

# Emerging Markets Bond Fund

Information as at: 30 November 2020

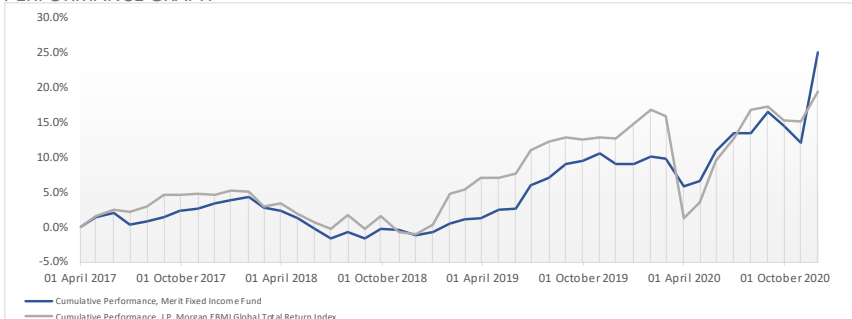
## KEY FACTS

Asset Class	Fixed Income
Category	Global Emerging Markets bond
Investment manager	MeritKapital
Total Fund Assets, USD	\$46,818,697
A USD class, USD	\$46,818,697
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

## 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	11.55%	14.69%	25.09%
J.P. Morgan EMBI Global Total Return Index	3.75%	4.01%	19.44%

Share Class performance of 11.55% is calculated on a Net Asset Value (NAV) basis, net of fees.

Total gross performance for November 2020 is 12.94%

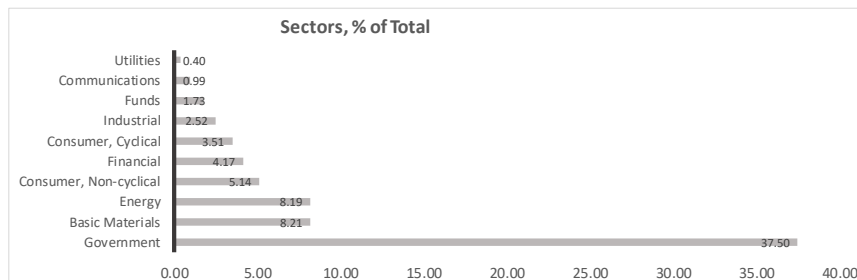
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## FUND COMMENTS

The fund returned a stellar 11.55% for the month of November taking YTD returns to 14.69% as the markets roared higher. November was a turning point of this year's Covid-19 crisis as there were announcements of three vaccines that proved to be effective against the virus and considerably strengthened the 'risk-on' mood of the post-US election rally. The vaccines in question passed the necessary efficacy and safety hurdles and the next obstacle is the speed with which these vaccines will be approved, manufactured, distributed, and administered. The challenge is that the vaccines with highest efficacy require cold storage (-70C) which makes them expensive while the lower efficacy vaccine can be stored in fridge temperatures and is thus considerably cheaper. Interestingly, the US elections roundup passed without further upsetting the markets even though investors were grappled by delayed results due to a higher (versus other years) % of votes being cast by mail and a Trump campaign that filed legal challenges to contest several of the state results. Although the end of Covid is now in sight, the recovery may still be bumpy in the coming quarters as governments grapple to control the virus with possible lockdowns. Moreover, the vaccines come together with their challenges and will only manage to properly cap the crisis well into 2021. However, the markets are likely to overlook the near-term hurdles and look forward to the brighter horizon. The next driver up for the markets will be the size of the fiscal stimulus package in the US which will much depend on the control of the Senate. This result is due on January 5th, 2021 when the two special runoff elections in Georgia will be conducted. As it stands, the Republicans have a good chance to win one of these two elections which would equate to a "Red" Senate and thus a smaller stimulus package, but the markets will react positively none the less.

Across to Europe, most of the region remained in lockdown mode along with the UK. As such, both will likely print a contraction in Q4. Key upcoming events is the ECB meeting on December 10th when the market awaits more QE while the EU recovery fund is still in negotiations mode. In the UK, the important date of December 31st marks the end of the post-Brexit transition period and talks will be under way to reach an agreement on trade. On the EM side, the dollar weakness coupled with a Biden presidency and a large pre-order allocated to the less expensive AstraZeneca/Oxford vaccine will all bode well for the asset class.

Gainers on the fund have been all the recovery stocks and bonds that the fund held a considerable position on. Energy also rallied hard and the fund was heavily weighted there. Meanwhile the European peripheral bonds also held their year's gains throughout this risk on rally.



