MERRION
INVESTMENT MANAGERS

Fund Factsheet

Merrion Managed Fund

30th September 2017

The Merrion Managed Fund returned 3.7% during September 2017. The peer group average returned 1.2% over the same period. The Merrion Managed Fund is the number 1 performing, global multi-asset fund in the Irish market over the past 20 years. Source: MoneyMate 30.09.2017.

FUND PARTICULARS	
Fund Type	Multi Asset
Bid/Offer Spread	None
Launch date	20.10.1993
Base Currency	EUR
Liquidity	Daily
Risk Rating	5
Volatility*	10.7%
Benchmark	Pooled Multi-Asset Fund Average

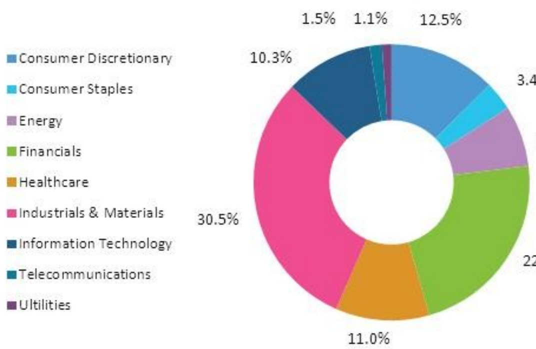
* 'Volatility' on a risk scale of 1 to 7, with level 1 being generally low risk and level 7 being generally high risk. The volatility is measured from past returns over a period of five years using weekly and monthly data where applicable. Prior to making an investment decision, you should talk to your financial advisor or broker in relation to the risk profile most suitable for you.

PERFORMANCE UPDATE AT 30.09.2017

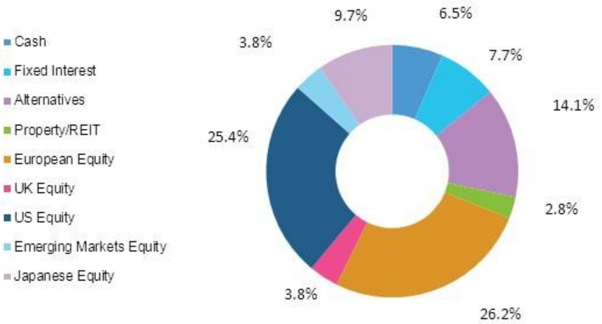
	Managed*	Pooled Multi-Asset Fund Average
1 Month	3.7%	1.2%
Quarter 3	2.2%	1.2%
YTD	3.4%	3.6%
1 Year	9.1%	6.7%
3 Years p.a.	7.5%	5.9%
5 Years p.a.	10.9%	7.9%
10 Years p.a.	5.2%	3.3%
15 Years p.a.	7.5%	6.2%
20 Years p.a.	7.3%	6.5%

Source: Aon Hewitt & MoneyMate 30.09.2017
*Performance figures are quoted gross of management fees.
Management fees are detailed in the relevant share class addendum.

SECTORAL DISTRIBUTION OF EQUITIES



ASSET DISTRIBUTION



Please note - The alternatives allocation of 14.1% for month ending 30th September 2017 is based on a 6.2% exposure to growth assets and the balance being exposed to defensive assets.

Global equities rose by +2.6% on the month in euro terms, to stand +1.7% higher on the quarter and +4.8% higher year-to-date. Economic data over the quarter continued to point to robust global growth, with European and Japanese data being particularly strong. The Federal Reserve made its long-awaited announcement regarding balance sheet reduction in September.

Eurozone equity markets rose by +4.5% over the quarter (+13.3% year-to-date), whilst the US equity market rose by just +0.9% (+1.8% year-to-date). The Japanese market was +0.5% higher on the quarter (+2.1% year-to-date), the weakness of the yen disguising a much more impressive return of +4.3% in local currency (+9.9% year-to-date).

Bond yields in Europe and the US were pushed lower in the first two months of the quarter by a combination of geo-political fears and low inflation numbers. However, robust economic data, stronger commodity prices and a reiteration by central bank officials in September of the need for ongoing normalisation of policy led to an upward reassessment of the likely path of interest rates in the US, pushing bond yields and the US dollar higher, and yields ended the quarter largely unchanged.

At a sector level energy rose by +6.1% over the quarter (-10.4% year-to-date), materials by +5.6% (+7.3% year-to-date), technology by +5.4% (+17.1% year-to-date) and financials by +2.3% (+4.6% year-to-date). The strong economic data and poor relative earnings momentum caused defensive sectors such as consumer staples (-3.4% on the quarter, -0.5% year-to-date), healthcare (-0.8% on the quarter, +6.1% year-to-date) and utilities (+0.1% on the quarter, +2.3% year-to-date) to underperform.

Corporate earnings continue to deliver attractive growth, with Japanese equities seeing the biggest upgrades.

Over the last year there has been an impressive rebound in global growth, with a synchronised global upswing evident for the first time in many years, whilst global trade has improved after a long period of stagnation.

Different regions however are clearly at different stages of the economic cycle: US earnings are no longer outperforming global earnings; there are signs that depressed European earnings are starting to recover; and an improving shareholder-friendly environment in Japan is clearly boosting returns. Additionally, from a macro perspective, the US is seeing a distinct lack of credit growth whereas European and Japanese credit growth is positive and appears to be accelerating. The US equity market therefore remains expensive relative to global equities, with the lack of relative earnings growth at these elevated levels a cause for concern, one caveat being that a large cut in corporation taxes could have a large impact on many valuation measures.

Whilst inflation has recently been lower than expected, it is clear that industrial capacity is becoming scare by historical standards, particularly in Japan and the Eurozone and there are signs that global investment spending is starting to rebound. Similar tightness is also evident in labour markets. Stronger global economic data is very noticeable in the price of industrial metals such as copper, zinc and aluminium which appear to have broken out of 5 year downtrends from a technical analysis perspective. This should also put upward pressure on inflation looking forward. Indeed, in recent weeks we have seen some evidence that the bond market is beginning to pay less attention to currently low inflation numbers.

Financial markets have yet to price in a normalisation of the last decade's ultra-loose monetary policy, 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.

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.

Given the above, portfolios hold overweight positions in European domestically-focussed equities and Japanese export-oriented companies, underweight positions in US and Emerging market equities (driven by relative valuation and relative earnings growth concerns), and underweight positions in bonds. In addition, we hold overweight positions in cyclical sectors such as financials, industrials and materials, and underweight positions in defensive sectors such as consumer staples, telecoms and utilities. Our three pillar investment process is indicating that our current positioning has the scope to deliver significant outperformance if the synchronised improvement in global economic data is maintained which will allow central banks to gradually normalise policy after almost a decade of ultra-loose monetary policy.

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.

The Merrion Managed Fund may invest in alternative investment funds run by Merrion Capital Investment Managers or external fund managers where a performance related fee may be paid. Where the Managed Fund invests in other funds managed by Merrion Capital Investment Managers, the management charge will be rebated to the Managed Fund. Further details are available on request from Merrion Investment Managers. 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 to the client provided by MIM to its clients. Further details are available on request from Merrion Investment Managers.