MERRION
INVESTMENT MANAGERS

Fund Factsheet

Merrion Managed Fund

30th April 2018

The Merrion Managed Fund returned 2.7% during April 2018. The peer group average returned 1.6% 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 30.04.2018

FUND PARTICULARS	
Fund Type	Multi Asset
Bid/Offer Spread	None
Launch date	20.10.1993
Base Currency	EUR
Liquidity	Daily
Risk Rating	5
Volatility*	10.8%
Benchmark	Pooled Multi-Asset Fund Average

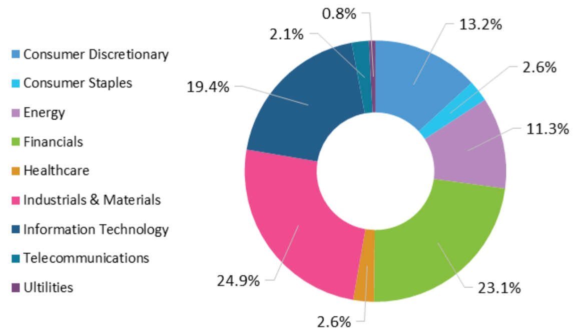
* 'Volatility' on a risk scale of 1 to 7, with level 1 being generally low risk and level 7 being generally high risk. The volatility is measured from past returns over a period of five years using weekly and monthly data where applicable. Prior to making an investment decision, you should talk to your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

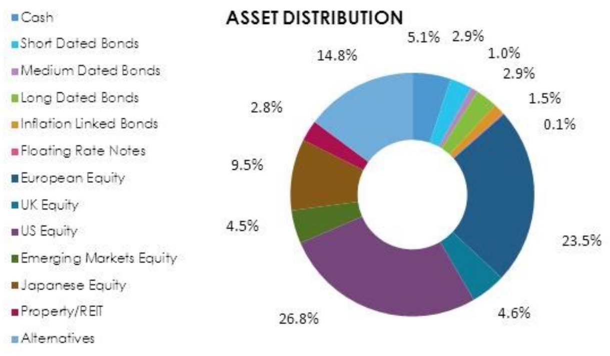
PERFORMANCE UPDATE AT 30.04.2018

	Managed*	Pooled Multi-Asset Fund Average
1 Month	2.7%	1.6%
YTD	0.3%	-0.6%
1 Year	2.4%	2.6%
3 Years p.a.	1.3%	2.7%
5 Years p.a.	8.9%	6.7%
10 Years p.a.	6.4%	4.5%
15 Years p.a.	7.4%	6.1%
20 Years p.a.	6.1%	5.2%

Source: Aon Hewitt & MoneyMate 30.04.2018
*Performance figures are quoted gross of management fees.
Management fees are detailed in the relevant share class addendum.

SECTORAL DISTRIBUTION OF EQUITIES





Please note - The alternatives allocation of 14.8% for month ending 30th April 2018 is based on a 5.2% exposure to growth assets and the balance being exposed to defensive assets.

Impressive global growth continues to be evident in 2018, despite recent market volatility. Economic indicators, especially those out of the US continue to point towards robust growth. Globally some growth indicators, although still buoyant, have slowed slightly relative to elevated levels at the end of 2017. Whilst the US Tax reform was undoubtedly positive for global markets the more recent actions out of the current US administration have increased market volatility noticeably. An adversarial stance towards traditional allies over long standing trade relationships and a scatter-gun approach to potentially regulating large US Technology companies has the potential to undo all the benefits of the pro-business/ pro growth policies which were implemented towards the end of 2017.

US tax reform has given both US earnings and the US economy a huge boost. The current US earnings season has thus far 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 given the length of the cycle, the current level of interest rates and the inflationary pressures that are evident.

Despite significant headwinds from an appreciating currency, there are further signs that depressed European earnings are continuing to recover; and an improving shareholder-friendly environment in Japan is clearly boosting returns. From a macro perspective, European and Japanese credit growth has been positive for some time, and we have seen a return of credit growth in the US since the beginning of this year. The US equity market remains expensive relative to global equities, but the undoubted benefit of the US tax reform has reduced this gap considerably. Globally equity markets have de-rated substantially over the course of the first quarter of 2018 as they sold off in spite of a strong earnings backdrop. 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.

Whilst inflation last year had been lower than expected, more recent inflation indicators out of the US would suggest that inflation rates will move upwards from here. This was clearly evident in the recent wage inflation data from the US which so surprised markets at the beginning of February. This view is supported by evidence that industrial capacity is becoming scare by historical standards, particularly in Japan and the Eurozone. Similar tightness is also evident in labour markets, with unemployment rates continuing to fall in all the major economic regions. Anecdotally, we have seen a surge in the number of corporates highlighting inflationary pressures in their business over the recent reporting season. European inflation has though thus far remained slightly more subdued than we anticipated.

Financial markets are increasingly beginning to price in the normalisation of ultra-loose monetary policy. Bond yields globally appear to be starting 2018 by breaking out of multi-year down trends. Market participants have increased their bets on further rate hikes in the US this year to 3 in total, with a 1/3 probability of 4 hikes, and are slowly starting to increase their expectations for further rate hikes in 2019. This is closer to both our own thinking and that laid out by the members of the Federal Reserve. The new Federal Reserve chairman's first public statements of substance vindicated this view. Testifying in front of the House Services Financial Committee Mr Powell gave a remarkably frank insight into his thinking. He highlighted how his personal outlook for the US economy had improved markedly since December, fuelled by US tax reform. He showed no sign of any concern over the equity market sell off over the course of Q1 and gave no indication he would be taking periods of market volatility into account when formulating monetary policy.

If the global economic upswing is maintained, we expect US rate hike expectations will regain momentum as inflation accelerates due to the powerful fiscal stimulus recently enacted by the administration. This should put upward pressure on the US dollar and global bond yields, and would likely benefit European and Japanese equity markets in particular, presenting a headwind to the recent outperformance of US and Emerging Market equities.

Given the above, portfolios 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, and underweight positions in bonds. Within bonds, we have switched some holdings into inflation linked bonds. These will provide protection against future inflation. In addition, we 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).

Among the risks to the outlook are political concerns in Europe and the US, stalling Brexit negotiations, and concerns that rising US bond yields cause financial conditions to tighten too quickly and cause a growth shock. The recent fiscal stimulus by the US administration has fuelled an already strong economy which had already begun to show some signs of being late in its economic cycle.

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.