MERRION
INVESTMENT MANAGERS

Fund Factsheet

Merrion High Alpha Fund (RIAIF)

30th September 2017

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.

CUMULATIVE PERFORMANCE										
	1 Month	3 Month	YTD	1 Year	3 Years p.a.	5 Years p.a.	7 Years p.a.	10 Years p.a.	Inception*	Inc. p.a.*
High Alpha	3.6%	1.4%	0.2%	2.7%	6.0%	7.9%	6.0%	11.9%	215.6%	12.0%
Fund Target	0.6%	1.7%	5.2%	7.0%	7.0%	7.0%	7.0%	7.0%	98.5%	7.0%

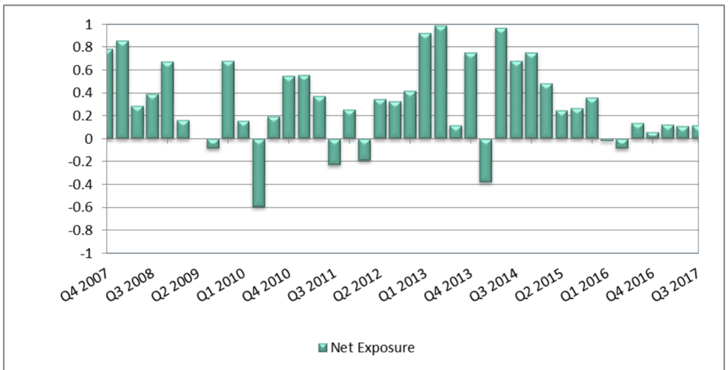
YEAR ON YEAR PERFORMANCE									
	2016	2015	2014	2013	2012	2011	2010	2009	2008
High Alpha	-7.7%	16.7%	10.7%	14.5%	9.5%	0.6%	7.7%	61.9%	6.6%
Fund Target	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%

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 30/09/2017. 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.

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	8.0%
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.

Asset Allocation to 30/09/2017



The High Alpha Fund returned +3.6% for the month of September to deliver a quarterly return of +1.4%.

Our three pillar investment process has been pointing for some time to the impressive rebound in global growth, with a particular emphasis on its synchronised global nature. This improving global macro backdrop is becoming more and more evident with economic data continuing to surprise positively, global GDP growth upgrades, upbeat corporate outlooks and industrial metals prices making new highs. All of this suggests that the process of normalisation of the extraordinary stimulus from central banks over the last decade should continue.

However despite the building evidence it was only from early September that the strategy began to gain any significant traction, as central banks reiterated the need for ongoing normalisation of interest rate policy. This saw the fund deliver gains from the short position in US and German bonds and the long position in US dollars versus the Japanese yen as well as long equity exposure which had a bias towards cyclical stocks focused on domestic Europe, Japanese exporters and US financials. Individual equity positions such as Ashtead, Citigroup, Next and Toyota Industries contributed positively to performance over the quarter.

Financial markets have yet to price in a normalisation of the ultra-loose monetary policy pursued over the last decade, and despite the reversal in bonds seen in September are pricing just two more (0.25%) interest rate hikes by the Federal Reserve by the end of 2018, and US interest rates of just 1.8% in three years' time. Similarly, although there are expectations that the ECB will move towards tapering of its Quantitative Easing, market pricing indicates that ECB interest rates will still be marginally negative in three years' time. This leaves scope for an upward reassessment which should keep upward pressure on US and European bond yields. As a result we remain short both German & US government bonds.

If the global economic upswing is maintained, we expect the dollar to strengthen as US rate hike expectations regain momentum. The combination of a strong dollar and higher yields globally on the back of stronger economic activity would likely benefit European and Japanese equity markets in particular and should present a headwind to the recent outperformance of US and Emerging Market equities. Additionally, at an equity sector level our analysis suggests that financials and other cyclical sectors should outperform in this environment.

Among the risks to the outlook are political concerns, in Europe, the US and North Korea, the potential for a rise in trade protectionism, and concerns that rising US bond yields cause financial conditions to tighten too quickly and cause a growth shock.

Merrion Investment Managers pay trade commissions ranging between 0.10% and 0.20% on trading client securities, depending on the size, nature, execution venue and other considerations relating to the execution of the trade order. An element of this trade commission may be allocated for the purposes of receiving investment research. The purpose of this research is to enhance the quality of the service provided by MIM to its clients. Further details are available on request from Merrion Investment Managers.