

Emerging Markets Bond Fund

Information as at: 28 February 2018

KEY FACTS

Asset Class	Fixed Income
Category	Global Emerging Markets bond
Investment manager	MeritKapital
Total Fund Assets, USD	38,346,628
A USD class, USD	38,346,628
Fund Inception Date	01/09/2016
Strategy Inception Date	01/04/2017
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	6.6
Yield to Worst	5.2
Cash	9.9

COMPOSITION OF THE FUND

Sectors	% of Total
Government	36.8
Basic Materials	9.7
Financial	7.4
Energy	14.9
Consumer, Non-cyclical	9.8
Utilities	5.0
Industrial	2.4
Consumer, Cyclical	2.5
Communications	1.6

Country	% of Total
Brazil	16.4
Argentina	10.4
Oman	7.9
Turkey	7.2
United States	4.9
Ukraine	4.9
Mexico	4.7
India	4.3
Russian Federation	3.5
Nigeria	3.2
Other	32.6

Currency Break-Down	% of Total
USD	86.6
EUR	13.4

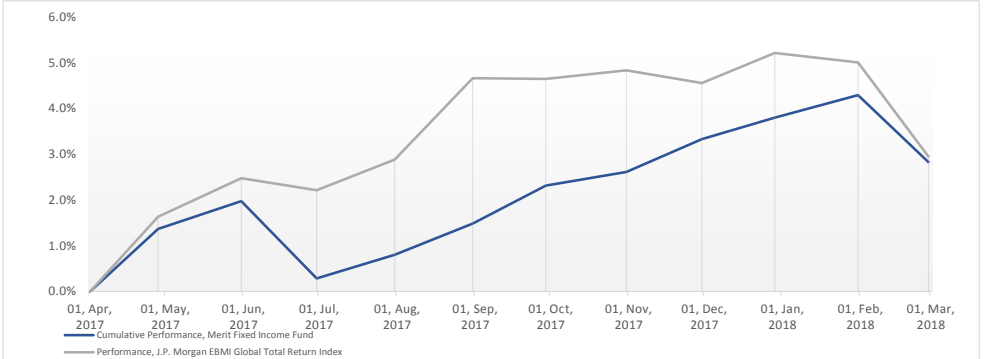
MANAGEMENT TEAM

Portfolio Manager	MeritKapital Ltd
Chief Investment Advisor	Golibjon Zohidov
Investment Advisor	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	Since Inception (11 Months - YTD)
MeritKapital Fixed Income Fund - A Shares USD	-1.40%	2.83%

Share Class performance of -1.40% is calculated on a Net Asset Value (NAV) basis, net of fees.

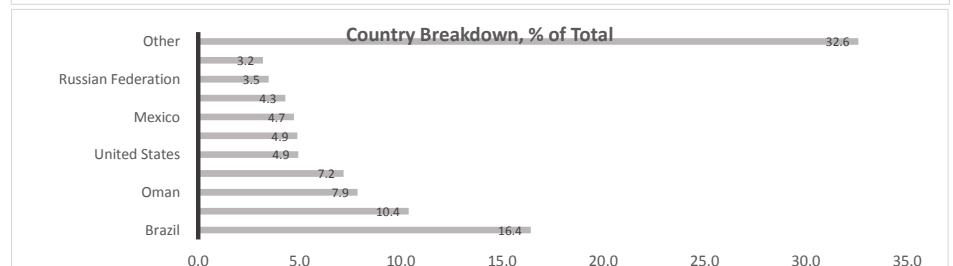
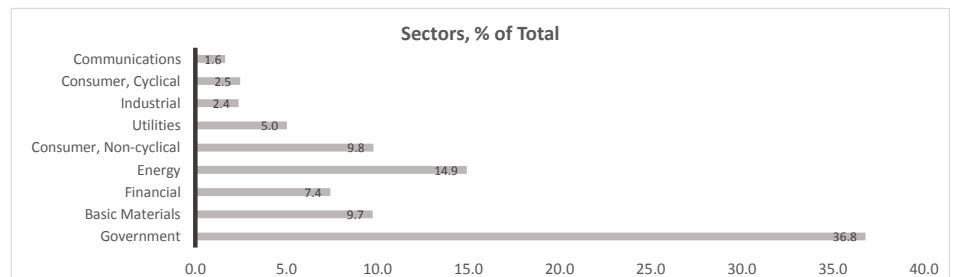
Total gross performance for February 2018 is -1.31%.

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FUND COMMENTS

A hawkish set of US data at the start of the month led to a spike in general market volatility with the VIX index jumping up to reach 2007/08 highs. Concern on US inflation getting out of hand followed by higher than expected US CPI print and jobs data drove US 10-year treasuries yields to 2.94% up from 2.75% at the beginning of the month. The 3-decade downward trend channel in US 10-year yields was broken which triggered a technical sell-off across a wide range of asset classes. A number of correlations such as in rates, equities, fx and commodities were broken. The general Emerging Markets (EM) bond space was repriced lower but in an orderly fashion and in the absence of panic selling. The EM credit spread widening (in the range of "25bp -75bps") was less extreme than the cash price movements, where longer dated bonds fell by 3-8 points. The return of volatility and slower net EM inflows have led to the postponement of a considerable number of issues in the primary market. Market sentiment for EM credit remained bullish as fundamentals remain strong and the upward trend in commodities acts as an accommodating support towards the bullish outlook.

