MERRION
INVESTMENT MANAGERS

CANTOR Fitzgerald

Merrion Long Bond Fund FACTSHEET

30th June 2021

The fund returned -1.5% over the quarter. The ICE BofAML 10+ Year Euro Government Index returned -1.4% over the same period. This brings the year-to-date returns to -6.0% and -6.7% respectively.

FUND

Fund Type	Fixed Interest
Bid/Offer Spread	None
Launch date	19.10.2004
Base Currency	EUR
Liquidity	Daily
Risk Rating ESMA*	4
Volatility**	7.5%
Benchmark	Emu Govt Bonds > 10 Yr to Maturity

** Source:MoneyMate*

***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*

PERFORMANCE UPDATE AT 30.06.2021

	L/Bond*	Average	Index[1]
1 Month	0.9%	1.0%	1.0%
Quarter 2	-1.5%	-1.4%	-1.4%
1 Year	0.5%	-0.2%	-0.9%
3 Years p.a.	6.6%	6.5%	6.3%
5 Years p.a.	2.6%	2.8%	2.8%
10 Years p.a.	8.4%	8.1%	8.0%
15 Years p.a.	6.6%	6.6%	6.4%

Source: MoneyMate 30.06.2021

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

Management fees are detailed in the relevant share class addendum.

1 Source ICE BofAML 10+ Year Euro Government Index

Global equities marched higher over the course of the June, rising by 4.6% in euro terms to stand +15.9% year to date. The mix within equities was stark though, the rally being driven by technology (+9.3%), with a 7.3% gain for the MSCI Growth Index vs just 1.7% for MSCI Value Index (all figures in euro terms).

There were two main reasons for the dispersion of returns, the primary one being the push-back on inflation narrative that has gripped markets for the last couple of months, falling inflation expectations and a drift lower in bond yields. A secondary factor was the rise of the Covid delta variant, with its associated threat to the more rapid reopening which had been priced into the cyclical sectors of the market.

A slightly hawkish twist at the June FOMC meeting, where the median Fed member now expects 2 rate hikes by the end of 2023 (the so-called dot-plot) led to some volatility across asset classes but comments from Chair Powell that investors should take this revised dot-plot "with a big grain of salt" had a calming effect.

Fed Chair Powell reiterated what he has been saying for some time (the inflation blip will be transitory), with similar comments from ECB officials. Indeed, the latest US CPI data implies we are on the balance of probability past peak inflation scares. This has coincided with a shift in Chinese policy which initially cooled credit markets but has now spread to everything from cryptos to commodities, as well as the Chinese currency and local property markets. It is noteworthy that China's credit impulse, which tends to lead industrial metal prices by 6-9 months, peaked some months ago (and is now down y/y), and Chinese money supply growth is decelerating sharply. In addition, the Chinese National Food and Strategic Reserves Administration announced during the month that they will begin to release state stockpiles of metals including copper aluminium and zinc. Commodities globally have been falling on the back of this tightening in China. This has driven inflation expectations lower which in turn reduces the demand for commodities as an inflation hedge causing further weakness in commodities in a reflexive, self-fulfilling cycle. The continued disappointment over each iteration of Biden's Infrastructure plan has also been a factor. Extreme investor positioning and short interest in global bond markets ahead of the so-called "reopening" has probably exacerbated the moves in yields too.

It is clear though that the moment of maximum stimulus (both monetary and fiscal) is in the past. In an unexpected move, the Federal Reserve in June announced plans to begin gradually selling a portfolio of corporate debt purchased through an emergency lending facility launched last year. Although it was a little-used program, and mostly a psychological booster for markets, the Fed is preparing the ground for talk of tapering at least.

The spread of the Covid delta variant is adding some confusion to the mix, raising concerns that the vaccination program needs another few weeks to remain ahead of it, leading to potential further delays to reopening which will hopefully be short-lived.

Drivers of performance

Over the quarter the fund performed broadly in line with the index, with positioning broadly in line in duration terms, a small underweight in core bonds, a small overweight in periphery bonds, and an overweight in inflation linked bonds.

Fund positioning and outlook

Over the quarter we added marginally to duration through purchases of long dated French and Belgian bonds and switched an Irish 10 year bond into the new 20 year bond, which offered an attractive pick up of 0.5% in yield. The fund enters the third quarter similar to the second, with duration close to that of the index, a small underweight in core bonds, a small overweight in periphery bonds, and an overweight in inflation linked bonds.

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MERRION INVESTMENT MANAGERS

DISTRIBUTION OF ASSETS AT 30.06.2021

	Merrion	EMU Govt Bonds
>15 Years	35.4%	30.7%
15-20 Years	23.3%	29.1%
20-25 Years	0.0%	12.6%
25-30 Years	41.3%	17.9%
>30 Years	0.0%	9.7%
Total	**100.0%**	**100.0%**

DISTRIBUTION OF ASSETS AT 30.06.2021

	Merrion	EMU Govt Bonds > 10 Yr to Maturity2
Cash	5.7%	0.0%
Core	31.4%	48.0%
Periphery	39.8%	40.7%
Semi-Core	15.8%	11.3%
Inflation Linked Bonds	7.3%	0.0%
Total	**100.0%**	**100.0%**

1 Source ICE BofAML 10+ Year Euro Government Index

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2 Source: Bloomberg

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