

# Emerging Markets Bond Fund

Information as at: 29 March 2019

## KEY FACTS

Asset Class	Fixed Income
Category	Global Emerging Markets bond
Investment manager	MeritKapital
Total Fund Assets, USD	\$37,774,296
A USD class, USD	\$37,774,296
Fund Inception Date	01/09/2016
Strategy Inception Date	01/04/2017
Performance Benchmark	J.P. Morgan EMBI Global Total Return Index CYF000000200
ISIN	Cyprus
Fund Domicile	AIF-LNP
Fund Type	MERFXPT CY
Bloomberg Ticker	USD
Base currency	0.75%
Management fee	15%
Performance fee	3%
Hurdle rate	
Liquidity	

## MINIMUM INVESTMENT

Share class	
A USD	\$50,000

## FUND CHARACTERISTIC

Credit Rating	BB
Modified Duration	3.38 years
Yield to Worst	3.68%
Cash	0.77%
Repo Instruments	0.00%
Reverse Repo Instruments	10.70%

## COMPOSITION OF THE FUND

Sectors	% of Total
Government	43.35
Financial	21.70
Basic Materials	13.02
Consumer, Non-cyclical	3.67
Energy	2.98
Industrial	3.82
Communications	0.00
Utilities	0.00
Consumer, Cyclical	0.00

Country	% of Total
Russian Federation	27.70
Nigeria	13.60
Turkey	7.69
Cyprus	6.62
Qatar	4.86
Oman	4.04
Bahrain	3.96
Kenya	3.89
Romania	3.55
Argentina	2.62
Other	10.01

## Currency Break-Down

Currency	% of Total
USD	90.74
EUR	9.26
GBP	0.00

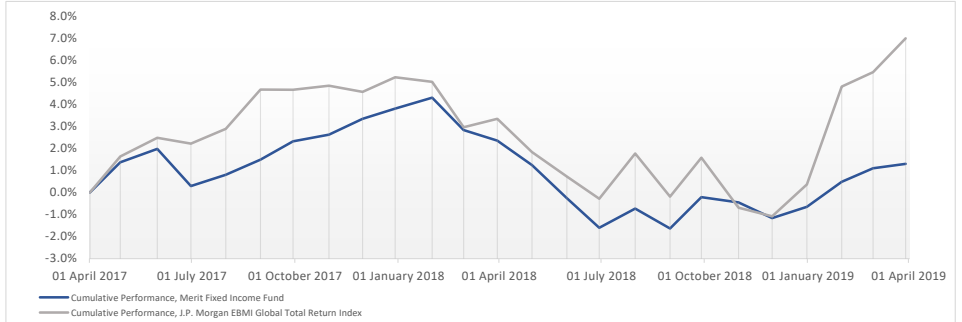
## MANAGEMENT TEAM

Portfolio Manager	MeritKapital Ltd
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	YTD	SI
MeritKapital Fixed Income Fund - A Shares USD	0.20%	1.96%	1.29%
J.P. Morgan EMBI Global Total Return Index	1.45%	6.59%	6.98%

Share Class performance of 0.20% is calculated on a Net Asset Value (NAV) basis, net of fees.

