

# Emerging Markets Bond Fund

Information as at: 29 December 2017

## KEY FACTS

Asset Class	Fixed Income
Category	Global Emerging Markets bond
Investment Manager	MeritKapital
Total Fund Assets, USD	38,710,351
A USD class, USD	38,710,351
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	4.4
Yield to Worst	3.9

## COMPOSITION OF THE FUND

Sectors	% of Total
Government	29.5
Cash	10.1
Basic Materials	11.9
Financial	10.9
Energy	10.8
Consumer, Non-cyclical	11.8
Utilities	7.0
Industrial	3.2
Consumer, Cyclical	3.2
Communications	1.6

Country	% of Total
Brazil	13.6
Russia	11.1
Cash	10.1
Cyprus	9.5
Ukraine	6.3
Mexico	6.1
Argentina	4.4
Turkey	3.9
Greece	3.4
Other	31.6

Currency Break-Down	% of Total
USD	79.0
EUR	21.0

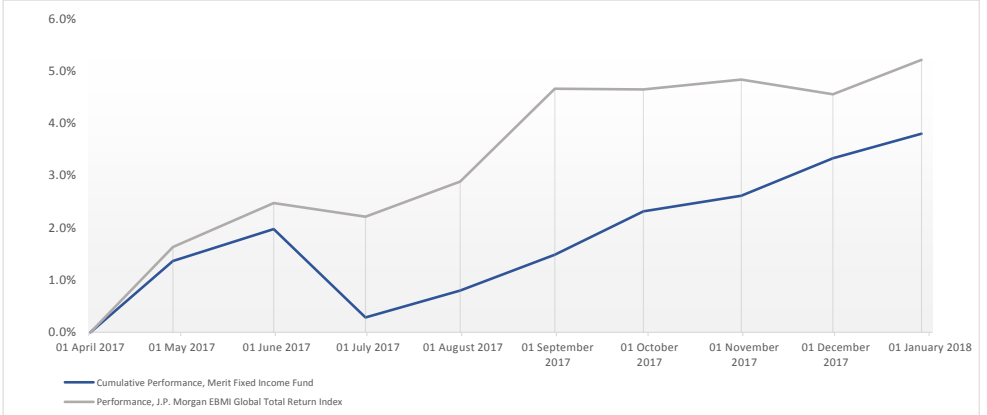
## MANAGEMENT TEAM

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

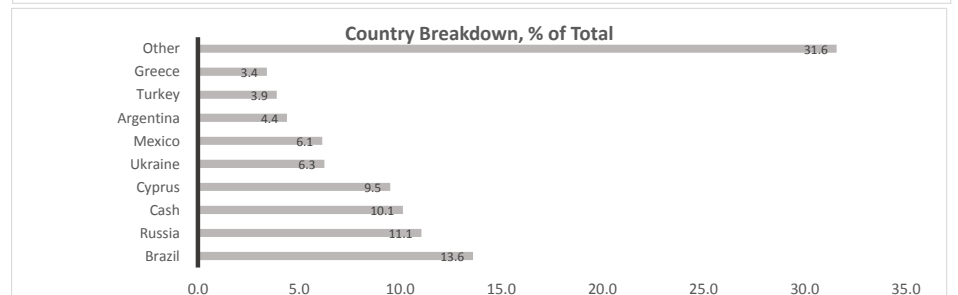
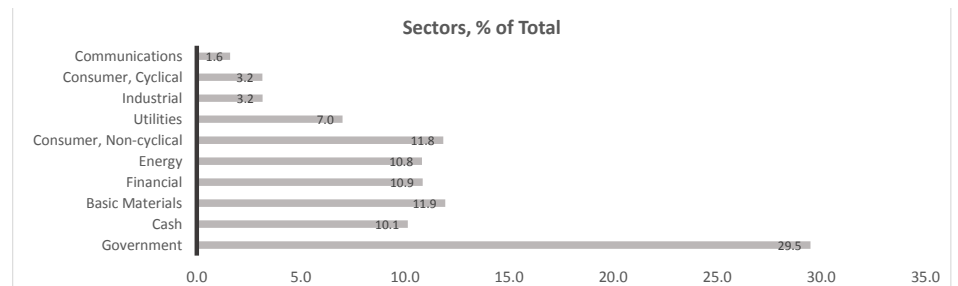
PERFORMANCE*	MTD	Since Inception (9 Months - YTD)
MeritKapital Fixed Income Fund - A Shares USD	0.45%	3.80%

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 generated +0.45% return versus the benchmark +0.52% MTD for the month of December. The cash position of the fund was decreased to 10.15% from 13.7% while duration increased to 4.4 from 3.5 years and the risk profile remained defensive. The weighted average rating of the portfolio remained unchanged at BB. The performance of the fund was driven by an increased overweight position in LATAM, especially in Brazil, where the allocation was increased to 13.6% from 9.2%. The target is to consistently grow the fund's allocation in LATAM as respective valuations remain more attractive and upside potential versus the CEEMEA region remains. Russia and Ukraine exposures were marginally decreased as some profits were capitalised ahead of the Russian Presidential elections. A cautious stance on Turkey is maintained due to the prevailing unstable political situation with the US and the exposure was thus therefore cut further to 3.9% from 5.8%. South Africa captured the limelight in the Emerging Market (EM) sphere with the emergence of the new ANC leader, Cyril Ramaphosa, which was taken positively by the markets and South Africa assets resultantly rallied. EM inflows this month remained healthy and ended the year with \$68.3bn YTD according to EPFR Global data.



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Top 10 Holdings	% of Total	Duration Breakdown	% of Total	Rating Breakdown	% of Total
CYPRUS 3.75 26/07/2023	5.5	0 - 1 yrs	16.6	Cash	10.1
BRAZIL 4.625 13/01/2028	3.8	1 - 3 yrs	23.2	AAA	0.0
EVRAZ 5.375 20/03/2023	2.7	3 - 5 yrs	20.7	AA	2.5
METINR 4.85 02/05/2024	2.6	5 - 7 yrs	19.0	A	9.3
CCOLAT 4.75 01/10/2018	2.6	7 - 10 yrs	13.7	BBB	9.2
PETBRA 5.999 27/01/2028	2.6	10+ yrs	6.9	BB	43.8
MAZOON 5.2 08/11/2027	2.5			B	21.6
BHRAIN 7.5 20/09/2047	2.5			CCC	0.0
BOCYCY 9.25 19/01/2027	2.2			CC	2.2
ARGENT 6.25 09/11/2047	2.2			C	1.4
				D	0.0

## DISCLAIMER

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