MERRION INVESTMENT MANAGERS

CANTOR Fitzgerald

Merrion High Alpha Fund FACTSHEET

30th September 2019

The High Alpha Fund was launched in August 2007*. It is a process-driven absolute return fund. The fund may hold cash from time to time in order to protect capital. The fund does not reference a benchmark, instead it targets a return in excess of 7% per annum for the investor, notwithstanding how equity markets perform.

FUND PARTICULARS	
Fund Type	Absolute Return
Performance Fee	20% of the excess return over 7% p.a.
Bid/Offer Spread	None
Launch date	15/08/2007
Base Currency	EUR
Liquidity	Daily
Risk Rating*	4
Volatility	7.5%
Benchmark	7% Target Return

** '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

	High Alpha*	Fund Target
1 Mth	-1.4%	0.6%
3 MTH	0.5%	1.7%
YTD	5.8%	5.2%
1 Yr	-3.0%	7.0%
3 Yr p.a	0.0%	7.0%
5 Yr p.a	3.0%	7.0%
7 Yr p.a	5.2%	7.0%
10 Yr p.a	4.0%	7.0%
Inception*	207.5%	127.2%
Inc. p.a.*	9.8%	7.0%

**The Merrion High Alpha Fund (QIAIF) was launched in August 2007. The High Alpha Fund (RIAIF) returns are shown from the end of Q3 2008. Source: Merrion Investment Managers 30/09/2019. Performance Figures are quoted gross of Management Fees. Management fees are detailed in the relevant share class addendum. There is a performance incentive linked directly to the success of the fund. Merrion Investment Managers will share 20% of the excess return over 7% p.a. Fund performance is quoted net of the performance fee.*

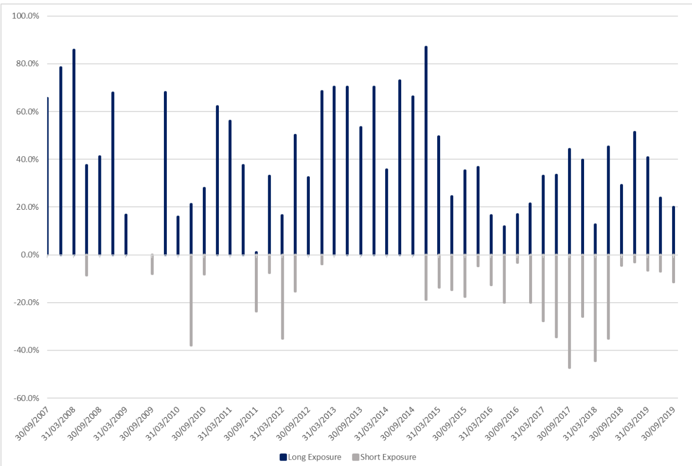
After the strong finish to August, global equity markets rallied in the early part of September, reaching a marginal new high in euro terms and drifting sideways for the rest of the month, finishing +2.9% for the month and +22.1% year-to-date at the end of the 3rd quarter. Although US manufacturing data 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. Although in isolation each story seemed circumspect the combination of them was enough to trigger a reversal of the defensive outperformance we had been seeing over the course of the summer. Indeed, 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. This large shift was exacerbated by events post the ECB which saw yields in Europe actually rise despite the announcement of "QE infinity" and a further interest rate cut by the European Central Bank. This rise higher in yields saw financials substantially outperform at the expense of defensive stocks, though the move proved short-lived as economic data, in Europe in particular, continued to deteriorate. Attacks on Saudi Arabia's oil infrastructure saw oil prices rise substantially before falling back, and a shortage of US dollar cash led to mid-month gyrations in the US repo market not seen since the financial crisis, adding further uncertainty to the mix. Towards the end of the month, revelations regarding a whistle-blower complaint about a request by President Trump to President Zelensky of Ukraine to investigate Joe Biden, a political rival, led to the instigation of impeachment proceedings by the Democrat-controlled House of Representatives. Political chaos is not confined to the US of course, with the Brexit saga dragging on and the UK Supreme Court ruling that the government suspension of the UK Parliament was illegal.

The fund generated a return of –1.4% for the month. It continues to be very lightly positioned. We still feel there is a mis pricing of the risks ahead in global equity markets. This can be seen particularly in the low level of premium one needs to pay for index options. The vix index continues to trade near the lows of the year. It is this mis pricing of risk and volatility ahead where we feel the most attractive risk/reward opportunities currently lie. Hence why we have been consistently expressing our concerns through buying an above average amount of index protection puts for the funds. We feel this will allow us to be in the strongest possible position to exploit any turbulence ahead.

Year on Year Performance		
	High Alpha*	Fund Target
2008	6.6%	7.0%
2009	61.9%	7.0%
2010	7.7%	7.0%
2011	0.6%	7.0%
2012	9.5%	7.0%
2013	14.5%	7.0%
2014	10.7%	7.0%
2015	16.7%	7.0%
2016	-7.7%	7.0%
2017	-0.9%	7.0%
2018	-6.8%	7.0%

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 unfavourable. 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.

Asset Allocation to 30/09/2019



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 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.

MERRION INVESTMENT MANAGERS

CANTOR Fitzgerald

Ground Floor, 75 St Stephen's Green, Dublin 2. Tel: +353 1 670 2500.

email : info@merrion-investments.ie **web :** www.merrion-investments.ie / www.cantorfitzgerald.ie