

# Emerging Markets Bond Fund

Information as at: 30 September 2023

## KEY FACTS

Asset Class	Fixed Income
Category	Global Emerging Markets bond
Investment manager	MeritKapital
Total Fund Assets, USD	\$51,739,330
A USD class, USD	\$51,739,330
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	-2.26%	11.72%	27.46%
J.P. Morgan EMBI Global Total Return Index	-2.81%	1.08%	1.13%

Share Class performance of -2.26% is calculated on a Net Asset Value (NAV) basis, net of fees.

Total gross performance for September 2023 is -2.25%

\*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 decreased by 2.26% percent for the month of September taking year to date returns to 11.72%.

Global markets in September declined further after August's drop, showing investors' concerns over several economic headwinds such as higher energy prices and weak growth data in China as well as the hawkish FED stance. The month had been marked by the resurgence in the US government bond yields, post the FOMC meeting, which indicated that more rate hikes could appear and forecasted a slower pace of cuts in 2024. The resulting negative sentiment weighed on both equity and fixed income global markets, affecting the performance of the Fund's holdings.

On the equity side, growth stocks underperformed, with US companies such as Amazon (AMZN US) and Netflix (NFLX US) down 7.9% and 12.9% respectively; Chinese Baidu (BIDU US) and Tencent (TCEHY US) similarly fell 5.9% and 6.6%, respectively. Airlines extended the run of declines: United Airlines (UAL US) lost 15%, Delta Air (DAL US) - 13.7%, Lufthansa (LHA GY) - 9.5%. Commodities held firm however, helping to mitigate fund losses. Specifically, higher oil prices boosted holdings such as BP (BP LN, +7.2%), Exxon Mobil (XOM US, 5.7%), Shell (Shell NA, +5.6%) and Occidental Petroleum (OXY US, +3.3%) which positively contributed to the portfolio given their high weighting.

Fixed income yields rose again, 10-year Treasury yield gained almost 40bp, due to the hawkish rhetoric of the Fed; core CPI came in at 4.3% vs Fed's target of 2%. In SSA region, sovereign issues of Nigeria and Ghana showed mild recovery, with longer duration bonds (20 years+) gaining approximately 2.5% in price terms. Political debates in Senegal, connected to the Niger situation, moved underlying bonds lower, with SENEGL 37s falling 8.3%.

We expect a change in overall sentiment, as US and global macro data show some resilience and with current measures underway to come into effect and lead to a market recovery. We remain constructive on oil and gas into the close of the year which should provide tailwinds for our dominant energy holdings in the Fund.

## MINIMUM INVESTMENT

Share class	
A USD	\$50,000

## FUND CHARACTERISTIC

Credit Rating	BB
Modified Duration	3.84 years
Yield to Worst	18.15%
Fixed Income	26.21%
Equity	76.63%
Cash	5.81%
Repo Instruments	-10.21%
Reverse Repo Instruments	1.55%

## COMPOSITION OF THE FUND

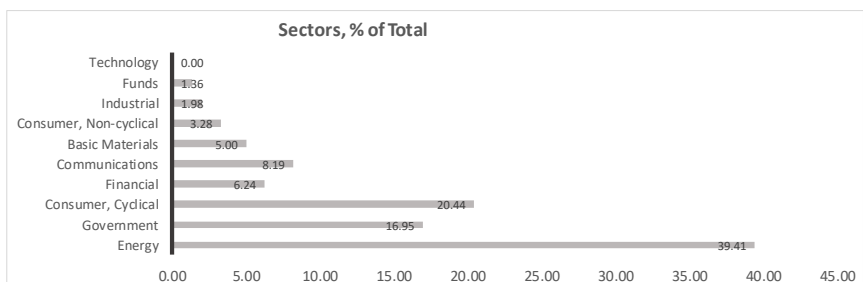
Sectors	% of Total
Energy	39.41
Government	16.95
Consumer, Cyclical	20.44
Financial	6.24
Communications	8.19
Basic Materials	5.00
Consumer, Non-cyclical	3.28
Industrial	1.98
Funds	1.36
Technology	0.00

Country	% of Total
United States	39.54
United Kingdom	18.61
Nigeria	9.37
Netherlands	8.96
Russian Federation	6.06
Germany	5.30
Egypt	5.29
France	2.65
Ghana	1.65
Ireland	1.11
Other	4.32

Currency Break-Down	% of Total
USD	63.61
EUR	17.60
GBP	16.98
RUB	1.80



## MANAGEMENT TEAM

Portfolio Manager	MeritKapital Ltd
Investment Adviser	Persella Ioannides

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Information as at: 30 September 2023

