

Emerging Markets Bond Fund

information as at: 31-October-2017

KEY FACTS

| | |
|-------------------------|--|
| Asset Class Category | Fixed Income Global Emerging Markets bond |
| Investment manager | MeritKapital |
| Total Fund Assets, USD | 38,287,653 |
| A USD class, USD | 38,287,653 |
| Strategy Inception Date | 01/04/2017 |
| Benchmark | J.P. Morgan EMBI Global Total Return Index CYF000000200 |
| ISIN | Cyprus |
| Fund Domicile | AIF |
| Fund Type | MERFXPT CY |
| Bloomberg Ticker | USD |
| Base currency | 0.75% |
| Management fee | 15% |
| Performance fee | 3% |
| Hurdle rate | Monthly |
| Liquidity | |

MINIMUM INVESTMENT

| | |
|-------------|--------|
| Share class | |
| A USD | 50,000 |

FUND CHARACTERISTIC

| | |
|-------------------|-----|
| Credit Rating | BB+ |
| Modified Duration | 3.5 |
| Yield to Worst | 3.4 |

COMPOSITION OF THE FUND

| Sectors | % of Total |
|------------------------|------------|
| Cash | 3.6 |
| Financial | 14.2 |
| Utilities | 4.6 |
| Communications | 1.7 |
| Government | 28.1 |
| Energy | 11.4 |
| Consumer, Non-cyclical | 12.1 |
| Basic Materials | 17.9 |
| Industrial | 3.2 |
| Consumer, Cyclical | 3.2 |

| Country | % of Total |
|---------|------------|
| Russia | 19.7 |
| Cyprus | 9.9 |
| Turkey | 9.7 |
| Brazil | 8.3 |
| Ukraine | 7.8 |
| Mexico | 7.6 |
| India | 3.8 |
| Cash | 3.6 |
| Kenya | 2.8 |
| Nigeria | 2.7 |

| Currency Break-down | % of Total |
|---------------------|------------|
| USD | 79.3 |
| EUR | 20.7 |

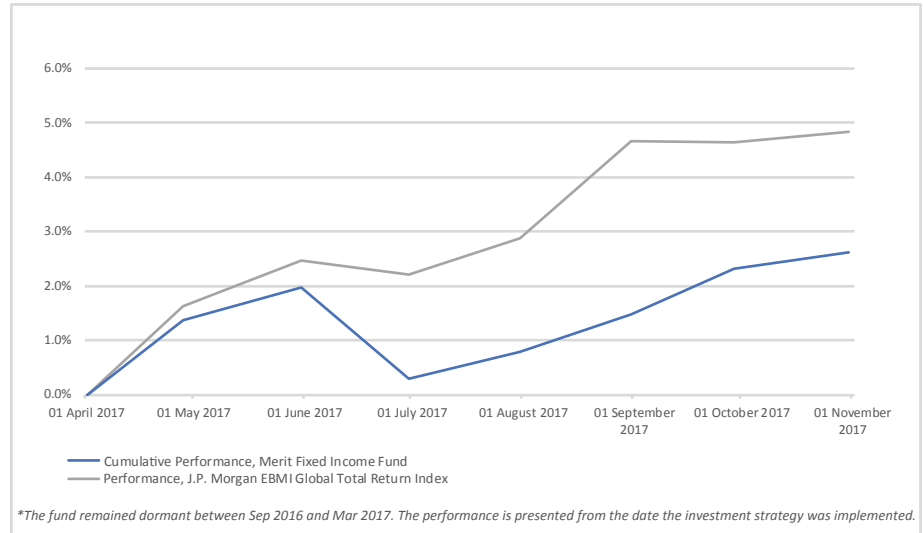
MANAGEMENT TEAM

MeritKapital Ltd
Portfolio Manager
Golibjon Zohidov
Chief Investment Advisor
Persella Ioannides
Investment Advisor
Ladi Oluwo
Investment Advisor

INVESTMENT OBJECTIVE

Merit Fixed Income Fund aims to achieve attractive return through a combination of capital growth and income. The fund invests generally 90% of net assets, plus any leveraged amount utilized within the scope of investment purposes in sovereign or corporate debt securities of emerging market countries.

