

Emerging Markets Bond Fund

Information as at: 28 February 2019

KEY FACTS

Asset Class
Category

Investment manager
Total Fund Assets, USD
A USD class, USD
Fund Inception Date
Strategy Inception Date

Performance Benchmark

ISIN
Fund Domicile
Fund Type
Bloomberg Ticker
Base currency
Management fee
Performance fee
Hurdle rate
Liquidity

Fixed Income
Global Emerging Markets
bond
MeritKapital
\$37,698,101
\$37,698,101
01/09/2016
01/04/2017

J.P. Morgan EMBI Global
Total Return Index
CYF000000200
Cyprus
AIF-LNP
MERFXPT CY
USD
0.75%
15%
3%

MINIMUM INVESTMENT

Share class
A USD

\$50,000

FUND CHARACTERISTIC

Credit Rating
Modified Duration
Yield to Worst
Cash
Repo Instruments
Reverse Repo Instruments

BB
2.49 years
4.23%
12.73%
0.00%
2.74%

COMPOSITION OF THE FUND

Sectors % of Total

Government	40.83
Financial	24.58
Basic Materials	10.47
Consumer, Non-cyclical	4.03
Energy	3.19
Industrial	1.43
Communications	0.00
Utilities	0.00
Consumer, Cyclical	0.00

Country % of Total

Russian Federation	19.80
Nigeria	15.38
Turkey	10.39
Cyprus	6.89
Bahrain	5.61
Oman	4.52
Kenya	4.16
South Africa	2.85
Argentina	2.80
United Arab Emirates	2.77
Other	9.33

Currency Break-Down % of Total

USD	92.47
EUR	7.53
GBP	0.00

MANAGEMENT TEAM

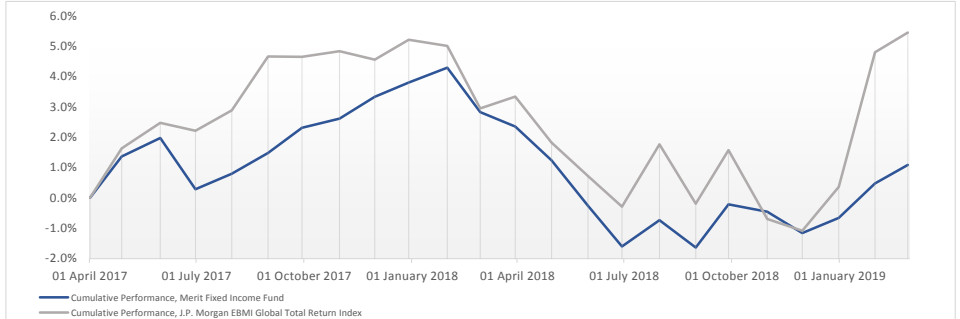
Portfolio Manager
Investment Advisor

MeritKapital Ltd
Persella Ioannides

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	0.61%	1.76%	1.09%
J.P. Morgan EMBI Global Total Return Index	0.62%	5.07%	5.45%

Share Class performance of 0.61% is calculated on a Net Asset Value (NAV) basis, net of fees.

Total gross performance for February 2019 is 0.69%

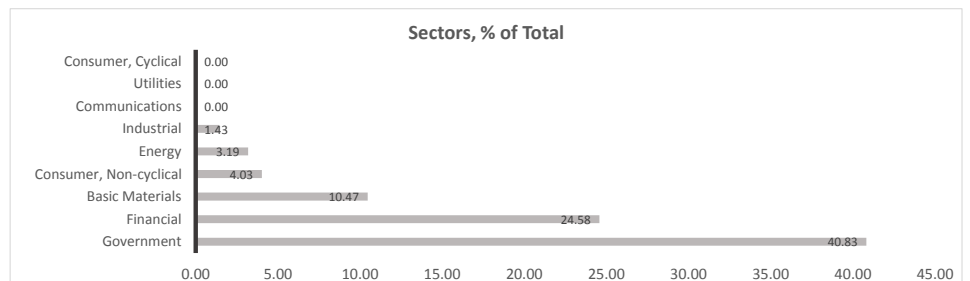
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FUND COMMENTS

Emerging markets continued strong into February with sustained inflows into the sector. A predominant driver of this momentum is the enduring dovish rhetoric of the US Fed which noted patience on future rate hikes and flexibility in reducing bond holdings. Meanwhile, poor economic data from the eurozone had the ECB continue its accommodative stance with steady rates for the year, balance sheet reinvestments beyond the first rate hike and quarterly TLTROs. In effect, numerous issuances came out of European sovereigns including peripheral sovereigns which were all well bid.

Yields of 10-year US Treasuries hovered around 2.63 level at month end while oil continued to be a positive driver for EM, climbing to \$57.3/barrel in the end of February. Moreover, although there had been no progress on the US vs. China trade wars on the February 26th summit the resulting market sentiment was positive as there was no apparent aggression between the countries.

