

# Emerging Markets Bond Fund

Information as at: 29 November 2019

## KEY FACTS

Asset Class  
Category

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

Fixed Income  
Global Emerging Markets  
bond

MeritKapital  
\$41,408,154  
\$41,408,154  
01/09/2016  
01/04/2017

## Performance Benchmark

J.P. Morgan EMBI Global  
Total Return Index  
CYF000000200

Cyprus  
AIF-LNP  
MERFXPT CY  
USD

Monthly

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

## MINIMUM INVESTMENT

Share class  
A USD

\$50,000

## FUND CHARACTERISTIC

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

BBB-  
4.36 years  
2.94%  
43.01%  
0.00%  
0.00%

## COMPOSITION OF THE FUND

Sectors

Government  
Industrial  
Basic Materials  
Financial  
Energy  
Communications  
Consumer, Non-cyclical  
Utilities  
Consumer, Cyclical

% of Total

32.83  
5.55  
8.12  
7.43  
1.32  
1.24  
0.48  
0.00  
0.00

## Country

Russian Federation  
United States  
Italy  
Nigeria  
South Africa  
Bahrain  
Mexico  
Togo  
Brazil  
Saudi Arabia  
Other

% of Total

17.45  
9.96  
8.08  
5.56  
3.70  
3.68  
2.47  
1.96  
1.77  
1.21  
1.15

## Currency Break-Down

USD  
EUR  
GBP

% of Total

92.82  
7.18  
0.00

## MANAGEMENT TEAM

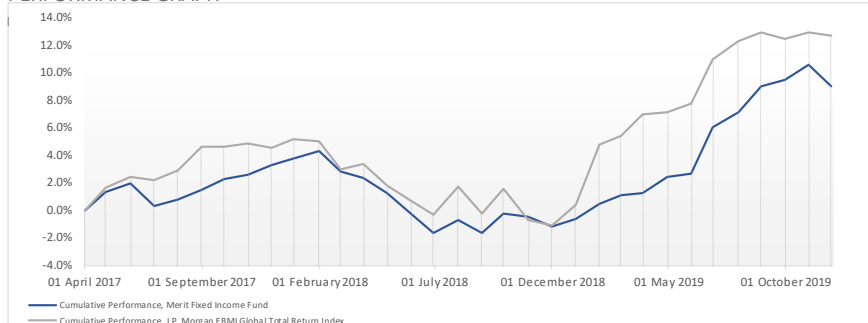
Portfolio Manager  
Investment Advisor

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\*



## PERFORMANCE\*

	MTD	YTD	SI
MeritKapital Fixed Income Fund - A Shares USD	-1.37%	9.76%	9.04%
J.P. Morgan EMBI Global Total Return Index	-0.16%	12.31%	12.72%

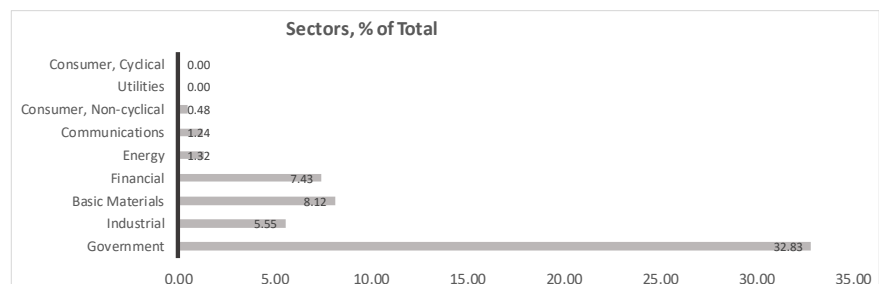
Share Class performance of -1.37% is calculated on a Net Asset Value (NAV) basis, net of fees.

Total gross performance for November 2019 is -1.28%

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

## FUND COMMENTS

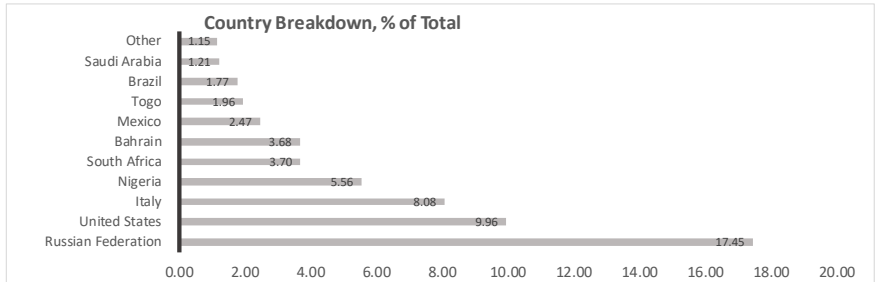
The month of November was a down month for the fund (-1.37%) as desks global wide saw yields go higher in light of some bettering macro-economic data and decided to take profits on positions to preserve the solid Year-to-Date returns marked in the asset class. Moreover, the euro weakened for the month which also affected the fund's performance. The fund took profit on majority of duration positions including positions in European periphery where it has a significant holding and shifted to a conservative positioning for year end to have ample liquidity for the coming year. Positions in Treasuries (10 year and 30 year) on the fund were kept as was the euro position. Although the equity market has been performing well on the back of headline news on the anticipated US-China "Phase 1" trade deal we remain cautious as the fundamentals of the deal are limited. Indeed, as the deal was announced on Friday 13/12 the actual terms are murky and the market reaction was muted as more cuts to tariffs were priced in. With the US Fed signalling at the last meeting that future cuts are on hold for now and with the ECB maintaining its monetary easing policy as both central banks have inflation targets in focus the treasury yields for 2020 should be range bound and form a good portfolio hedge. Moreover, we still see demand from foreign account for US rates as the trade is positive yielding even after FX hedging is taken into consideration. With the positive BREXIT outcome, the EURUSD is currently trading to the fund's favour and that position was also kept unhedged. The fund bought short dated positions in Italian sovereign debt BTPS 2.15 12/15/21, treasury bills and maintains all previous (mostly) short dated debt outside European rates.



