

# Emerging Markets Bond Fund

Information as at: 30 November 2017

## KEY FACTS

Asset Class	Fixed Income
Category	Global Emerging Markets bond
Investment manager	MeritKapital
Total Fund Asset, USD	38,553,728
A USD class, USD	38,553,728
Strategy Inception Date	01/04/2017
Performance Benchmark	J.P. Morgan EMBI Global Total Return Index CYF000000200
ISIN	Cyprus
Fund Domicile	AIF
Fund Type	MERFXPT CY
Bloomberg Ticker	USD
Base currency	0.75%
Management fee	15%
Performance fee	3%
Hurdle rate	Monthly
Liquidity	

## MINIMUM INVESTMENT

Share class	
A USD	50,000
A EUR	50,000

## FUND CHARACTERISTIC

Credit Rating	BB
Modified Duration	3.9
Yield to Worst	4.1

## COMPOSITION OF THE FUND

Sectors	% of Total
Government	28.9
Cash	13.7
Basic Materials	12.2
Financial	11.0
Energy	8.9
Consumer, Non-cyclical	10.0
Utilities	7.2
Industrial	3.2
Consumer, Cyclical	3.2
Communications	1.6

Country	% of Total
Cash	13.7
Russian Federation	11.3
Cyprus	9.6
Brazil	9.2
Ukraine	6.4
Mexico	6.3
Turkey	5.8
Greece	3.4
Nigeria	3.2
Other	31.1

Currency Break-Down	% of Total
USD	78.9
EUR	21.1

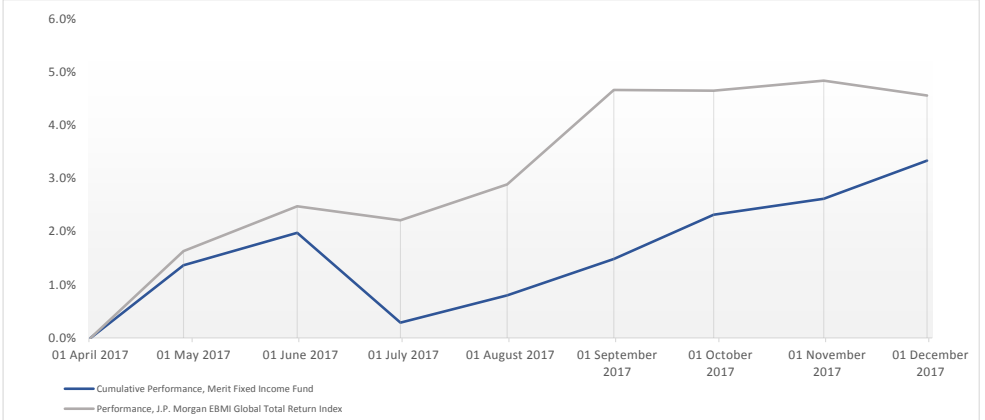
## MANAGEMENT TEAM

<b>MeritKapital Ltd</b>
Portfolio Manager
<b>Golibjon Zohidov</b>
Chief Investment Advisor
<b>Persella Ioannides</b>
Investment Advisor

## INVESTMENT OBJECTIVE

Merit Fixed Income Fund aims to achieve attractive return through a combination of capital growth and income. The fund invests generally 90% of net assets, plus any leveraged amount utilized within the scope of investment purposes in sovereign or corporate debt securities of

## 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 (8 Months - YTD)
MeritKapital Fixed Income Fund - A Shares USD	0.72%	3.33%

