MERRION
INVESTMENT MANAGERS

CANTOR Fitzgerald

Merrion Global Equity Fund FACTSHEET

31st July 2019

The Merrion Global Equity Fund captures the capital growth potential inherent in equity markets over the long term. The Fund invests in a diversified portfolio of global equities to achieve long-term capital growth through active sector, global and global allocations. The Merrion Global Equity Fund returned 1.8% during July 2019. The benchmark MSCI AC World Index returned 2.4% in the same month.

FUND

Fund Type	Equity
Bid/Offer Spread	None
Launch date	10.05.1995
Base Currency	EUR
Liquidity	Daily
Risk Rating	6
Volatility*	15.5%
Benchmark	MSCI AC World TR Index (Eur)

*'*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 31.07.2019

	Global Equity*	MSCI AC World
1 Month	1.8%	2.4%
3 Months	0.6%	1.3%
YTD	20.2%	20.0%
1 Year	3.8%	8.3%
3 Years p.a.	6.9%	10.3%
5 Years p.a.	8.4%	10.5%
10 Years p.a.	10.4%	12.0%
15 Years p.a.	7.3%	7.8%
20 Years p.a.	6.0%	4.7%

Source: MoneyMate 31.07.2019

**Performance figures are quoted gross of management fees.*

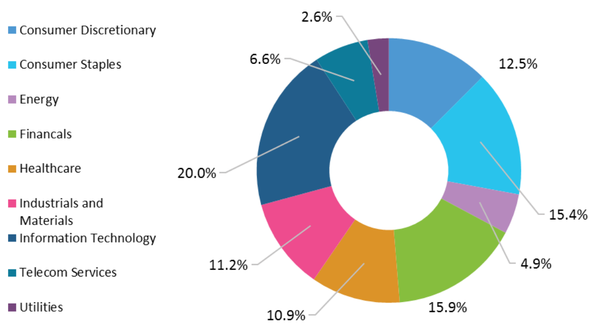
Global equities added to year-to-date gains in the month, rising by 2.4% in euro terms. However, this was flattered by the weakness in the euro, which fell by 2.6% against the US dollar. The key focus of the month for markets was the Federal Reserve meeting on the last day of the month, and speculation about how much they would cut rates. In the event, a 25 basis point rate cut was delivered, the first in ten years, though the dissent amongst the committee members, with two voting against a rate cut, coupled with Fed chairman Powell's categorisation of the rate cut as a "mid-cycle rate adjustment" in response to "threats to what is clearly a favourable outlook" suggests that markets may have priced in too much in terms of the beginning of a cycle of significant interest rate cuts.Various headlines about US-China trade made sporadic appearances, with talk of meetings and conversations but no actual progress beyond the usual rumours of further Chinese purchases of agricultural products. More importantly from an equity market perspective was the continued downgrades of earnings forecasts, ongoing weakness in hard economic data and forward-looking survey data, this latter particularly prevalent outside the US, where economic data showed some tentative signs of stabilisation. Earnings season has so far been mixed. The consumer in the US remains strong, but of particular note is the impact that the global industrial / manufacturing slowdown has had on the reported numbers of international companies. Of most interest in this regard is the impact this slowdown has had on US industrial companies, with rail and rental companies beginning to soften. Markets are still hopeful of a recovery in the second half, but as trade tensions linger and spread to new areas (the appointment of a new Prime Minister in Britain has marked a clear deterioration in relations between the EU and the UK) and leading economic indicators continue to deteriorate it is difficult to see where this pick up will come from.

The fund returned 1.8% for the month versus a benchmark return of 2.4%. Being underweight equities over the course of the month detracted from performance relative to the benchmark. Within the equities held our overweight's in Technology, Consumer staples and Utilities all added to performance whilst holdings in Industrials and Energy stocks were a drag for the month. Although our over all asset allocation weightings didn't change we were quite active during the month. We have used the volatility of recent months to rotate further out of cyclically exposed sectors into higher quality equities and more defensive sectors. We increased our holdings in Consumer staples and Utilities at the expense of Industrials, Financials and Energy.

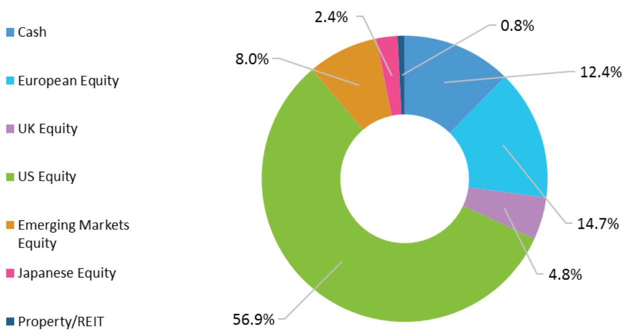
It remains difficult to see how the ongoing trade friction between the US and China, Brexit uncertainty and geopolitical risks in the Middle East is a positive for economic momentum, despite the apparent willingness of central banks to ease monetary policy. Given the extraordinary rally in equity markets since the beginning of the year valuations are unattractive, particularly given ongoing downgrades to earnings estimates.

Continued

SECTORIAL DISTRIBUTION OF EQUITIES



ASSET DISTRIBUTION



Overall, this makes risk-reward unfavourable. Medium term other policies remain supportive, though mainly this support is in the form of dovishness from central banks. As ECB President Draghi acknowledged, the backdrop for Europe is getting "worse and worse", and there is a limit to the effectiveness of monetary policy. The market rally in the first half of the year was predicated on a second half revival of economic fortunes globally, and a subsequent turn in earnings expectations. We are now past the mid-point of the year, and both remain conspicuous by their absence, leaving earnings estimates for the second half looking highly optimistic, despite the downward revisions we have seen year to date. The funds remain defensively positioned, underweight growth assets with a defensive bias. The concerns we have are still valid but adjusting the underweight to take account of less negative technicals and more supportive (than we expected) central banks is deemed prudent. More medium term, the poor macro environment combined with elevated expectations for growth in the second half of the year, continued downward pressure on earnings estimates amid already stretched valuations suggest equities will struggle from here.

Please refer to our website link: https://www.merrion-investments.ie/assets/documents/policy-research-third-party.pdf for our policy regarding the provision of research by third parties. In relation to Merrion Investment Trust - KIDs - additional information is available on request from Merrion Investment Managers - please contact 670 2500 or e-mail info@merrion-investments.ie Further details are available on request from Merrion Investment Managers.

MERRION INVESTMENT MANAGERS

CANTOR Fitzgerald

2nd Floor, Heritage House, 23 St Stephen's Green, Dublin 2. Tel: +353 1 670 2500.

email : info@merrion-investments.ie **web :** www.merrion-investments.ie / www.cantorfitzgerald.ie