Total gross performance for March 2019 is 0.28%

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

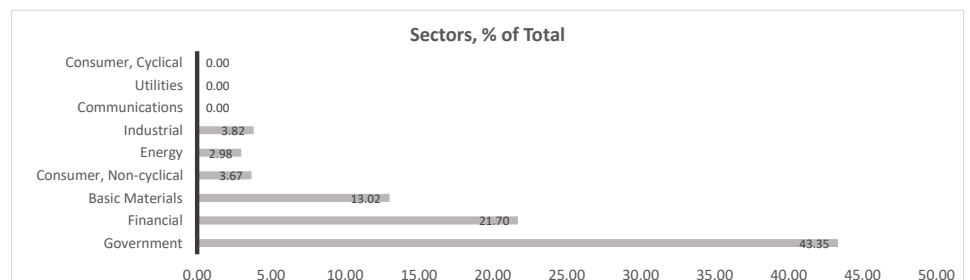
## FUND COMMENTS

The month of March '19 continued its overall upward trend within the Emerging Markets (EM) with some observed volatility due to some geopolitical events. Primarily, Turkey observed considerable market turbulence from the March '19 local elections which typically run every five years, and which, this time around, were perceived as the nation's vote of confidence in President Erdogan. As various local surveys predicted, Erdogan lost power in the nation's two most key cities; namely the capital, Ankara and the trading hub, Istanbul. Investors who attempted to short the Turkish Lira (TRY) in light of lower than expected March foreign reserve data and of upcoming politically driven volatility were faced with an unexpected TRY borrowing cost hike of almost 1000%. The market perceived such a move as interventionist and anti-free market and sold off Turkish bonds; underlying high beta credit such as banks' subordinated bonds were particularly hit. Following the election results however, and at the time this note went to print, volatility had died down and valuations mostly recovered.

Turning to Russia, the Mueller report evidenced no Trump-Russia collusion to which the Russian markets reacted positively to. Following, a bipartisan group of senators announced a re-introduction of the so called "Deter Act" which seeks to deter Russia from meddling with US elections by threatening stiff sanctions. As a consequence, Russian credit traded lower albeit not significantly so. Another market that made headline news was Argentina as higher than expected inflation figures reinvigorated the rout of volatility on the Argentinian peso (ARS) and triggered further monetary tightening by the central bank; the key rate currently stands at 60%. The ARS / \$ is the worst performing this year, down 14% YTD while the TRY / \$ ranks second at -6% YTD. Finally, the well performing Sub Sahara African (SSA) market saw some mild, consequential repricing.

The fund performed 0.20% for the month of March. Positive movers were participations in new issues such as ROMANIA 49 (+2pts in price) and RUSSIA 35 (+1.5pts) while the CYPRUS sovereign curve continued to perform well (CYPRUS 34s +5pts MOM). Higher yielding EURO sovereign paper continues to be in high demand amidst benchmark 10YR GERMAN BUNDS hovering around negative yields. As expected, ALROSA 20 was tendered at a premium to issue ALROSA 25 which the fund both benefited from and participated in. In SSA, we traded out of UBA 22s and DIAMBK 19s at a good profit and are looking to re-enter it lower. Losing positions to note was our exposure to Turkey which currently stands at 7.69% but which is of low duration and low beta. Thus, the overall loss attributed to Turkey MOM stands at solely 0.10% and has since mostly recovered. A 2.5% allocation in ARGENTINA '19 is our sole exposure to the country and it continues to contribute positively for the fund. The fund has a 9.26% unhedged euro exposure which contributed an overall 0.27% loss to the fund.

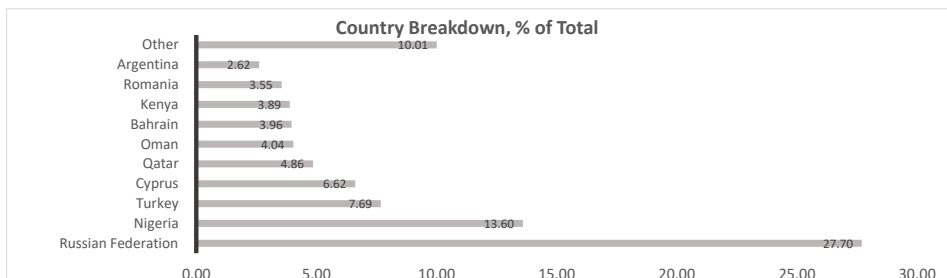
Next, optimism on a US CHINA trade war deal is expected to push the EM space a leg higher while an inverted yield UST yield curve ignites US recessionary and global slowdown fears. However, a cohered, dovish rhetoric undertaken by key global Central Banks continues to maintain a constructive environment for EM credit.