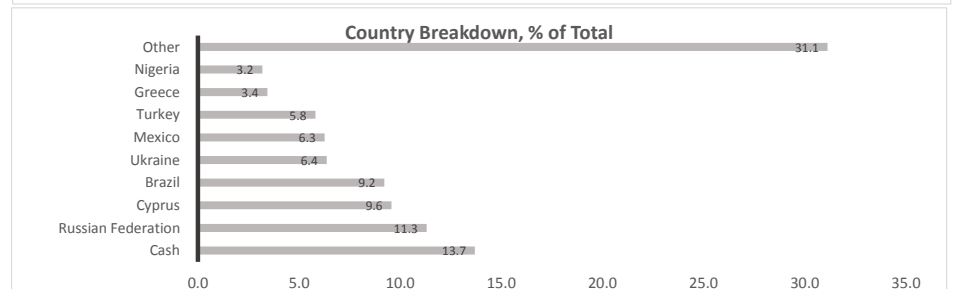
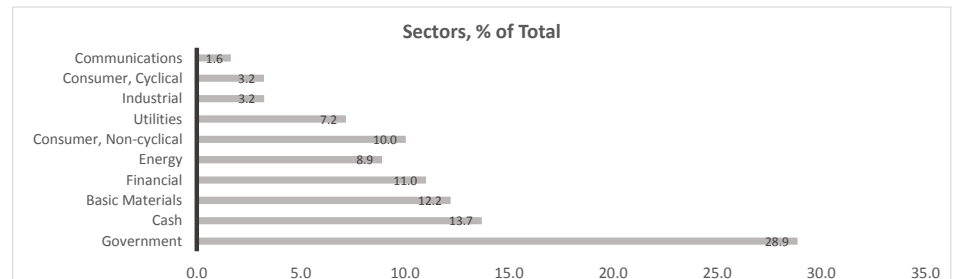
Share Class performance is calculated on a Net Asset Value (NAV) basis, net of fees.

\*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 outperformed the benchmark index for a second month in a row to generate 0.72% return versus -0.28% MTD of the benchmark. The cash position of the fund was increased to 13.7% from 3.58%, duration slightly increased to 3.9 from 3.5 years and the risk profile remained defensive. The weighted average rating of the portfolio was reduced by 1 notch to BB from BB+. The performance was predominantly driven by exposure to Russia, Ukraine, Sub Sahara Africa and Latin America. We decreased allocations across these regions as we looked to capitalise gains on positions that have performed strongly over the year and which were left with limited upside. The largest reductions were across Russia, Turkey and Ukraine where we cut our allocations to 11.3% (19.7%), 5.8% (9.7%) and 6.4% (7.8%), respectively. We took profits in Russia as we see limited upside left in the region ahead of the upcoming presidential elections of March, 2018. Ukraine corporates exhibited stellar performance with some trading through the sovereign curve, hence we took gains in some positions there too. We reduced exposure in Turkey on the back of the US trial of the former CEO of the largest Turkish bank "Halkbank", which brought about a respective bond selloff with USDTRY reaching an all time high of 3.98. We still see opportunities in Latin America and the Middle East and North Africa region, and hence grew the fund allocation in Brazil to 9.2% from 8.3%.

The Emerging Markets (EM) universe initiated the month with a rocky start due to geopolitical affairs in the Middle East, South Africa, Turkey and thus drove the underlying volatility higher. Nonetheless, the respective events somewhat quelled and thus inflows into EM funds returned to keep the sentiment positive despite of stretched valuations.



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Top 10 Holdings	% of Total	Duration Breakdown	% of Total	Rating Breakdown	% of Total
CYPRUS 3 3/4 07/26/23	5.6	0 - 1 yrs	13.9	Cash	13.7
EVRAZ 5 3/8 03/20/23	2.7	1 - 3 yrs	22.6	AAA	0.0
METINR 4.85 05/02/24	2.7	3 - 5 yrs	18.0	AA	2.5
CCOLAT 4 3/4 10/01/18	2.6	5 - 7 yrs	20.5	A	9.5
MAZOOON 5.2 11/08/27	2.6	7 - 10 yrs	7.2	BBB	9.4
BRAZIL 4 5/8 01/13/28	2.6	10+ yrs	4.1	BB	38.9
BHRAIN 7 1/2 09/20/47	2.5			B	22.5
KERPW 8 3/4 01/31/22	2.2			CCC	0.0
BOCYCY 9 1/4 01/19/27	2.2			CC	2.2
AZERBJ 5 1/8 09/01/29	2.0			C	1.4
				D	0.0

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