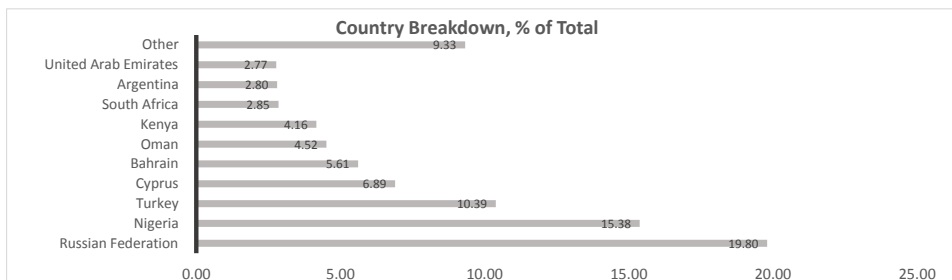
The fund performed in line with the benchmark index 0.61% vs. 0.62%. Cyprus issued a new 15-year bond which the fund participated in and, which, performed very well along with the rest of the Cyprus tenors held on the fund. A dovish ECB and Cyprus sovereigns' attractive valuation versus peers (Portuguese sovereign curve) made the trade a good play. Other outperformers of the fund included the rebound of OMAN 47 on the back of higher oil prices and the government's announcement to engage in asset sales to finance as much as 70% of '19 budget deficit needs. On the Russian front, the position in RUSAL 22 continues to outperform amidst expectations that the issuer will regain its ratings and amidst higher EBITDA margins due to lower cost of raw materials. A further play in Russia, has been the potential tendering premium of short dated debt which may be tendered to refinance issuers' longer dated paper. Possible contesters are ALROSA 20 (held in fund), RUALRU 20 and EUCHEM 20. On the new issue front, the fund participated in the new EGYPT 24 and the new SANTAN7.5 PERP and took profits in both. On the Sub Saharan Africa (SSA) front, IVYCST 32 was also divested to capitalize on a good gain; all other positions in the SSA region are performing well.



Top 10 Holdings

% of Total

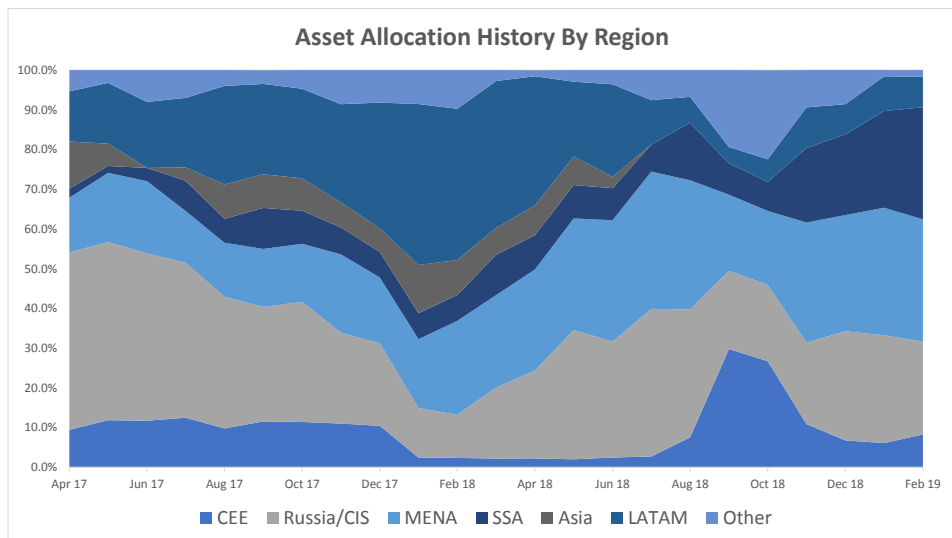
RUSSIA 5 04/29/20	5.68
CYPRUS 2 3/4 02/26/34	5.18
OMAN 6 1/2 03/08/47	4.52
BHRAIN 5 1/2 03/31/20	4.24
KENINT 5 7/8 06/24/19	4.16
ZENITH 6 1/4 04/22/19	3.36
ALRSRU 7 3/4 11/03/20	2.96
SOAF 5 1/2 03/09/20	2.85
NGERIA 6 3/4 01/28/21	2.85
GAZPRU 9 1/4 04/23/19	2.84



Duration Breakdown

% of Total

Cash	12.73
Repo Instruments	0.00
Reverse Repo Instruments	2.74
0 - 1 years	41.97
1 - 3 years	24.03
3 - 5 years	7.59
5 - 7 years	0.62
7 - 10 years	0.00
10+ years	10.30



Rating Breakdown

% of Total

Cash	12.73
Repo Instruments	0.00
Reverse Repo Instruments	2.74
AAA	2.69
AA	0.00
A	4.12
BBB	11.06
BB	32.36
B	26.39
CCC	7.56
CC	0.00
C	0.00
D	0.35

	Mar 18	Apr 18	May 18	Jun 18	Jul 18	Aug 18	Sep 18	Oct 18	Nov 18	Dec 18	Jan 19	Feb 19
CEE	2.2%	2.2%	2.0%	2.5%	2.7%	7.5%	29.8%	26.7%	10.9%	6.8%	6.1%	8.3%
Russia/CIS	17.9%	22.1%	32.6%	29.2%	37.2%	32.2%	19.7%	19.2%	20.6%	27.5%	27.1%	23.4%
MENA	23.3%	25.4%	28.1%	30.5%	34.5%	32.6%	19.2%	18.6%	30.2%	29.3%	32.1%	30.7%
SSA	10.2%	8.7%	8.4%	8.1%	6.9%	14.5%	7.9%	7.3%	18.7%	20.3%	24.3%	28.3%
Asia	6.8%	7.4%	7.2%	2.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
LATAM	37.0%	32.6%	18.8%	23.2%	11.1%	6.5%	4.1%	5.7%	10.2%	7.6%	8.7%	7.7%
Other	2.8%	1.5%	2.9%	3.6%	7.6%	6.7%	19.3%	22.4%	9.4%	9.3%	1.6%	1.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.7%	100.0%	100.0%

DISCLAIMER

Merit Fixed Income Fund 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 or 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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