MERRION
INVESTMENT MANAGERS

Fund Factsheet

# Merrion High Alpha Fund (RIAIF)

31st March 2018

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 | -1.4% | 1.1% | 1.1% | 0.6% | -2.0% | 6.6% | 6.2% | 10.4% | 215.5% | 11.4% |
| Fund Target | 0.6% | 1.7% | 1.7% | 7.0% | 7.0% | 7.0% | 7.0% | 7.0% | 105.3% | 7.0% |

**YEAR ON YEAR PERFORMANCE**

| | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|---|---|---|---|---|
| High Alpha | -0.9% | -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% | 7.0% |

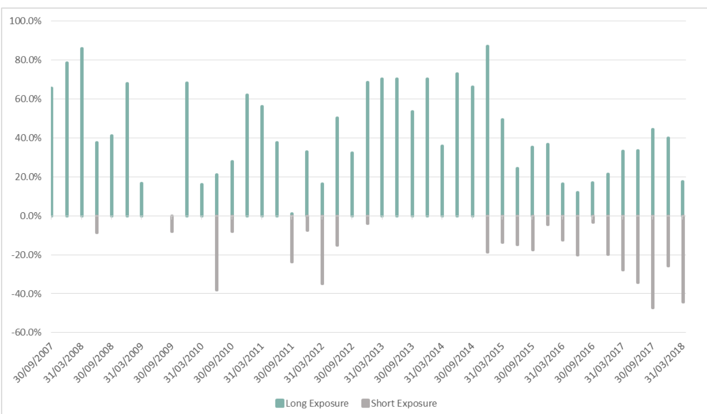
**The Merrion High Alpha Fund (QIAIF) was launched in August 2007. The High Alpha Fund (RIAIF) returns are shown from the end of Q3 2008. Source: Merrion Investment Managers 31/03/2018. Performance Figures are quoted gross of Management Fees. Management fees are detailed in the relevant share class addendum. 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 | 7.9% |
| 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 31/03/2018




The events of March ensured that the end of the first quarter of 2018 saw a continuation of the volatility witnessed through-out the year thus far. The MSCI world equity market Index finished the month down 3.1% giving it a total negative return for the year so far of -3.4% Against this volatile market backdrop the High Alpha Fund, although down for the month of March, managed to finish the quarter up just over 1%. Only a handful of equity markets finished the quarter in positive territory and those were predominantly in emerging market economies. In euro terms the MSCI UK was down 6.3% and the MSCI Germany -6.1% to name but a few. Not only was the performance of global equity markets poor but they also continue to exhibit extreme volatility. The MSCI US Technology index for example saw 4 days in a row of daily moves greater than 2%, which hasn't happened since 2011. In the last two months the US market has had double the amount of 1% swings it had in the last 13 months combined. Other asset classes didn't fare much better. US Treasuries on the quarter delivered a small negative return. Copper was down 8%. Oil was one of the few bright spots, up 7.5%. European Credit markets produced negative returns across the board and US Investment grade credit indices were down over 2%.

March was dominated by a never ending flow of chaotic news flow out of the White House. The president turned his ire towards both Technology stocks and trading partners of the US. He began the month by announcing that he would impose tariffs on imported steel and aluminium to protect national security. Gary Cohn, seen by the market as one of the president's more trade-friendly advisors resigned in protest. Trump then proceeded to unilaterally block a large corporate takeover. He issued an executive order blocking Broadcom from acquiring Qualcomm claiming. He then sacked his respected secretary of state Rex Tillerson by tweet on alleged differences over Iranian policy. He also hired two new advisors who were felt by the market to represent a hardening of his anti-globalist policy agenda. This fear was vindicated when the month ended with the US threatening to impose tariffs on up to 50bn worth of imports from China. The Chinese followed with reciprocal measures, especially targeted at the republican voter base of the mid-western agricultural region.

An increasingly threatening regulatory environment for mega-cap technology stocks, especially the so called FANG names weighed on the market into the month end. Facebook's data breach, concern over Tesla's production targets and balance sheet and an increasing belief that the White House will look to investigate both Amazon's dominant market positions and tax policy were all headwinds into quarter end. Away from the US The ECB surprised the market by dropping the pledge to increase the asset purchase programme if needed. Although a hawkish and unexpected move, Draghi managed to calm the market in his press conference and the euro gave up all of its gains. Italian election results were inconclusive. If anything, the slightly better than expected showing of the populist 5 Star Movement was a slight negative.

On the supposed looming trade war as it currently stands we would surmise that the measures currently proposed by both sides are so small and so insignificant that they would ultimately have no economic impact. We take comfort from how quickly the US changed tone in regards to threatening tariffs on Europe and on its fellow members of NAFTA. More importantly for us is to focus on the continued strength in the both the global economy and corporate earnings. We will be paying close attention to the economic data globally that is released as well as the impending earnings season in the US. Despite the market volatility of late our sense is still that global growth is robust and stable and should continue to drive earnings revisions higher over the course of the year. With equity valuations approaching very attractive levels we enter into the 2nd quarter at the ready to add equity exposure. This is the first time this year that this has been the case. Having been positioned either flat or short equities for most of the past two months we let our hedging expire at month end as markets had moved substantially lower. We will look to use any further equity weakness to add to stocks and sectors were we feel the valuations have become too compelling to ignore, assuming there is no change to the outlook from our three pillar process. We continue to hold short positions in European and US government bonds as well as a long position in the dollar versus the euro.

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.

WARNING: Past performance is not a reliable guide to future performance. The value of your investment may go down as well as up. Merrion Capital Investment Managers Limited (trading as Merrion Investment Managers) is regulated by the Central Bank of Ireland.