

# Emerging Markets Bond Fund

Information as at: 31 December 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  
\$41,416,087  
\$41,416,087  
01/09/2016  
01/04/2017

## Performance Benchmark

J.P. Morgan EMBI Global  
Total Return Index

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

CYF000000200  
Cyprus  
AIF-LNP  
MERFXPT CY  
USD  
0.75%  
15%  
3%  
Monthly

## MINIMUM INVESTMENT

Share class  
A USD

\$50,000

## FUND CHARACTERISTIC

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

A  
4.00 years  
2.24%  
0.12%  
0.00%  
0.00%

## COMPOSITION OF THE FUND

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

% of Total  
  
75.49  
5.55  
8.16  
7.56  
1.34  
1.27  
0.50  
0.00  
0.00

## Country

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

% of Total  
  
52.50  
17.49  
8.17  
5.56  
3.73  
3.68  
2.60  
1.97  
1.82  
1.21  
1.14

## Currency Break-Down

USD  
EUR  
GBP

% of Total  
  
99.74  
0.26  
0.00

## MANAGEMENT TEAM

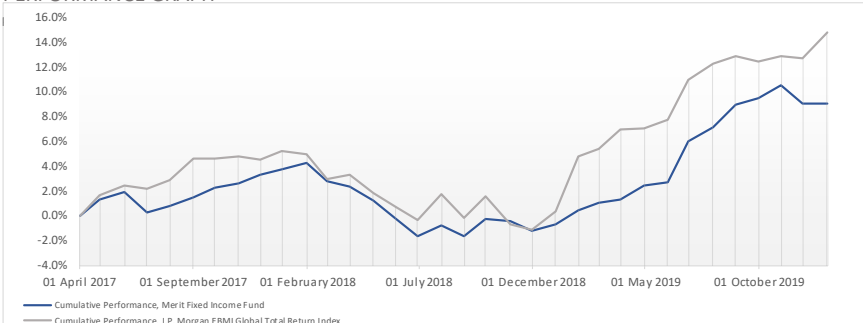
Portfolio Manager  
Investment Advisor

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\*



\*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	0.02%	9.79%	9.06%
J.P. Morgan EMBI Global Total Return Index	1.88%	14.42%	14.84%

Share Class performance of 0.02% is calculated on a Net Asset Value (NAV) basis, net of fees.

Total gross performance for December 2019 is 0.09%

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

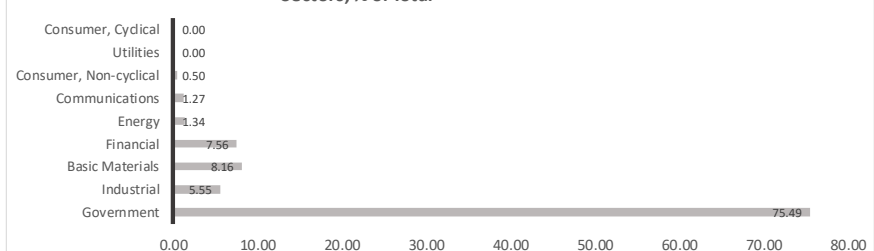
## FUND COMMENTS

The month of December was a flat month for the fund (0.02%) as a defensive approach was taken in order to lock in the solid returns for the year. By mid-month activity was low, and liquidity was thus thin which is typical seasonality for the month. The high beta fixed income space rallied in par with the equity markets on the back of continuing positive headlines of the US-China trade deal. The curve steepening of the core safe havens continued to take effect as signs of reflation were observed in Europe and as recessionary fears had abated in the US on continuing positive macro data. The respective green shoots were observed as a result of the monetary easing policies effected by global central banks to revive growth.

Still, the market is pricing in one rate cut for 2020 by the US Fed while some economists predict more easing (up to three total cuts) by year end, as various market risks prevail. Primarily, the US-China "Phase 1" deal may improve business sentiment, but its foundations lack the necessary substance to boost underlying growth. Additionally, post the US elections and in the instance that President Trump is re-elected, trade tensions with China are likely to re-emerge. Secondly, US manufacturing data remains weak and the effects may trickle down to the consumer and to job data; some softness in jobs figures for the month of December published in January has become evident. Third, global growth is faltering with China and Germany (the main growth driver of Europe) remaining weak. Lastly, there are also numerous unforeseen events which need to be accounted for such as the Iran incident that came about early January and stirred up tension in the Middle East. This event seems to have abated for now but this or similar risks may emerge in the not too distant future.

The fund return was flat at 0.02% for the month of December ending the year with a stellar performance of 9.79%. For the month of December, the cash of the fund was invested in short term T-Bills and Euro sovereign debt while the EURUSD position was fully hedged. All the short to medium term duration emerging market bonds continue to perform and to be held.

