

# Emerging Markets Bond Fund

Information as at: 31 October 2023

## KEY FACTS

Asset Class	Fixed Income
Category	Global Emerging Markets bond
Investment manager	MeritKapital
Total Fund Assets, USD	\$50,052,900
A USD class, USD	\$50,052,900
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

## MINIMUM INVESTMENT

Share class	
A USD	\$50,000

## FUND CHARACTERISTIC

Credit Rating	BB-
Modified Duration	3.50 years
Yield to Worst	18.90%
Fixed Income	29.15%
Equity	75.24%
Cash	-0.10%
Repo Instruments	-9.43%
Reverse Repo Instruments	1.60%

## COMPOSITION OF THE FUND

Sectors	% of Total
Energy	39.57
Government	20.05
Consumer, Cyclical	19.01
Financial	6.21
Communications	8.19
Basic Materials	5.19
Consumer, Non-cyclical	2.77
Industrial	2.06
Funds	1.35
Technology	0.00

Country	% of Total
United States	41.28
United Kingdom	17.97
Netherlands	9.38
Nigeria	9.31
Russian Federation	6.32
Egypt	5.20
Germany	5.08
France	3.53
Ghana	2.67
Other	1.68
	5.49

Currency Break-Down	% of Total
USD	64.04
EUR	17.76
GBP	16.29
RUB	1.90

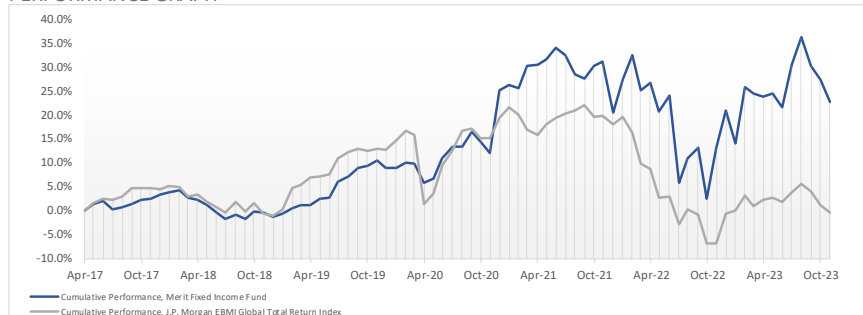
## MANAGEMENT TEAM

Portfolio Manager	MeritKapital Ltd
Investment Adviser	Persella Ioannides

## 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	-3.77%	7.50%	22.65%
J.P. Morgan EMBI Global Total Return Index	-1.45%	-0.39%	-0.34%

Share Class performance of -3.77% is calculated on a Net Asset Value (NAV) basis, net of fees.

Total gross performance for October 2023 is -3.64%

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

## FUND COMMENTS

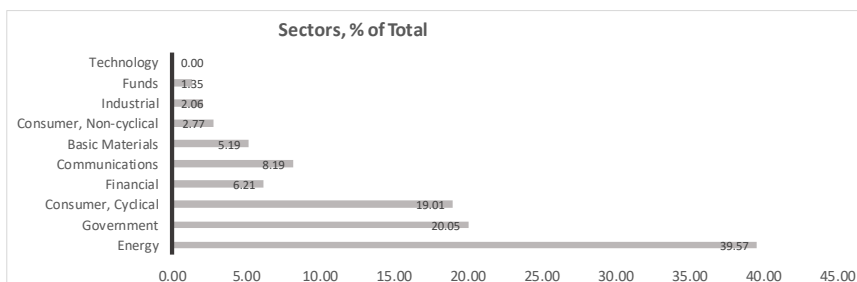
The fund decreased by 3.77% percent for the month of October taking year to date returns to 7.50%.

October saw global markets continue their downward trajectory, influenced by the Federal Reserve's ongoing hawkish monetary policy stance and heightened geopolitical tensions, which increased investor risk aversion. Economic indicators – CPI data remained flat (vs expected moderation), jobs strong data - raised concerns about the 'higher for longer' interest rate policy and cast doubts on the sustainability of US government finances. This resulting negative sentiment adversely impacted global equity and fixed income markets, reflecting in our Fund's performance.

In the equity sector, growth stocks showed stronger resilience. Notably, US companies such as Amazon (AMZN US) and Netflix (NFLX US) rebounded from their September losses, registering gains of 4.7% and 9.0%, respectively. On the contrary, the Chinese market continued to decline, evidenced by Baidu (BIDU US) dropping 21.8% following its Q3 results, and Tencent (TCEHY US) decreasing by 4.3%. The airline sector extended its downward trend, with United Airlines (UAL US) declining by 17.2%, Delta Air (DAL US) by 15.5%, and Lufthansa (LHA GY) by 11.8%. Even oil companies, such as BP (BP LN), Exxon Mobil (XOM US), and Occidental Petroleum (OXY US), experienced corrections despite stable commodity prices, recording monthly losses of 6.1%, 9.9%, and 4.5%, respectively.

