MERRION
INVESTMENT MANAGERS

Fund Factsheet

Merrion High Alpha Fund (RIAIF)

31st January 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	1 Year	3 Years p.a.	5 Years p.a.	7 Years p.a.	10 Years p.a.	Inception*	Inc. p.a.*
High Alpha	1.5%	-0.7%	1.4%	1.6%	6.3%	6.0%	10.9%	216.6%	11.6%
Fund Target	0.6%	1.7%	7.0%	7.0%	7.0%	7.0%	7.0%	103.0%	7.0%

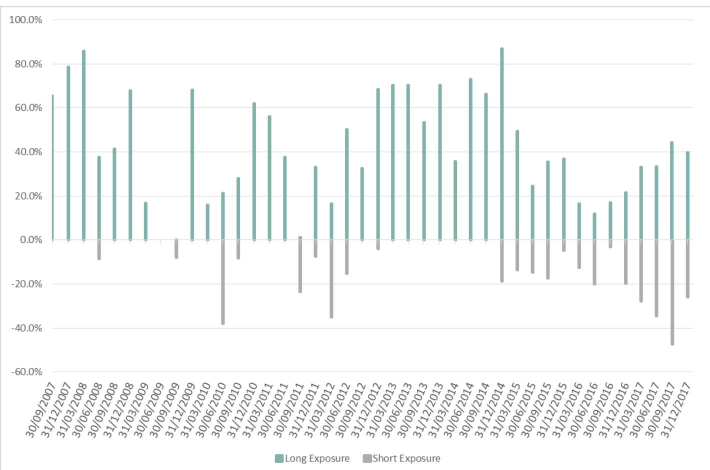
YEAR ON YEAR PERFORMANCE										
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
High Alpha	-0.9%	-7.7%	16.7%	10.7%	14.5%	9.5%	0.6%	7.7%	61.9%	6.6%
Fund Target	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%

**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 31/01/2018. 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 31/12/2017



The High Alpha Fund generated a return of 1.5% for the month of January. The main driver of returns was our short bond positions, especially the long end of the German and US bond market. Our holdings in European, Japanese and US equities all contributed positively while our long dollar versus the euro was a noticeable headwind for performance.

2018 got off to a buoyant start for asset markets globally. Equity markets, and in particular High Beta equity markets boasted record returns. Emerging markets in particular were up almost 10 percent as record inflows buoyed the already ebullient mood from the end of 2017. The long awaited US tax reform was signed giving record upgrades to earnings estimates for the S&P 500. European equities, although positive on the month lagged their international peers as a strong currency impacted performance. Our holdings in European banks were one of the largest contributors to performance for the month. Having underperformed in Q4 on the back of regulatory concerns they finally reacted positively to the rising yield and growth environment. Given the starting levels of valuation were so low we feel there is a lot more outperformance to come. An opportunistic purchase of Ryanair in the middle of the industrial relations strife in December proved profitable. We took profits on this trade as well as European Autos and some Japanese industrials too. Citigroup, a long held and successful position was also exited in an effort to try and take some profits in what was an historic month for equities.

Broad based dollar weakness was a key theme for January, with the greenback down 5% versus sterling and 3% versus the yen and against the Euro was down 3.3%. Despite huge yield differentials, the market seems in the short term to be putting more focus on the recent pick up in global growth, policy normalisation from the ECB (no matter how far away that is) and the widening twin deficits in the US as reasons to short the currency. As of the end of the month we note a record long position in the euro versus the dollar. Potential repatriation flows on the back of the US tax reform have yet to materialise and the potential growth uplift in the US economy from said tax reform is also something that the market is willing to look through for now. We feel that as the year progresses the dollar can only benefit from rising GDP expectations, both relative and absolute, in addition to a more hawkish Federal Reserve and a yield differential which historically has proved a good entry level for the currency. The Federal Reserve's meeting at the end of January proved a more insightful one than had been anticipated. Being Yellen's last meeting it was expected to be a non-event. However there was a noticeable hawkish shift to the language. Given yields were already selling off all month it will be an interesting test for the markets to see how equities react to a more hawkish Federal Reserve as they can no longer ignore the inflationary pressures building. Our short bond position was contributing positively even before the meeting and continued to do so after. The underestimation of the return of inflation, especially US inflation is a key theme for us and it is encouraging to see it begin to play out in the data, market expectations and Central Bank commentary.

Towards the end of the month however some warning signs began to emerge that need close attention. Post record one month inflows into equities we noted that market positioning data and sentiment indicators were at unprecedented levels. The amount of protection other funds had in place indicated a worrying level of complacency and a surprising belief in the enduring nature of the recent low level of volatility. With this in mind we purchased an above average amount of equity protection. As we head into February we have the lowest equity exposure we have had in a long time. Mindful of the potential for a severe pullback we are keen to be in a position to add stocks we like, just at more attractive levels.

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.