MERRION
INVESTMENT MANAGERS

Fund Factsheet

Merrion High Alpha Fund (RIAIF)

30th April 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	1.7%	1.3%	2.8%	2.3%	-1.3%	6.9%	6.3%	11.1%	220.9%	11.5%
Fund Target	0.6%	1.7%	2.3%	7.0%	7.0%	7.0%	7.0%	7.0%	106.4%	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%

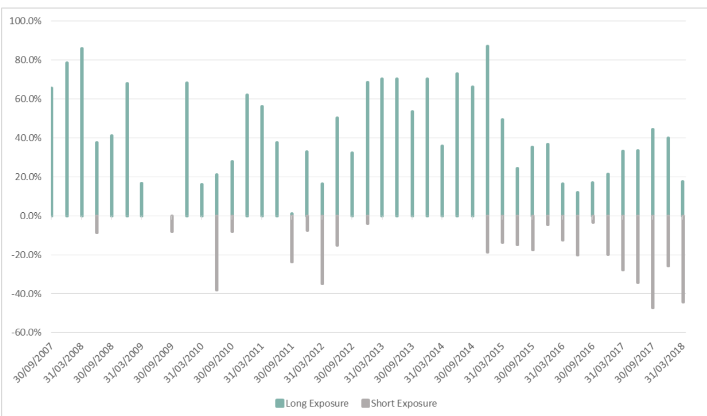
**The Merrion High Alpha Fund (QIAIF) was launched in August 2007. The High Alpha Fund (RIAIF) returns are shown from the end of Q3 2008. Source: Merrion Investment Managers 30/04/2018. Performance Figures are quoted gross of Management Fees. Management fees are detailed in the relevant share class addendum. 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



Another month passed characterised by asset market volatility. This was triggered by further incoherent policy actions from the White House and nervousness around the future path of interest rates as inflationary pressures rise. Potential tariffs on trade with China and increasing regulatory scrutiny on the largest consumer internet names in the US saw the first week of the month begin as the last one ended with big equity market drawdowns. Although the corporate earnings season so far will largely be seen as positive it was only enough to drive equity markets off their lows from the start of the month. The Global MSCI World Index was up 2.8% on the month. It is worth highlighting though how this was predominantly driven by weakness in the Euro, which was down 2% versus the dollar on the month. The High Alpha Fund generated a return of +1.7% for the month.

US earnings season is in full swing. So far we have had an above average number of companies reporting better earnings than expected, with most sectors exhibiting double digit earnings growth. It is the highest number of earnings beats versus consensus since 2010. The reaction of the market has been somewhat muted however. The debate has moved on it seems as to the sustainability of the current cycle. Nowhere was this more evident than in the reaction of the industrial bellwether Caterpillar to its results. Despite delivering a huge positive surprise and trading as high as +5%, the stock finished down 6% on the day as management on the conference call questioned whether this might be the "high watermark" for the year. There were some notable disappointments in the semi-conductor space and in the traditional defensive sector of consumer staples.

Central bank commentary was of interest last month. The first minutes released under Chairman Powell reinforced our long held belief that the market is still under-pricing the path of future fed rate hikes. We took particular note of the following statement that "the appropriate path for the federal funds rate over the next few years would likely be slightly steeper than they had previously expected". The board also has similar thoughts to ourselves when it comes to inflation noting "all participants expected inflation on a 12-month basis to move up in coming months". The ECB were also vocal last month, with Mario Draghi noting he expected the pace of economic expansion to remain strong throughout 2018

We used the latest leg down in equity markets at the start of the month to put back on the risk we took off earlier in the year. We added to equites across the globe where we felt valuations have become compelling. Sectors of note include Technology in the US, focusing on purchasing bellwether names in the semi-conductor space and technology hardware. We have added to our Japanese Industrial names which de rated despite their end market exposures to secular growth markets such as robotics and industrial automation. In Europe and the US we added back some of our long held financial holdings which we had sold earlier in the year.

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 only last month in regards to threatening tariffs on Europe, Korea and on its fellow members of NAFTA. A lot has been made about whether or not this cycle's economic upswing is on its last legs. Our process is telling us that this is not the case, but given the length of the cycle, the current level of interest rates and the inflationary pressures that are evident, it is understandable that the market remains suspicious. We continue to be alive to these risks and will continue to actively manage the fund around these.

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.