MERRION INVESTMENT MANAGERS

CANTOR Fitzgerald

Merrion Ethical Fund FACTSHEET

30th September 2019

The Merrion Ethical Fund is a multi-asset fund with an ethical overlay designed to provide balanced long-term growth by actively investing in a portfolio of equities, bonds and cash. The individual securities chosen will have reference to Socially Responsible, Ethical and Environmental criteria, based on a rigorous screening process that is in place with the manager. EIRIS (Ethical Investment Research Service) is one of the key screening tools used. The Merrion Ethical Fund returned 2.8% in Quarter 3 of 2019 while the benchmark Aon Hewitt Multi-Asset Pooled Average returned 2.3% over the same period.

FUND

Fund Type	Multi Asset
Bid/Offer Spread	None
Launch date	21.09.2004
Base Currency	EUR
Liquidity	Daily
Risk Rating	4
Volatility*	9.8%
Benchmark	AON Hewitt Multi-Asset Fund Average

'Volatility' on a risk scale of 1 to 7, with level 1 being generally low risk and level 7 being generally high risk. The volatility is measured from past returns over a period of five years using weekly and monthly data where applicable. Prior to making an investment decision, you should talk to your financial advisor or broker in relation to the risk profile most suitable for you.

PERFORMANCE UPDATE AT 30.09.2019

	Ethical*	AON Hewitt Multi-Asset Fund Average
1 Month	0.9%	1.3%
3 Months	2.8%	2.3%
YTD	15.5%	12.7%
1 Year	3.6%	5.3%
3 Years p.a.	5.8%	5.7%
5 Years p.a.	5.4%	5.7%
10 Years p.a.	7.9%	7.4%

Source: Aon Hewitt & MoneyMate 30.09.2019

**Performance figures are quoted gross of management fees.*

The Quarter began with a strong performance by equites, rising by 2.4%. However, this was flattered by the weakness in the euro, which fell by 2.6% against the US dollar. The key focus of the month for markets was the Federal Reserve meeting on the last day of the month, and speculation about how much they would cut rates. In the event, a 25 basis point rate cut was delivered, the first in ten years. Various headlines about US-China trade made sporadic appearances, with talk of meetings and conversations but no actual progress beyond the usual rumours of further Chinese purchases of agricultural products. More importantly from an equity market perspective was the continued downgrades of earnings forecasts, ongoing weakness in hard economic data and forward-looking survey data, this latter particularly prevalent outside the US, where economic data showed some tentative signs of stabilisation.

Earnings season was mixed. The consumer in the US remains strong, but of particular note is the impact that the global industrial / manufacturing slowdown has had on the reported numbers of international companies. August proved to be a very volatile month, with global equities lower by -2% in euro terms for the month with some residual disappointment from the Federal Reserve's characterisation of its July 31st rate cut as a "mid-cycle adjustment" rather than the beginning of a rate cut cycle. This left the market precarious to any shock which duly followed in the form of a sudden unilateral escalation of the trade war by President Trump in his imposition of further tariffs. What followed was a sudden and severe "risk off" episode across all asset classes, the US equity market at one stage dropping 5% in the early part of the month. After the strong finish to August, global equity markets rallied in the early part of September, reaching a marginal new high in euro terms and drifting sideways for the rest of the month, finishing +2.9% for the month and +22.1% year-to-date at the end of the 3rd quarter. Although US manufacturing data indicated that the US is now also experiencing a manufacturing contraction the mood steadily improved throughout the early part of the month, with bond yields rising as both cyclical stocks and emerging market indices outperformed. Hopes around trade talks in October, the delay of a no deal Brexit, the appearance of the Hong Kong authorities backing down and the formation of a new Italian government all served as positive catalysts. Markets globally saw one of the largest relative moves on record as stocks that had outperformed year to date underperformed stocks that had underperformed year to date by a magnitude not seen since the end of the financial crisis.

The fund generated a return of 2.8% over the quarter. Our overweight positions in both Consumer staples and utility stocks were the largest contributors to performance on a relative basis. In a low yield, highly uncertain economic environment the consistent returns of consumer staples gain a deserved premium over the market. Likewise utility stocks, especially those exposed to renewable energy themes continue to outperform. Overweight's in high quality consumer discretionary stocks also contributed positively to returns on the quarter. Amongst the largest detractors from performance on the quarter was our underweight in Global semi conductor stocks. We had been concerned about the impact of slowing global growth would have on a very economically sensitive sector but so far the market has been willing to look through any shorter term issues. *Continued*

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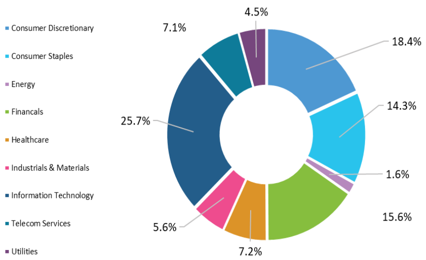
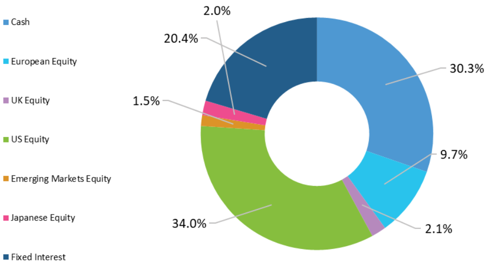
SECTORIAL DISTRIBUTION OF EQUITIES



The ongoing trade friction between the US and China, Brexit uncertainty and geopolitical risks in the Middle East is clearly weighing on economic momentum, despite the willingness of central banks to ease monetary policy. Given the strong rally in equity markets since the beginning of the year valuations remain unattractive, particularly given ongoing downgrades to earnings estimates for this year and unrealistic expectations for earnings next year. Overall, this makes risk-reward unfavorable.

Medium term the only area of apparent support for the global economy is in the form of easier monetary policy globally, but with interest rates already very low, there is a limit to how much stimulus can be provided by monetary policy alone. It is worth reiterating that the market rally in the first half of the year was predicated on a second half revival of economic fortunes globally, and a subsequent turn in earnings expectations. We are now half-way through that second half, economic data remains weak and earnings estimates continue their downtrend but still look highly optimistic. We therefore remain defensively positioned, underweight growth assets (at the lower end of permitted ranges) and with a defensive bias within those growth assets. The concerns we have expressed over the last few months remain in place.

ASSET DISTRIBUTION



Please refer to our website link: https://www.merrion-investments.ie/assets/documents/policy-research-third-party.pdf for our policy regarding the provision of research by third parties. In relation to Merrion Investment Trust - KIDs additional information is are available on request from Merrion Investment Managers - please contact 670 2500 or e-mail info@merrion-investments.ie Further details are available on request from Merrion Investment Managers.

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