## MINIMUM INVESTMENT

Share class	
A USD	\$50,000

## FUND CHARACTERISTIC

Credit Rating	BBB-
Modified Duration	11.57 years
Yield to Worst	2.03%
Fixed Income	50.83%
Equity	21.52%
Cash	38.19%
Repo Instruments	-10.53%
Reverse Repo Instruments	0.00%

## COMPOSITION OF THE FUND

Sectors	% of Total
Government	37.50
Basic Materials	8.21
Energy	8.19
Consumer, Non-cyclical	5.14
Financial	4.17
Consumer, Cyclical	3.51
Industrial	2.52
Funds	1.73
Communications	0.99
Utilities	0.40

Country	% of Total
Italy	11.05
United States	10.11
Greece	10.08
Russian Federation	9.50
United Kingdom	5.85
Cyprus	5.09
Netherlands	3.91
SNAT	3.24
Germany	3.24
Brazil	2.50
Other	7.78

Currency Break-Down	% of Total
USD	78.30
EUR	14.21
RUB	1.94
GBP	5.55

## MANAGEMENT TEAM

Portfolio Manager	MeritKapital Ltd
Investment Advisor	Persella Ioannides

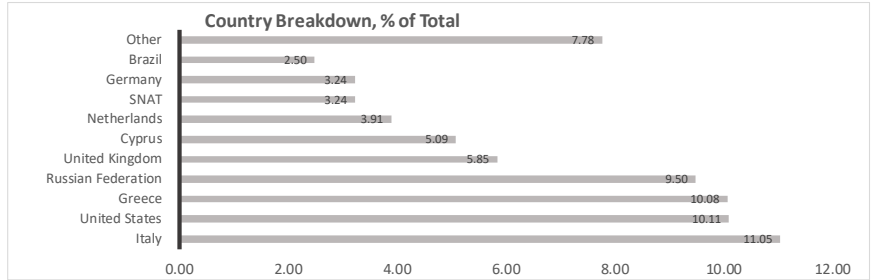
info@meritfixed.com  
www.meritkapital.com

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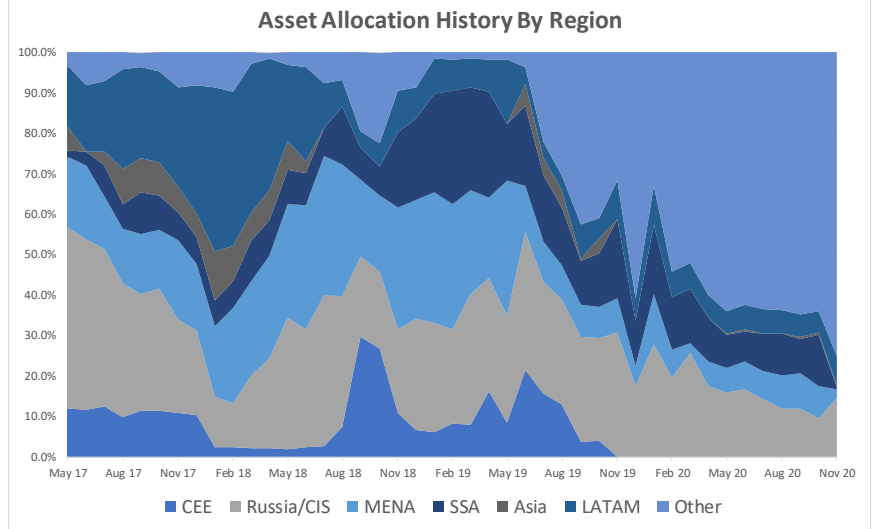
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Top 10 Holdings	% of Total
BTPS 1.7 09/01/51	9.83
GGB 1 7/8 02/04/35	6.09
CYPRUS 1 1/4 01/21/40	5.09
RDSA NA	3.91
T 2 3/8 05/15/29	3.87
EU 0 07/04/35	3.24
GGB 2 04/22/27	2.88
BP/ LN	2.86
RUSSIA 1.85 11/20/32	2.36
RUALRU 5.3 05/03/23	2.02



Duration Breakdown	% of Total
Cash	38.19
Repo Instruments	-10.53
Reverse Repo Instruments	0.00
Equity	21.52
0 - 1 years	1.54
1 - 3 years	3.07
3 - 5 years	7.77
5 - 7 years	4.73
7 - 10 years	7.11
10+ years	26.61



Rating Breakdown	% of Total
Cash	38.19
Repo Instruments	-10.53
Reverse Repo Instruments	0.00
AAA	3.87
AA	8.47
A	7.40
BBB	19.71
BB	20.68
B	6.77
CCC	1.40
CC	0.00
C	0.00
D	0.04
NR	4.00

	Dec 19	Jan 20	Feb 20	Mar 20	Apr 20	May 20	Jun 20	Jul 20	Aug 20	Sep 20	Oct 20	Nov 20
CEE	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Russia/CIS	17.5%	27.9%	19.7%	25.7%	17.6%	15.9%	16.8%	14.2%	11.9%	12.0%	9.6%	14.7%
MENA	4.9%	12.3%	6.8%	2.4%	6.1%	6.2%	6.7%	6.9%	8.2%	8.6%	7.9%	2.1%
SSA	11.3%	17.4%	12.9%	13.4%	10.9%	8.0%	7.5%	9.4%	10.4%	8.6%	12.7%	0.4%
Asia	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	0.4%	0.0%	0.0%	0.6%	0.5%	0.7%
LATAM	5.6%	9.3%	6.4%	6.6%	5.6%	5.5%	6.0%	6.1%	5.9%	5.6%	5.3%	7.0%
Other	60.7%	33.1%	54.2%	51.9%	59.9%	64.0%	62.5%	63.4%	63.6%	64.7%	64.0%	75.1%
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%

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