### Top 10 Holdings

### % of Total

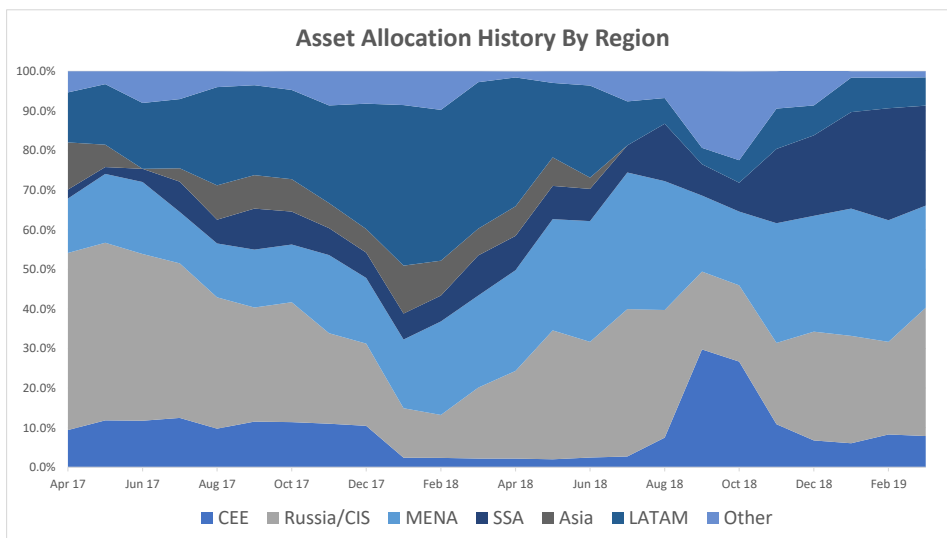
RUSSIA 5 04/29/20	5.29
CYPRUS 2 3/4 02/26/34	5.01
OMAN 6 1/2 03/08/47	4.04
BHRAIN 5 1/2 03/31/20	3.96
KENINT 5 7/8 06/24/19	3.89
ROMANI 4 5/8 04/03/49	3.55
ZENITH 6 1/4 04/22/19	3.14
ALRSRU 7 3/4 11/03/20	2.79
NGERIA 6 3/4 01/28/21	2.66
GAZPRU 9 1/4 04/23/19	2.66



### Duration Breakdown

### % of Total

Cash	0.77
Repo Instruments	0.00
Reverse Repo Instruments	10.70
0 - 1 years	40.64
1 - 3 years	20.14
3 - 5 years	11.46
5 - 7 years	0.56
7 - 10 years	0.00
10+ years	15.74



### Rating Breakdown

### % of Total

Cash	0.77
Repo Instruments	0.00
Reverse Repo Instruments	10.70
AAA	2.53
AA	1.03
A	3.82
BBB	20.15
BB	30.18
B	20.87
CCC	9.64
CC	0.00
C	0.00
D	0.32

	Apr 18	May 18	Jun 18	Jul 18	Aug 18	Sep 18	Oct 18	Nov 18	Dec 18	Jan 19	Feb 19	Mar 19
CEE	2.2%	2.0%	2.5%	2.7%	7.5%	29.8%	26.7%	10.9%	6.8%	6.1%	8.3%	7.9%
Russia/CIS	22.1%	32.6%	29.2%	37.2%	32.2%	19.7%	19.2%	20.6%	27.5%	27.1%	23.4%	32.4%
MENA	25.4%	28.1%	30.5%	34.5%	32.6%	19.2%	18.6%	30.2%	29.3%	32.1%	30.7%	25.8%
SSA	8.7%	8.4%	8.1%	6.9%	14.5%	7.9%	7.3%	18.7%	20.3%	24.3%	28.3%	25.3%
Asia	7.4%	7.2%	2.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
LATAM	32.6%	18.8%	23.2%	11.1%	6.5%	4.1%	5.7%	10.2%	7.6%	8.7%	7.7%	7.2%
Other	1.5%	2.9%	3.6%	6.7%	19.3%	22.4%	9.4%	9.3%	1.6%	1.6%	1.6%	1.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.7%	100.0%	100.0%	100.0%

### DISCLAIMER

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