

Emerging Markets Bond Fund

Information as at: 28 June 2019

KEY FACTS

Asset Class	Fixed Income
Category	Global Emerging Markets bond
Investment manager	MeritKapital
Total Fund Assets, USD	\$39,536,046
A USD class, USD	\$39,536,046
Fund Inception Date	01/09/2016
Strategy Inception Date	01/04/2017
Performance Benchmark	J.P. Morgan EMBI Global Total Return Index CYF00000200
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	6.23 years
Yield to Worst	3.87%
Cash	12.80%
Repo Instruments	0.00%
Reverse Repo Instruments	6.76%

COMPOSITION OF THE FUND

Sectors	% of Total
Government	50.40
Financial	10.50
Basic Materials	8.95
Industrial	9.05
Energy	0.28
Consumer, Non-cyclical	0.00
Communications	1.27
Utilities	0.00
Consumer, Cyclical	0.00

Country

Country	% of Total
Russian Federation	26.19
Cyprus	9.09
Nigeria	7.70
Indonesia	4.26
Romania	4.06
South Africa	3.79
Bahrain	3.76
Italy	2.94
Serbia	2.77
Togo	1.97
Other	13.91

Currency Break-Down

Currency	% of Total
USD	92.13
EUR	7.87
GBP	0.00

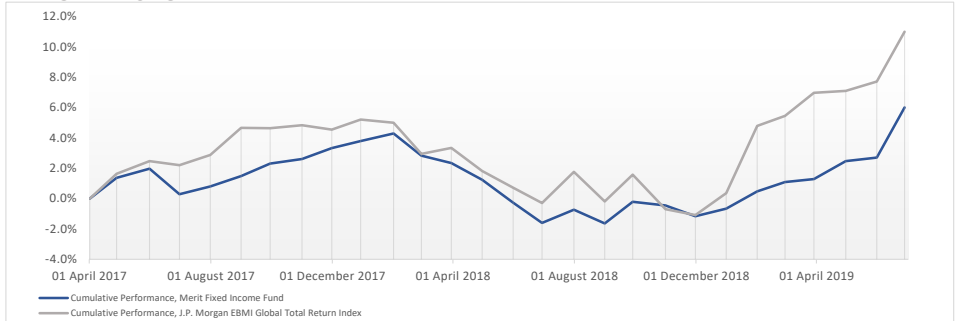
MANAGEMENT TEAM

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	3.22%	6.71%	6.01%
J.P. Morgan EMBI Global Total Return Index	3.04%	10.60%	11.00%

Share Class performance of 3.22% is calculated on a Net Asset Value (NAV) basis, net of fees.

Total gross performance for June 2019 is 3.30%

*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 June trended extremely well for emerging markets and for global markets in general. The fund has had its best monthly performance to date recording a 3.22% return versus the benchmark index's return of 3.04%.

The strength of the markets was predominantly a factor of the dovish rhetoric of most central banks global-wide, but particularly that of the US Fed and of the ECB which set the tone for the rest. Only in the past month, we have seen rate cuts from the central banks of Russia, Dominican Republic, India, Australia and Chile amongst others.

What ignited the rhetoric of the US Fed however, was the fallout of the US China trade wars, the subsequent correction of the equity markets and the investor community's fears of the negative impact this could have on global growth.

US Fed Chairman Jerome Powell signalled that policy change i.e. rate cuts would be a factor of incoming economic data and how this would affect expansion, the strength of the labor market and a targeted inflation rate of 2%. The chairman of the ECB, Mr Draghi, increased pressures on the US FED for policy change having stated that they could cut interest rates again or conduct more asset purchases to meet their inflation target of 2% (currently at 1.2%). German 10-year bond yields fell to an all-time low of -0.32% while the French 10-year to its first negative yield ever.

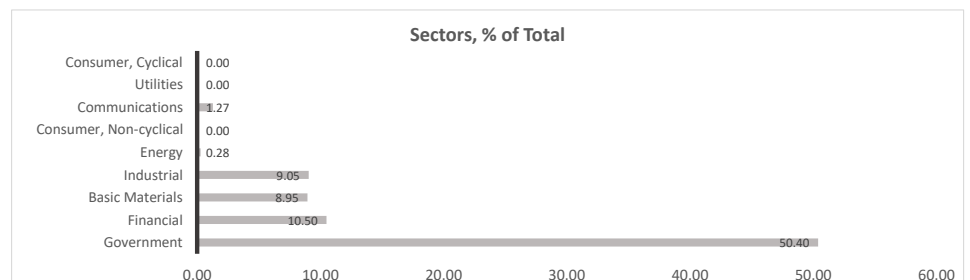
Another positive development in the eurozone was the nomination of IMF's Christine Lagarde to become first female head of the ECB. The nomination was taken positively by the markets as the counter could have been a monetary policy "hawk" such as Germany's Jens Weidmann and as Mrs Lagarde is expected to continue the ECB's current dovish policy stance.

Within the European periphery rates, two further bullish outcomes were the political climate change in both Italy and Greece. Italy averted the threat of EU disciplinary action over its public finances after persuading the European Commission that new measures submitted this week would help bring its growing debt in line with EU fiscal rules.

In Greece, elections put the centre right back in power by a landslide to the left-wing Syriza party. The newly elect prime minister, Mr Mitsotakis, has vowed to cut taxes, attract investment and improve the job market.