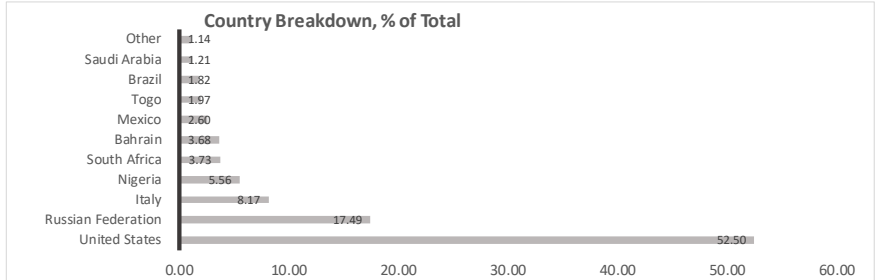
## Sectors, % of Total



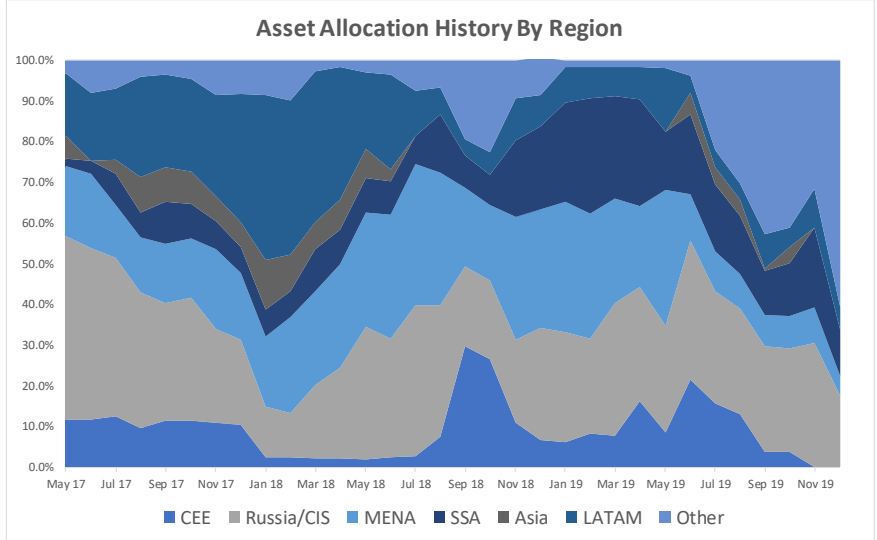
# Emerging Markets Bond Fund

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Top 10 Holdings	% of Total
B 01/28/20	33.61
T 2 7/8 05/15/49	13.30
BTPS 2.15 12/15/21	8.17
RUSSIA 5 04/29/20	4.90
T 2 3/8 05/15/29	4.39
BHRAIN 5 1/2 03/31/20	3.68
TRUBRU 6 3/4 04/03/20	3.21
CREAL 5 02/01/27	2.60
NGERIA 6 3/4 01/28/21	2.56
FIDBAN 10 1/2 10/16/22	2.47



Duration Breakdown	% of Total
Cash	0.12
Repo Instruments	0.00
Reverse Repo Instruments	0.00
0 - 1 years	53.46
1 - 3 years	20.13
3 - 5 years	7.06
5 - 7 years	0.00
7 - 10 years	4.89
10+ years	14.34



Rating Breakdown	% of Total
Cash	0.12
Repo Instruments	0.00
Reverse Repo Instruments	0.00
AAA	52.50
AA	0.00
A	2.25
BBB	19.94
BB	5.56
B	19.53
CCC	0.00
CC	0.00
C	0.00
D	0.10
NR	0.00

	Jan 19	Feb 19	Mar 19	Apr 19	May 19	Jun 19	Jul 19	Aug 19	Sep 19	Oct 19	Nov 19	Dec 19
CEE	6.1%	8.3%	7.9%	16.2%	8.5%	21.5%	15.8%	13.1%	3.8%	3.9%	0.0%	0.0%
Russia/CIS	27.1%	23.4%	32.4%	28.1%	26.4%	34.2%	27.5%	25.9%	25.9%	25.4%	30.6%	17.5%
MENA	32.1%	30.7%	25.8%	19.8%	33.4%	11.3%	9.9%	8.5%	7.9%	7.8%	8.6%	4.9%
SSA	24.3%	28.3%	25.3%	26.4%	14.1%	19.8%	16.4%	14.4%	10.8%	13.2%	19.7%	11.3%
Asia	0.0%	0.0%	0.0%	0.0%	0.0%	5.3%	4.2%	4.1%	0.6%	3.8%	0.0%	0.0%
LATAM	8.7%	7.7%	7.2%	7.8%	15.8%	4.2%	4.0%	3.8%	8.4%	4.9%	9.5%	5.6%
Other	1.6%	1.6%	1.5%	1.8%	1.8%	3.7%	22.2%	30.4%	42.6%	41.0%	31.6%	60.7%
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 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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