In the fixed income market, yields rose once again. The 10-year Treasury yield reached a 15-year high, surpassing 5%. In the SSA region, sovereign bonds from Nigeria and Ghana saw modest declines, especially in bonds with over 20 years to maturity, losing around 1% in price. However, Senegal bonds recovered from September's political unrest, with SENEGL 37s gaining 7.5% in price terms. Suspension of sanctions on Venezuela by the US Government led to a significant increase in the value of Petroleos de Venezuela's bonds, with PDVSA 605/16/24 holdings more than doubling in value.

Looking ahead, we continue to anticipate a shift in market sentiment, as ongoing efforts are expected to spur a recovery. We maintain a positive outlook on oil and gas towards the year's end, which should benefit our Fund's dominant energy holdings.



## Top 10 Holdings

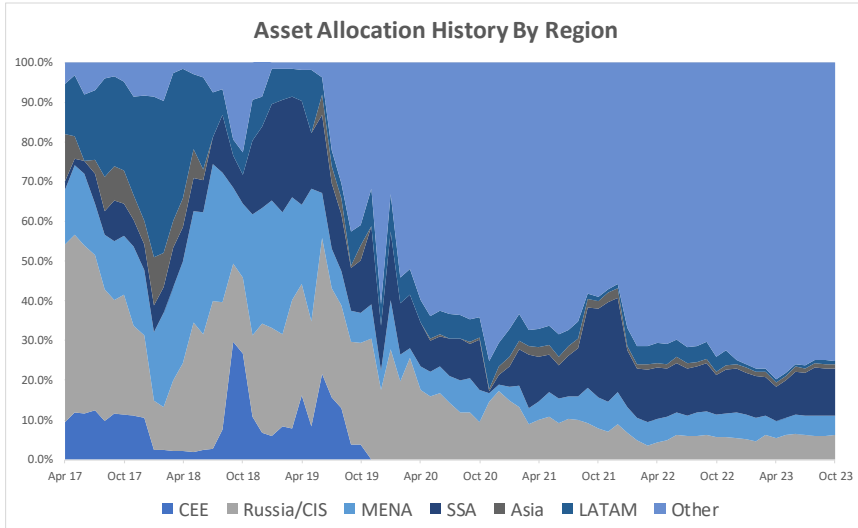
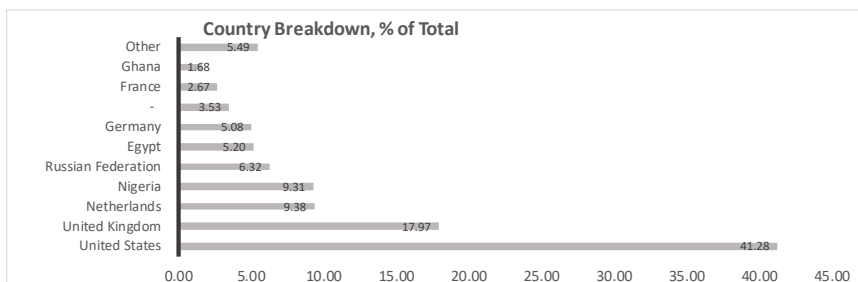
	% of Total
OXY US	12.88
SHELL NA	9.38
BP/ LN	8.18
CHRD US	7.30
NGERIA 7 3/8 09/28/33	4.56
EGYPT 5.8 09/30/27	3.24
RUALRU 5.3 05/03/23	3.00
AMZN US	2.66
B 11/24/23	2.59
IAG LN	2.46

## Duration Breakdown

	% of Total
Cash	-0.10
Repo Instruments	-9.43
Reverse Repo Instruments	1.60
Equity	75.24
0 - 1 years	5.72
1 - 3 years	6.73
3 - 5 years	7.01
5 - 7 years	7.30
7 - 10 years	2.39
10+ years	0.00

## Rating Breakdown

	% of Total
Cash	-0.10
Repo Instruments	-9.43
Reverse Repo Instruments	1.60
AAA	0.00
AA	3.39
A	23.81
BBB	12.77
BB	28.67
B	5.98
CCC	13.60
CC	1.68
C	0.00
D	0.00
NR	14.49



	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%	0.8%	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%

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Merit Fund AIFLP 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 # LP AIF05/2014, 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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