Merrion Balanced Fund FACTSHEET

MERRION INVESTMENT MANAGERS

31st August 2019

The Merrion Balanced Fund was launched in October 2006 to provide balanced long term growth by actively managing the distribution of the portfolio across global markets, including equities, property funds, bonds and cash deposits. The split between asset classes is actively managed according to economic conditions, which will normally constitute 60-80% invested in equities.

FUND

Management Fee	1.50%
Bid/Offer Spread	None
Launch date	October 2006
Base Currency	EUR
Liquidity	Daily
Risk Rating*	5
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 31.08.2019

	Balanced Fund*	Pooled Multi-Asset Fund Average
1 Month	0.5%	-0.3%
3 Months	5.0%	3.9%
YTD	18.1%	10.9%
1 Year	5.3%	3.9%
3 Years p.a.	5.5%	5.0%
5 Years p.a.	6.1%	5.4%
10 Years p.a.	8.2%	7.5%
15 Years p.a.	6.8%	5.7%
20 Years p.a.	6.3%	6.1%

Source: Aon Hewitt & MoneyMate 31.08.2019

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

August proved to be a very volatile month, with global equities lower by -2% in euro terms for the month to stand +17.4% year-to-date. The month began with some residual disappointment from the Federal Reserve's characterisation of its July 31st rate cut as a "mid-cycle adjustment" rather than the beginning of a rate cut cycle, particularly given the almost 10% rally into the Fed meeting coupled with record long positioning across S&P futures in the market. This left the market precarious to any shock which duly followed in the form of a sudden unilateral escalation of the trade war by President Trump in his imposition of further tariffs. This action, despite consistent messaging from the White House of great progress in the trade talks left China with no choice but to retaliate in the form of a weaker currency, allowing their currency to trade through the symbolic 7 which was seen as a further escalation in the trade war. What followed was a sudden and severe "risk off" episode across all asset classes, the US equity market at one stage dropping 5% in the early part of the month.

Although the equity market did regain a large part of that move it was none the less a warning to the market about how precarious a situation the global economy is in. There was also a clear style bias as defensive sectors such as utilities and consumer staples outperformed. This was in part driven by the extreme rallies in bond markets, especially at the long end as the so called "inversion of the yield curve" spooked investors as concerns over future growth in the US mount. There was some relief as Trump announced a delay in some of the extra tariffs until mid-December so as to not damage the US consumer ahead of Christmas, in addition to rumours of a German stimulus package. Towards the end of the month however events took a bizarre turn as retaliation by China (in the form of a new round of extra tariffs on US goods) preceded a rant from President Trump in which he doubled down on the trade war by "ordering" all US companies to leave China and increasing his latest rounds of tariffs by a further 5%, despite the fact that a few days previously he had delayed those extra tariffs as they would damage the US consumer ahead of Christmas. Not to be outdone in the realms of the surreal, the UK's new prime Minister announced an unprecedented "proroguing" of Parliament, suspending it for up to six weeks in what can only be seen as an attempt to thwart any attempt to prevent a "no-deal" Brexit by those opposed to it.

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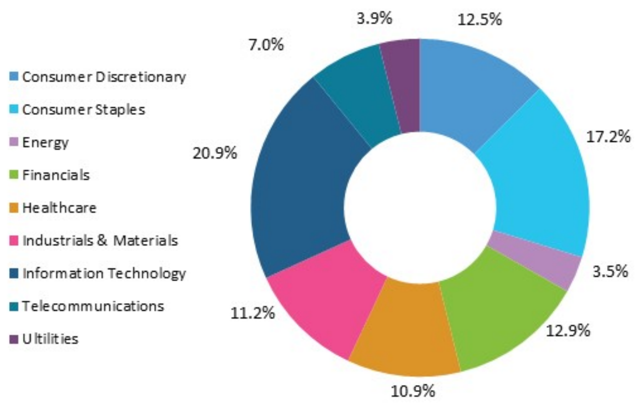
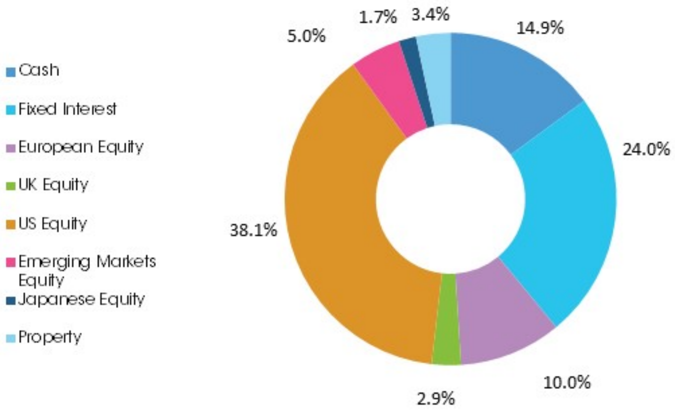
SECTORAL DISTRIBUTION OF EQUITIES



ASSET DISTRIBUTION



The Fund performed strongly over the course of the month, out performing the benchmark by 0.8%. Performance was driven by a number of factors. We are underweight bonds at an asset allocation level, resulting in a small negative contribution on a relative basis due to the large fall in yields over the month. On the positive side, we continue to be underweight growth assets, and equities in particular relative to the mid-point of the fund's guided range. The equities we do own performed strongly on the month, in particular our exposure to consumer staples. The sectors we were underweight, financials and energy in particular were quite weak which also added to performance on a relative basis. Months like August are also a good reminder of how helpful our exposure to alternative investments can be. As this is uncorrelated with global equity markets and has the ability to run a net short position it can, and did for August, generate a positive return in a falling market. Detracting from performance for the month was our holding in consumer discretionary stocks. In particular two holdings in US retailers who both disappointed the markets with updates that indicated a slight slowing in the US consumer. At a macro level we note this with interest as the US consumer has been one of the few positives in the global economy year to date.

The Merrion Balanced Fund was launched in October 2006. Therefore, it does not have an established long term past performance record. To demonstrate the investment manager's capabilities in differing historic market conditions, we have shown the past performance of the Merrion Managed Fund. This Fund and the Merrion Balanced Fund are managed by the same investment team, using the same investment process and built around the same model equity portfolio. Consequently, we anticipate that the past performance of the Managed Fund is representative of the past performance that would have been achieved by the Balanced Fund had it been available over the historical periods shown. The Merrion Balanced Fund returns are shown when available since October 2006. Please refer to our website linkhttps://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 - KIIDs additional information is are 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.

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