PERFORMANCE GRAPH*



Share Class performance displayed in USD. Benchmark performance displayed in USD.

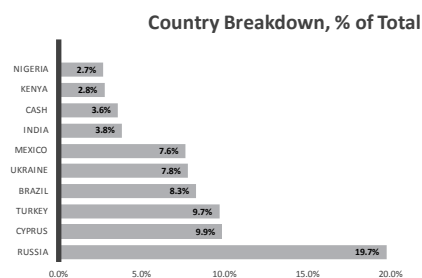
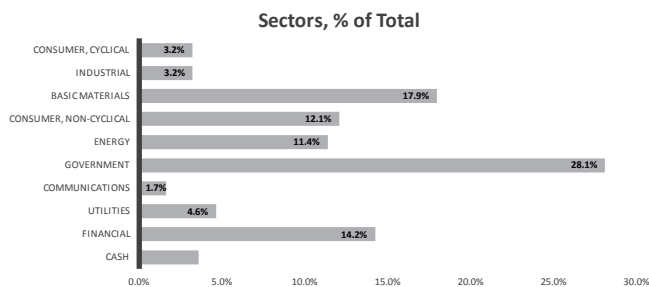
| PERFORMANCE* | MTD | Since Inception (6 months - YTD) |
|--|------|----------------------------------|
| Merit Fixed Income Fund - A Shares USD | 0.3% | 2.61% |

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

Cash position of the fund was reduced further to 3.58% from 6.29% and duration slightly increased to 3.5 from 3.1 whilst portfolio risk profile remained defensive vs benchmark in October. Weighted average rating of the portfolio remained unchanged at BB+. The fund outperformed the benchmark, whereby the fund generated 0.30% return vs benchmark 0.19% MTD. The performance was broadly driven by positions in Russia, Ukraine, India and Cyprus. We increased fund allocation to Russia to 19.7% from 18.1% and Ukraine to 7.8% from 6.4% as well as modest increase in LATAM (Brazil to 8.3% from 7.2%, Mexico to 7.6% from 6.6%) as we see there is still upside potential in these regions. Globally markets remained in good shape, equities and commodities continued their uptrend whilst US rates curve continued to flatten. US 10-year rates ended month with 4 basis points wider at 2.37% whilst Bunds 10 year tightened by 9 basis points to 0.36. Catalan referendum which sparked worries in DM market did not spill into Emerging Markets. EM bond universe behaved in calm manner with no major market moving events.



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| Top 10 holdings | % of Total | Duration Breakdown | % of Total | Rating Breakdown | % of Total |
|---------------------|------------|--------------------|------------|------------------|------------|
| CYPRUS 3 ½ 07/26/23 | 4.1 | 0 - 1 yrs | 19.42 | Cash | 3.58 |
| MHPSA 8 ½ 04/02/20 | 2.8 | 1 - 3 yrs | 25.82 | AA | 2.56 |
| EVRAZ 5 ½ 03/20/23 | 2.7 | 3 - 5 yrs | 28.97 | A | 8.31 |
| EUCHEM 5 ½ 12/12/17 | 2.7 | 5 - 7 yrs | 21.08 | BBB | 12.43 |
| CCOLAT 4 ½ 10/01/18 | 2.7 | 7 - 10 yrs | 3.08 | BB | 44.85 |
| GMKNRM 4.1 04/11/23 | 2.6 | 10+ yrs | 1.63 | B | 24.78 |
| ISCTR 3 ½ 11/07/17 | 2.6 | | | CCC | - |
| AZUPOE 5 ½ 11/03/22 | 2.5 | | | CC | 2.12 |
| KERPW 8 ½ 01/31/22 | 2.2 | | | C | 1.36 |
| BOCYCY 9 ½ 01/19/27 | 2.1 | | | D | - |

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.

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