The fund outperformed the benchmark index, down -1.40% versus the benchmark's -1.96% for the month of February. The cash position of the fund was reduced to 9.9% from 11.3% and duration further extended from 4.8 years to a comfortable level of 6.6 years. The weighted average credit rating of the portfolio remained unchanged at BB. The negative return this month was attributed to an overall market weakness with pronounced movements in the longer duration bonds of the fund which include those of Argentina, Kingdom of Saudi Arabia, Mexico and Oman. The portfolio regional weights were slightly adjusted as we increased our overweight position in MENA which led to an increase in the fund's allocation from 17.4% to 23.6%. LATAM remained the largest constituent of the portfolio with a 38.1% allocation, within which Brazil's and Argentina's weighting remained the highest.



Top 10 Holdings

	% of Total
OMAN 6 1/2 03/08/47	5.3
T 2 1/4 11/15/27	4.9
BRAZIL 4 5/8 01/13/28	3.9
ARGENT 6 1/4 11/09/47	3.0
TATAIN 5.45 01/24/28	3.0
CCOLAT 4 3/4 10/01/18	2.7
MAZOOON 5.2 11/08/27	2.6
PETBRA 5.999 01/27/28	2.6
TECPET 4 7/8 12/12/22	2.6
KSA 4 5/8 10/04/47	2.6

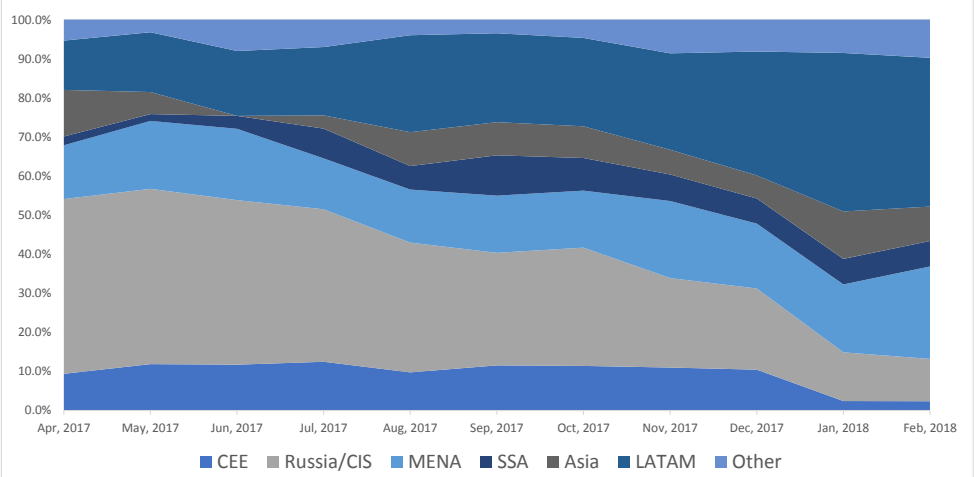
Duration Breakdown

	% of Total
0 - 1 yrs	12.0
1 - 3 yrs	10.9
3 - 5 yrs	21.0
5 - 7 yrs	8.9
7 - 10 yrs	24.0
10+ yrs	23.2

Rating Breakdown

	% of Total
Cash	9.9
AAA	4.9
AA	0.0
A	5.8
BBB	9.4
BB	42.5
B	24.4
CCC	0.0
CC	3.2
C	0.0
D	0.0

Asset Allocation History By Region



	Apr, 2017	May, 2017	Jun, 2017	Jul, 2017	Aug, 2017	Sep, 2017	Oct, 2017	Nov, 2017	Dec, 2017	Jan, 2018	Feb, 2018
CEE	9.4%	11.9%	11.7%	12.5%	9.8%	11.5%	11.4%	11.0%	10.5%	2.4%	2.4%
Russia/CIS	44.7%	44.9%	42.1%	39.0%	33.2%	28.8%	30.3%	22.9%	20.8%	12.5%	10.8%
MENA	13.8%	17.4%	18.2%	13.0%	13.6%	14.7%	14.6%	19.7%	16.6%	17.4%	23.6%
SSA	2.2%	1.7%	3.3%	7.6%	6.0%	10.3%	8.3%	6.8%	6.4%	6.6%	6.5%
Asia	11.9%	5.6%	0.0%	3.4%	8.7%	8.5%	8.2%	6.3%	5.9%	12.1%	8.8%
LATAM	12.6%	15.3%	16.6%	17.5%	24.8%	22.7%	22.6%	24.7%	31.7%	40.5%	38.1%
Other	5.3%	3.2%	8.0%	7.0%	4.0%	3.5%	4.7%	8.6%	8.2%	8.5%	9.7%
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 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; 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.