

Emerging Markets Bond Fund

Information as at: 26 February 2021

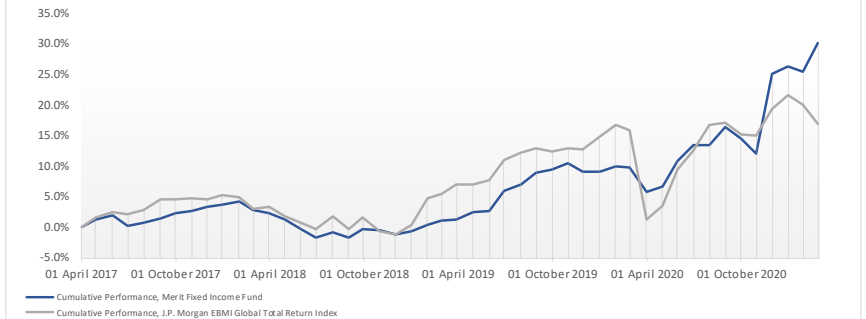
KEY FACTS

Asset Class	Fixed Income
Category	Global Emerging Markets bond
Investment manager	MeritKapital
Total Fund Assets, USD	\$48,747,234
A USD class, USD	\$48,747,234
Fund Inception Date	01/09/2016
Strategy Inception Date	01/04/2017
Performance Benchmark	J.P. Morgan EMBI Global Total Return Index
ISIN	CYF00000200
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	3.74%	3.12%	30.23%
J.P. Morgan EMBI Global Total Return Index	-2.56%	-3.75%	17.03%

Share Class performance of 3.74% is calculated on a Net Asset Value (NAV) basis, net of fees.

Total gross performance for February 2021 is 4.28%

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FUND COMMENTS

The fund returned +3.74% for the month of February on the back of the reflation trade and on the upcoming fruition of the 1.9TRNS stimulus package passed by the US Senate. Simultaneously, the Biden Regime took full force in handling the vaccine distribution effort, vaccinating as many as 2mn people daily and brightening the horizon on the return to normalcy. The main theme in the markets was the steepening of the US treasury curve to reflect the positive prospects on the US economic recovery on the COVID virus containment and with the bullish forecast on pent-up demand driven by both the stimulus package and the reopening prospects. The 10-year treasury, a benchmark for many asset classes within the financial markets had closed the year 2020 at 0.9% and had rallied as much as 60bps to 1.5% towards the end of February as markets began to bring forward the dots of expectations on interest rate hikes by the Fed. In effect, the NASDAQ, which had been the safe haven US major index during the COVID crisis of 2020 has been under-performing relative to the DOW, on higher yields. Another solid performer worth noting for the month of February has been oil, with WTI reaching as high as 65\$/barrel towards month end. Although the markets had been expecting OPEC+ to flex some of the existing supply constraints during their last meeting, they had surprised the markets by extending the current supply conditions and oil had rallied significantly in effect. Additionally, oil is benefiting on the reopening trade with China in business for a while now and with the US economy close to normalcy.

The fund is well placed to benefit from the current market dynamics depicted above. It has limited exposure in the tech sector while it is well placed within the oil majors as well as travel and leisure, particularly in US and European names. On the fixed income side, the fund continues to have holdings in Sub Sahara Africa and other high yield names that are less correlated to the steepening bias of the US treasury curve. It maintains some positions in European periphery, especially Italy, which is expected to benefit from the change of the prime minister helm to Draghi. As Europe lags the US in its vaccine distribution race, underlying rates have not seen the selloff seen in the US, particularly with an ECB that voiced concern on higher yields and announced that it will increase bond purchases to contain them. On the contrary, the US Fed looks at higher rates and their effect on financial condition worsening which so far seems muted. The fund will look to cut duration in the fixed income euro rates space as Europe will catch up in the race against COVID and will also look to be further placed in high yield and related bonds that are less affected by volatility in core rates.

MINIMUM INVESTMENT

Share class	
A USD	\$50,000

FUND CHARACTERISTIC

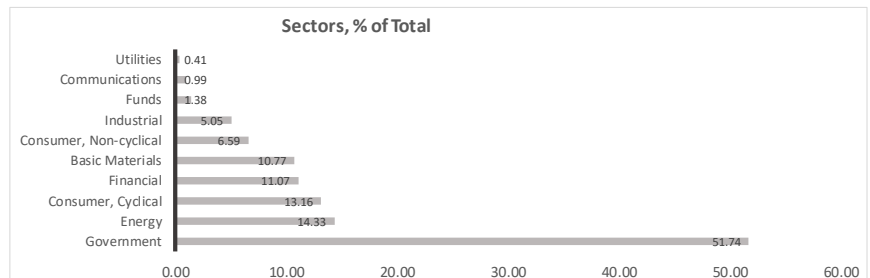
Credit Rating	BB
Modified Duration	11.11 years
Yield to Worst	3.61%
Fixed Income	64.57%
Equity	31.59%
Cash	4.18%
Repo Instruments	-23.46%
Reverse Repo Instruments	3.80%

COMPOSITION OF THE FUND

Sectors	% of Total
Government	51.74
Energy	14.33
Consumer, Cyclical	13.16
Financial	11.07
Basic Materials	10.77
Consumer, Non-cyclical	6.59
Industrial	5.05
Funds	1.38
Communications	0.99
Utilities	0.41

