

Emerging Markets Bond Fund

Information as at: 31 October 2018

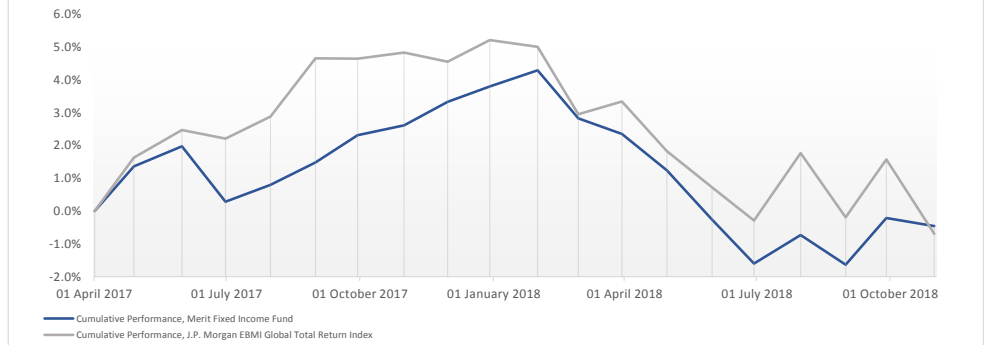
KEY FACTS

Asset Class Category	Fixed Income Global Emerging Markets bond
Investment manager	MeritKapital
Total Fund Assets, USD	37,120,104
A USD class, USD	37,120,104
Fund Inception Date	01/09/2016
Strategy Inception Date	01/04/2017
Performance Benchmark	J.P. Morgan EMBI Global Total Return Index CYF000000200
ISIN	Cyprus AIF-LNP MERFXPT CY
Fund Domicile	USD
Fund Type	0.75%
Bloomberg Ticker	15%
Base currency	3%
Management fee	Monthly
Performance fee	
Hurdle rate	
Liquidity	

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 (19 Months)
MeritKapital Fixed Income Fund - A Shares USD	-0.25%	-0.46%

Share Class performance of -0.25% is calculated on a Net Asset Value (NAV) basis, net of fees.
Total gross performance for October 2018 is -0.16%

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

MINIMUM INVESTMENT

Share class	
A USD	50,000

FUND CHARACTERISTIC

Credit Rating	BBB-
Modified Duration	2.04
Yield to Worst	4.15
Cash	2.53
Repo Instruments	-27.76
Reverse Repo Instruments	26.12

COMPOSITION OF THE FUND

Sectors	% of Total
Energy	5.74
Government	54.63
Financial	19.34
Consumer, Non-cyclical	7.31
Basic Materials	2.75
Industrial	6.64
Communications	2.71
Utilities	0.00
Consumer, Cyclical	0.00

Country	% of Total
United States	23.94
Russian Federation	19.30
Turkey	9.42
Cyprus	7.81
Nigeria	6.48
Bahrain	5.42
Ukraine	4.71
Oman	4.34
Brazil	4.18
Argentina	2.76
Other	10.76

Currency Break-Down	% of Total
USD	67.88
EUR	32.12
GBP	0.00

MANAGEMENT TEAM

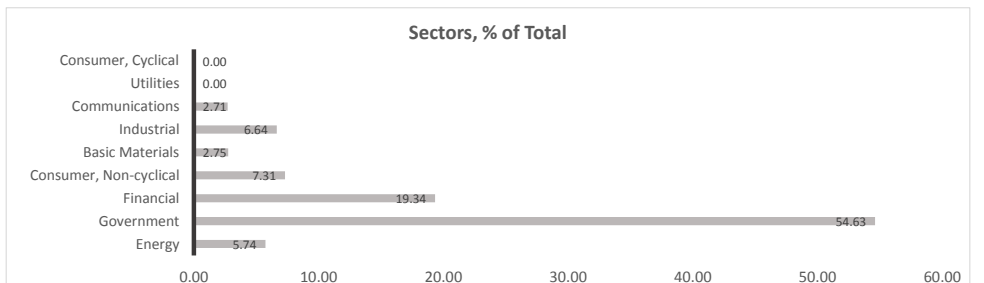
Portfolio Manager	MeritKapital Ltd
Investment Advisor	Persella Ioannides

FUND COMMENTS

The month of October was very challenging for equity and fixed income markets alike. The US equity markets weakened to 6-month lows while 10 year yields dropped to 3.14% from a 5YR high of 3.234% as investors fled for safety. In the EM space, one of the major trends was the continuing decline in the oil prices due to oversupply fears acted as a contributing drag on EM Eurobonds along with the general risk off mode. Another occurrence to note was the controversial killing of the Saudi journalist, Jamal Khashoggi, in the Saudi embassy in Turkey and Turkey's negotiating position on the underlying political spat between US and Saudi. Although there was a resulting correction in Saudi sovereign paper, it proved to be short-lived as the stance of the US was reconciliatory. Aside from this, Saudi sovereigns traded considerably lower versus September along with the rest of the GCC paper on the back of oil weakness. Russian credit was mainly pressured downwards in anticipation of the results of the US midterm elections which could place the Democrats back in the House, as the polls were predicting.

Elsewhere in the EM space, the Brazilian presidential elections took place end of October where market friendly, Bolsonaro, came through as the polls predicted. Throughout the month, the Brazilian credit market traded higher in anticipation of this and has held up since. Turkey continued to trade strong as the political rift with the US had mellowed down following the release of the US Pastor and with expectations that mutual sanctions against each other would be lifted. Amidst this positive sentiment, Turkey has successfully tapped the market with two new issues USD 5Y and a EUR 7R which were both well received by investors. In the meantime, Italy seems to dominate negative headlines in the European space with their continuing rhetoric on maintaining their ambitious budget deficit targets defying guidelines dictated by the European Union. This along with continued Brexit negotiations continues to drag down European sentiment and pressure the credit downwards.