As yields are falling globally Emerging Markets and EU peripheral spreads have also tightened considerably. Best performers on the fund for the month of June have been the euro denominated sovereigns of CYPRUS, ROMANIA, EGYPT, ITALY and RUSSIA. European periphery has recorded double digit returns year on year in light of benchmark bonds yielding close to zero territory. Similarly, Russia's strong macro story and abating sanction fears continued to attract inflows in its credit markets to compress underlying yields further. Finally, the fund's 10% position on the EURO has worked to its favor due to the dollar euro weakness month on month.

Rebalancings to note on the fund include a further reduction in Turkish debt and a further / new positioning in Italian and Greek debt to capitalize on the positive political landscape and the yield spreads versus benchmark rates.



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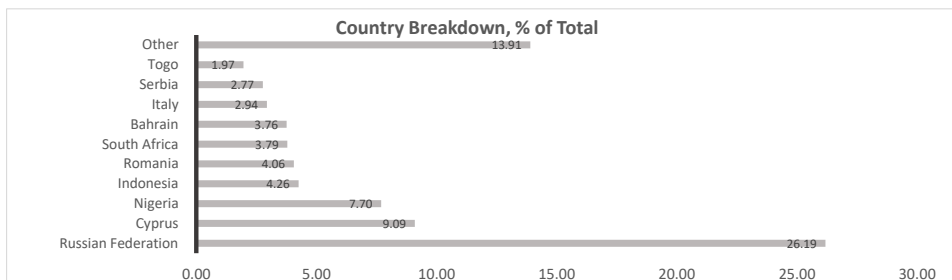
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Top 10 Holdings

% of Total

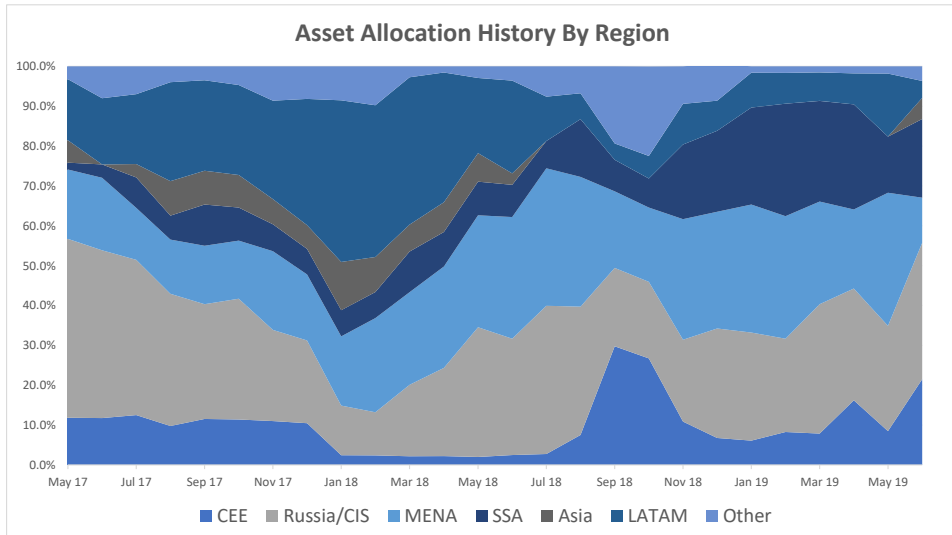
CYPRUS 2 3/4 02/26/34	5.64
RUSSIA 5 04/29/20	5.01
INDON 1.45 09/18/26	4.26
ROMANI 4 5/8 04/03/49	4.06
BHRAIN 5 1/2 03/31/20	3.76
RUSSIA 5.1 03/28/35	3.75
CYPRUS 2 3/4 05/03/49	3.46
BTPS 3.1 03/01/40	2.94
RURAIL 2.2 05/23/27	2.82
SERBIA 1 1/2 06/26/29	2.77



Duration Breakdown

% of Total

Cash	12.80
Repo Instruments	0.00
Reverse Repo Instruments	6.76
0 - 1 years	19.00
1 - 3 years	15.63
3 - 5 years	10.39
5 - 7 years	4.26
7 - 10 years	10.15
10+ years	21.01



Rating Breakdown

% of Total

Cash	12.80
Repo Instruments	0.00
Reverse Repo Instruments	6.76
AAA	0.00
AA	0.00
A	1.22
BBB	37.45
BB	14.39
B	20.79
CCC	5.32
CC	0.00
C	0.00
D	0.28
NR	1.01

	Jul 18	Aug 18	Sep 18	Oct 18	Nov 18	Dec 18	Jan 19	Feb 19	Mar 19	Apr 19	May 19	Jun 19
CEE	2.7%	7.5%	29.8%	26.7%	10.9%	6.8%	6.1%	8.3%	7.9%	16.2%	8.5%	21.5%
Russia/CIS	37.2%	32.2%	19.7%	19.2%	20.6%	27.5%	27.1%	23.4%	32.4%	28.1%	26.4%	34.2%
MENA	34.5%	32.6%	19.2%	18.6%	30.2%	29.3%	32.1%	30.7%	25.8%	19.8%	33.4%	11.3%
SSA	6.9%	14.5%	7.9%	7.3%	18.7%	20.3%	24.3%	28.3%	25.3%	26.4%	14.1%	19.8%
Asia	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.3%
LATAM	11.1%	6.5%	4.1%	5.7%	10.2%	7.6%	8.7%	7.7%	7.2%	7.8%	15.8%	4.2%
Other	7.6%	6.7%	19.3%	22.4%	9.4%	9.3%	1.6%	1.6%	1.5%	1.8%	1.8%	3.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.7%	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 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; 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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