## Top 10 Holdings

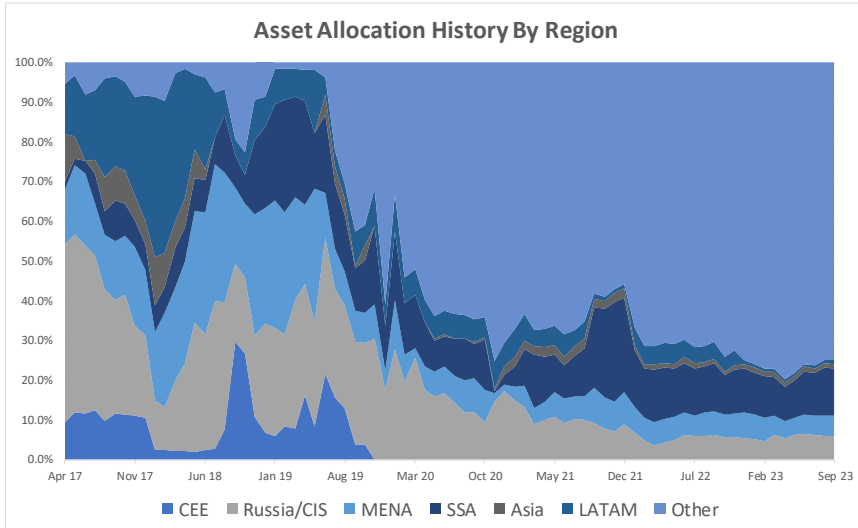
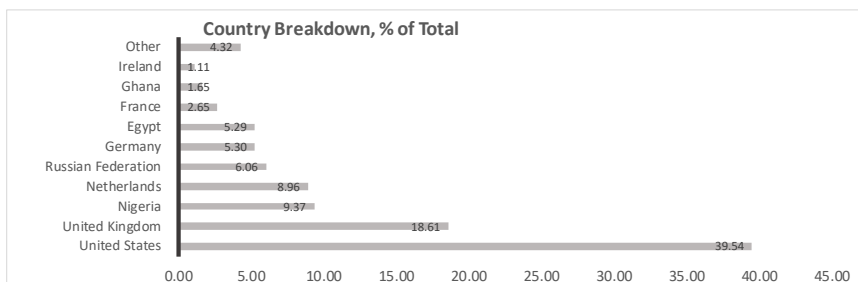
	% of Total
OXY US	13.08
SHELL NA	8.96
BP/ LN	8.44
CHRD US	6.92
NGERIA 7 3/8 09/28/33	4.30
EGYPT 5.8 09/30/27	3.34
RUALRU 5.3 05/03/23	2.90
UAL US	2.68
IAG LN	2.46
AMZN US	2.46

## Duration Breakdown

	% of Total
Cash	5.81
Repo Instruments	-10.21
Reverse Repo Instruments	1.55
Equity	76.63
0 - 1 years	2.96
1 - 3 years	7.09
3 - 5 years	6.10
5 - 7 years	7.80
7 - 10 years	2.27
10+ years	0.00

## Rating Breakdown

	% of Total
Cash	5.81
Repo Instruments	-10.21
Reverse Repo Instruments	1.55
AAA	0.00
AA	3.24
A	23.61
BBB	10.96
BB	31.60
B	11.68
CC	7.92
CC	1.65
C	0.00
D	0.00
NR	12.19



	Oct 22	Nov 22	Dec 22	Jan 23	Feb 23	Mar 23	Apr 23	May 23	Jun 23	Jul 23	Aug 23	Sep 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	5.8%	5.6%	5.3%	5.2%	4.6%	6.1%	5.5%	6.2%	6.4%	6.3%	6.0%	6.0%
MENA	5.6%	6.0%	6.4%	6.1%	5.8%	5.0%	4.1%	4.4%	4.9%	4.9%	5.0%	5.1%
SSA	10.0%	10.9%	11.1%	10.5%	10.6%	9.7%	8.9%	9.5%	10.8%	10.7%	12.1%	11.9%
Asia	0.8%	1.1%	1.3%	1.3%	1.2%	1.3%	1.1%	1.0%	1.2%	1.2%	1.2%	1.1%
LATAM	3.8%	4.0%	0.9%	0.9%	0.8%	0.8%	0.7%	0.7%	0.8%	0.8%	0.8%	0.8%
Other	74.0%	72.3%	75.0%	76.0%	76.9%	77.1%	79.7%	78.2%	75.9%	76.2%	74.8%	75.0%
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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