The fund outperformed the benchmark EMBI index considerable ending the month flat i.e. -0.25% versus the -2.25% return of the index. Positive movers for the fund were its positions in Brazil and Turkey which recovered considerably while positions that traded lower where the euro positions that gave up some of their previous gains as well as the GCC positions that are trading lower on the back of the oil weakness. The short duration tactic of the fund allowed it to weather the volatility of the month.



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Top 10 Holdings

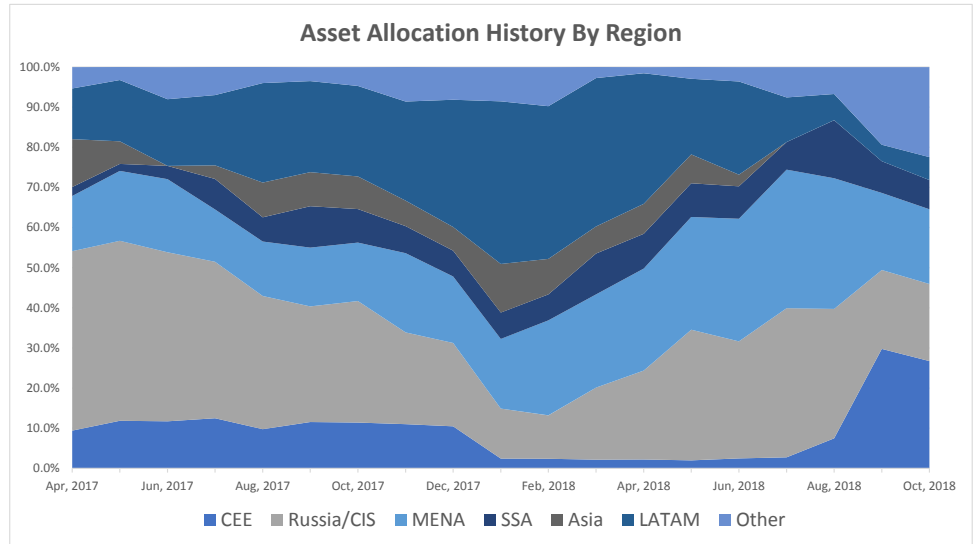
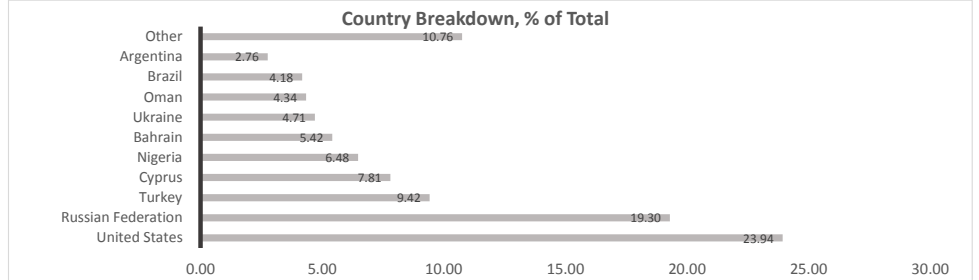
	% of Total
B 11/29/18	18.65
OMAN 6 1/2 03/08/47	4.34
BOCYCY 9 1/4 01/19/27	3.77
KERPW 8 3/4 01/31/22	3.43
YFPDAR 8 7/8 12/19/18	2.76
BHRAIN 6.273 11/22/18	2.74
KENINT 5 7/8 06/24/19	2.74
GAZPRU 9 1/4 04/23/19	2.74
SBERRU 5.18 06/28/19	2.72
RUSSIA 5 04/29/20	2.72

Duration Breakdown

	% of Total
Cash	2.53
Repo Instruments	-27.76
Reverse Repo Instruments	26.12
0 - 1 yrs	56.39
1 - 3 yrs	20.73
3 - 5 yrs	9.09
5 - 7 yrs	5.43
7 - 10 yrs	2.62
10+ yrs	4.84

Rating Breakdown

	% of Total
Cash	2.53
Repo Instruments	-27.76
Reverse Repo Instruments	26.12
AAA	23.94
AA	0.00
A	1.28
BBB	7.12
BB	36.61
B	23.50
CCC	6.43
CC	0.00
C	0.00
D	0.24



	Nov, 2017	Dec, 2017	Jan, 2018	Feb, 2018	Mar, 2018	Apr, 2018	May, 2018	Jun, 2018	Jul, 2018	Aug, 2018	Sep, 2018	Oct, 2018
CEE	11.0%	10.5%	2.4%	2.4%	2.2%	2.2%	2.0%	2.5%	2.7%	7.5%	29.8%	26.7%
Russia/CIS	22.9%	20.8%	12.5%	10.8%	17.9%	22.1%	32.6%	29.2%	37.2%	32.2%	19.7%	19.2%
MENA	19.7%	16.6%	17.4%	23.6%	23.3%	25.4%	28.1%	30.5%	34.5%	32.6%	19.2%	18.6%
SSA	6.8%	6.4%	6.6%	6.5%	10.2%	8.7%	8.4%	8.1%	6.9%	14.5%	7.9%	7.3%
Asia	6.3%	5.9%	12.1%	8.8%	6.8%	7.4%	7.2%	2.9%	0.0%	0.0%	0.0%	0.0%
LATAM	24.7%	31.7%	40.5%	38.1%	37.0%	32.6%	18.8%	23.2%	11.1%	6.5%	4.1%	5.7%
Other	8.6%	8.2%	8.5%	9.7%	2.8%	1.5%	2.9%	3.6%	7.6%	6.7%	19.3%	22.4%
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 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 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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