Country	% of Total
United States	24.10
Russian Federation	14.26
Italy	11.00
United Kingdom	10.14
Greece	8.72
Ghana	4.92
Netherlands	4.75
Spain	4.48
Brazil	4.40
Germany	4.17
Other	24.55

Currency Break-Down	% of Total
USD	82.46
EUR	9.06
GBP	8.67
RUB	-0.19



MANAGEMENT TEAM

Portfolio Manager	MeritKapital Ltd
Investment Advisor	Persella Ioannides

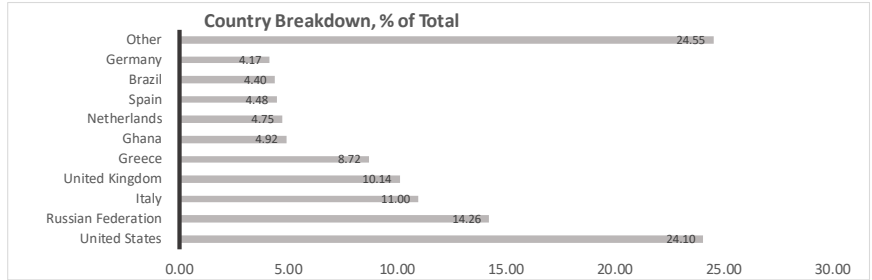
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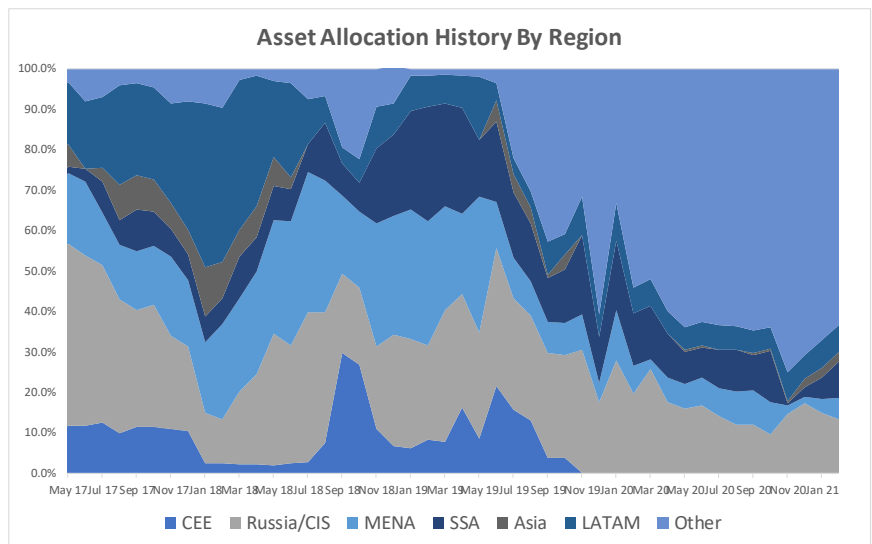
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Top 10 Holdings	% of Total
BTPS 1.7 09/01/51	9.83
GGB 1 7/8 02/04/35	5.80
RDSA NA	4.75
SPGB 1.45 10/31/71	4.48
BP/ LN	4.21
T 2 3/8 05/15/29	3.82
EU 0 07/04/35	3.17
GHANA 8.627 06/16/49	2.94
GGB 2 04/22/27	2.93
EGYPT 3 7/8 02/16/26	2.74



Duration Breakdown	% of Total
Cash	4.18
Repo Instruments	-23.46
Reverse Repo Instruments	3.80
Equity	41.47
0 - 1 years	2.61
1 - 3 years	3.11
3 - 5 years	15.10
5 - 7 years	6.65
7 - 10 years	15.77
10+ years	30.78



Rating Breakdown	% of Total
Cash	4.18
Repo Instruments	-23.46
Reverse Repo Instruments	3.80
AAA	3.82
AA	4.47
A	14.62
BBB	27.78
BB	26.67
B	23.13
CCC	2.30
CC	0.00
C	0.00
D	0.04
NR	12.67

	Mar 20	Apr 20	May 20	Jun 20	Jul 20	Aug 20	Sep 20	Oct 20	Nov 20	Dec 20	Jan 21	Feb 21
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	25.7%	17.6%	15.9%	16.8%	14.2%	11.9%	12.0%	9.6%	14.7%	17.2%	14.9%	13.3%
MENA	2.4%	6.1%	6.2%	6.7%	6.9%	8.2%	8.6%	7.9%	2.1%	1.7%	3.4%	5.4%
SSA	13.4%	10.9%	8.0%	7.5%	9.4%	10.4%	8.6%	12.7%	0.4%	2.4%	5.3%	9.0%
Asia	0.0%	0.0%	0.5%	0.4%	0.0%	0.0%	0.6%	0.5%	0.7%	2.2%	2.5%	2.2%
LATAM	6.6%	5.6%	5.5%	6.0%	6.1%	5.9%	5.6%	5.3%	7.0%	5.9%	7.0%	6.8%
Other	51.9%	59.9%	64.0%	62.5%	63.4%	63.6%	64.7%	64.0%	75.1%	70.7%	67.0%	63.4%
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 part 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 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; 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.