MERRION
INVESTMENT MANAGERS

Fund Factsheet

Merrion High Alpha Fund (RIAIF)

31st July 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	Inception*	Inc. p.a.*
High Alpha	-0.1%	-0.9%	-1.3%	-1.2%	6.7%	8.4%	5.8%	12.0%	210.9%	12.1%
Fund Target	0.6%	1.7%	4.0%	7.0%	7.0%	7.0%	7.0%	7.0%	96.2%	7.0%

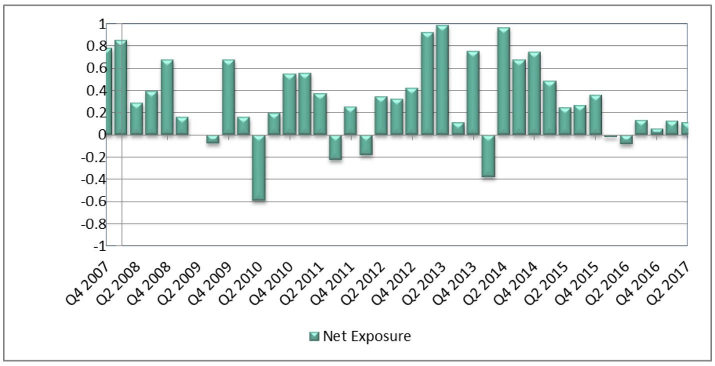
YEAR ON YEAR PERFORMANCE									
	2016	2015	2014	2013	2012	2011	2010	2009	2008
High Alpha	-7.7%	16.7%	10.7%	14.5%	9.5%	0.6%	7.7%	61.9%	6.6%
Fund Target	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%

**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 31/07/2017. 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	7.8%
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 30/06/2017



The High Alpha fund delivered a return of -0.1% for July in a month that saw global equities in euro terms decline -0.7%.

Over the month, the fund opened new positions in Antofagasta, BHP Billiton, Honda & Siemens. Additionally the fund added to positions in Citigroup & Saint Gobain. The fund also added to the short position in government bonds as yields fell.

European equity positions added 0.40% over the month, whilst the US dollar's move lower vs the Japanese yen cost 0.2%. Hedging strategies via put options cost the fund -0.3% over the month.

Our strongest conviction for the past six months, based on our 3 pillar process is that long term yields in the US should resume the uptrend which commenced in H2 2016, driven by ongoing strength in economic data and a reassessment (upwards) by the market of the likely path of Federal Reserve interest rates. This in turn should lead to a stronger US dollar, though given our expectation of continued strength in European economic data we preferred to express this via the Japanese yen rather than the euro.

We believe that the recent low inflation we have seen is transitory in nature, driven by one-off declines in specific sectors, and will therefore not prevent the Federal Reserve from continuing to hike interest rates, even as the process of unwinding the balance sheet begins later this year. The market however expects just two more interest rate hikes by the end of 2019, leaving scope for an upward reassessment which should put upward pressure on US bond yields. Hence we are viewing the decline in bond yields year-to-date as temporary given the still-strong economic activity data and scope for rising inflationary pressures to resume across all regions.

If the global economic upswing is maintained, we expect the dollar to strengthen as 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.

Among the risks to the outlook are political concerns, in both Europe and the US, 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.