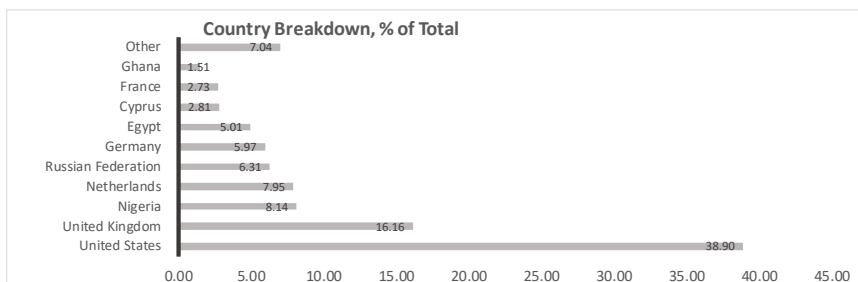
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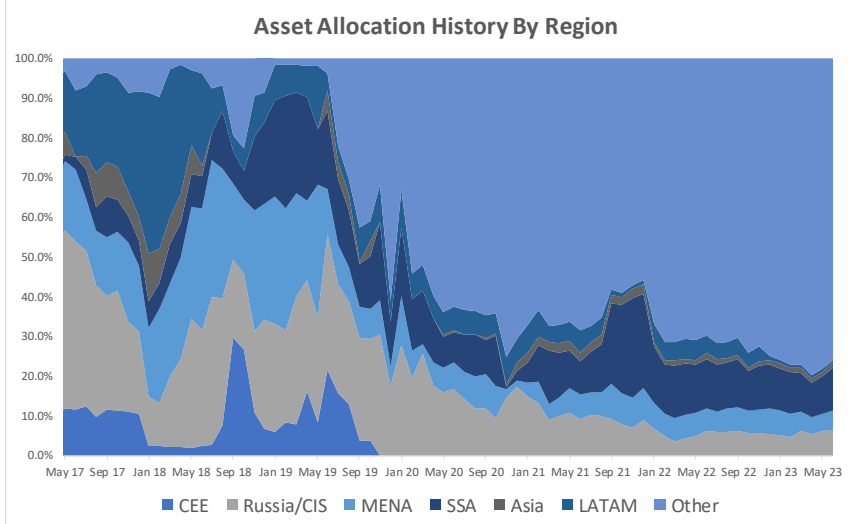
## Top 10 Holdings

	% of Total
OXY US	11.33
SHELL NA	7.95
BP/ LN	7.19
CHRD US	6.28
NGERIA 7 3/8 09/28/33	4.50
UAL US	3.32
EGYPT 5.8 09/30/27	3.13
RUALRU 5.3 05/03/23	2.84
BOCYCY 2 1/2 06/24/27	2.81
IAG LN	2.66



## Duration Breakdown

	% of Total
Cash	3.82
Repo Instruments	-9.83
Reverse Repo Instruments	3.47
Equity	74.95
0 - 1 years	0.66
1 - 3 years	8.23
3 - 5 years	5.95
5 - 7 years	7.34
7 - 10 years	2.56
10+ years	0.00



## Rating Breakdown

	% of Total
Cash	3.82
Repo Instruments	-9.83
Reverse Repo Instruments	3.47
AAA	0.00
AA	3.09
A	21.46
BBB	10.53
BB	34.09
B	12.69
CCC	6.80
CC	1.51
C	0.00
D	0.16
NR	12.20

	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%
Russia/CIS	5.8%	6.0%	6.4%	5.8%	5.6%	5.3%	5.2%	4.6%	6.1%	5.5%	6.2%
MENA	5.4%	6.0%	5.8%	5.6%	6.0%	6.4%	6.1%	5.8%	5.0%	4.1%	4.4%
SSA	11.7%	11.4%	12.2%	10.0%	10.9%	11.1%	10.5%	10.6%	9.7%	8.9%	9.5%
Asia	1.2%	1.2%	1.1%	0.8%	1.1%	1.3%	1.3%	1.2%	1.3%	1.1%	1.0%
LATAM	4.1%	4.1%	4.2%	3.8%	4.0%	0.9%	0.9%	0.8%	0.8%	0.7%	0.7%
Other	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%

## 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 # 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.

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