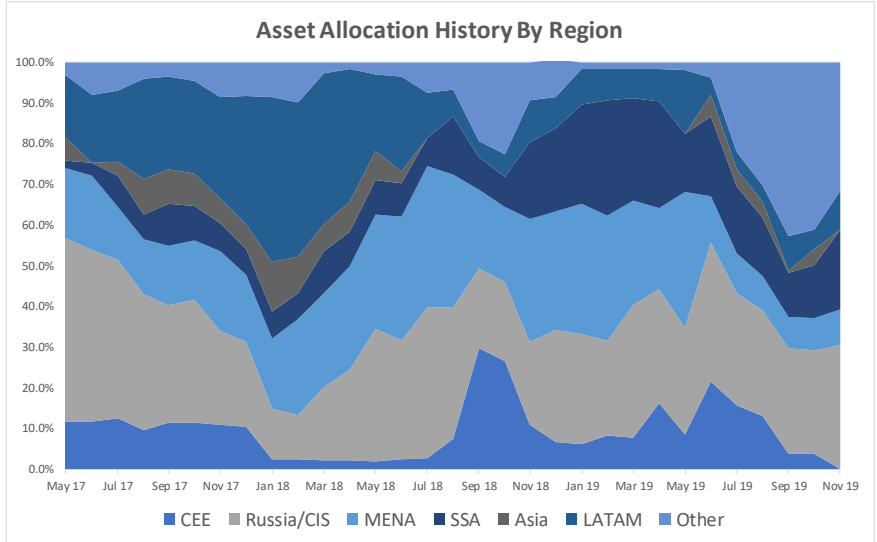
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Top 10 Holdings	% of Total
BTPS 2.15 12/15/21	8.08
T 2 7/8 05/15/49	5.52
RUSSIA 5 04/29/20	4.90
T 2 3/8 05/15/29	4.44
BHRAIN 5 1/2 03/31/20	3.68
TRUBRU 6 3/4 04/03/20	3.21
NGERIA 6 3/4 01/28/21	2.55
CREAL 5 02/01/27	2.47
FIDBAN 10 1/2 10/16/22	2.47
SOAF 5 1/2 03/09/20	2.46



Duration Breakdown	% of Total
Cash	43.01
Repo Instruments	0.00
Reverse Repo Instruments	0.00
0 - 1 years	18.63
1 - 3 years	19.96
3 - 5 years	6.91
5 - 7 years	0.00
7 - 10 years	4.92
10+ years	6.58



Rating Breakdown	% of Total
Cash	43.01
Repo Instruments	0.00
Reverse Repo Instruments	0.00
AAA	9.96
AA	0.00
A	2.27
BBB	19.83
BB	5.41
B	19.43
CCC	0.00
CC	0.00
C	0.00
D	0.10
NR	0.00

	Dec 18	Jan 19	Feb 19	Mar 19	Apr 19	May 19	Jun 19	Jul 19	Aug 19	Sep 19	Oct 19	Nov 19
CEE	6.8%	6.1%	8.3%	7.9%	16.2%	8.5%	21.5%	15.8%	13.1%	3.8%	3.9%	0.0%
Russia/CIS	27.5%	27.1%	23.4%	32.4%	28.1%	26.4%	34.2%	27.5%	25.9%	25.9%	25.4%	30.6%
MENA	29.3%	32.1%	30.7%	25.8%	19.8%	33.4%	11.3%	9.9%	8.5%	7.9%	7.8%	8.6%
SSA	20.3%	24.3%	28.3%	25.3%	26.4%	14.1%	19.8%	16.4%	14.4%	10.8%	13.2%	19.7%
Asia	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.3%	4.2%	4.1%	0.6%	3.8%	0.0%
LATAM	7.6%	8.7%	7.7%	7.2%	7.8%	15.8%	4.2%	4.0%	3.8%	8.4%	4.9%	9.5%
Other	9.3%	1.6%	1.6%	1.5%	1.8%	1.8%	3.7%	22.2%	30.4%	42.6%	41.0%	31.6%
Total	100.7%	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 past 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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