

Merrion High Alpha Fund **FACTSHEET**

31st August 2021

The High Alpha Fund was launched in August 2007*. It is a process-driven absolute return fund. The fund may hold cash from time to time in order to protect capital. The fund does not reference a benchmark, instead it targets a return in excess of 7% per annum for the investor, notwithstanding how equity markets perform.

FUND PARTICULARS	
Fund Type	Absolute Return
Performance Fee	20% of the excess return over 7% p.a.
Bid/Offer Spread	None
Launch date	15/08/2007
Base Currency	EUR
Liquidity	Daily
Risk Rating*	5
Volatility	11.3%
Benchmark	7% Target Return

The global equity market finished the month 3% higher, to stand +20% year-to-date, driven again by growth (+3.1%) over value (+1.5%). Global bond yields moved higher over the month.

It wasn't all smooth sailing, however. Growth concerns stemming from the spread of the Delta variant, particularly in Asia, a fresh round of Chinese regulations setting out tougher rules for how companies handle user data, cuts in Chinese steel production and perceived hawkishness from the Fed regarding tapering combined with summer illiquidity to push markets lower mid-month, with the worst affected areas being commodities, EM and EM exposed sectors.

The spread of the Delta variant has led to an extension of the lockdowns in Sydney and a new lockdown in New Zealand, a poor vaccine rollout with only circa 20% of adult population vaccinated leaving these countries very exposed. Rising case numbers in Israel, the world's most vaccinated country, raised the prospect of booster shots being required, and indeed the US is planning to start booster shots to all vaccinated adults next month.

* '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.

This month we saw some signs that the transitory nature of the recent inflation surge may be a little more prolonged, with supply chain disruptions continuing to have an impact globally. TSMC is raising its prices, this comes on the back of Microsoft raising prices last week. German IFO Economists noted that almost 75% of businesses complain about supply chain bottlenecks, and 67% of companies in both manufacturing and retail sought higher prices to cover rising costs. The supply shortages of semi-conductors is expected to continue for most of next year.

Whilst this may raise very short-term inflation concerns, we also saw two examples of the ongoing drive to invest for the future, which reinforces the disinflationary trends. Samsung will invest approximately \$200bln in the next 3 years to expand its footprint in biopharmaceuticals, AI, semis and robotics, whilst Japan is expanding subsidies for the purchases of electric vehicles, plug-in hybrids and fuel-cell vehicles.

Overall, there is a growing sense that a bottoming in global growth expectations has occurred. Record earnings, record beats, record margins, lower multiples, buoyant corporate commentary, China policy tightening on the regulatory side, but easing on the credit side, extraordinarily low inventory levels all help to frame a more positive investment backdrop than there has been since global growth expectations peaked in Q1 of this year and should mean continued support for equities. Delta concerns may lead to delays in reopening, but should not stall it, policy tweaks from Fed (standing repo) mean tapering and communication around same should not cause a 2013-like tantrum for a very well-heralded event, but despite that positive medium term back drop, sentiment and positioning has been relatively sanguine with a lot of our indicators at best neutral and no signs of the traditional euphoric activity that can sometimes mark the end of strong performances in equity markets.

PERFORMANCE UPDATE AT 31.08.2021

	High Alpha*	Fund Target
1 Mth	1.5%	0.6%
3 Month	7.5%	1.7%
YTD	15.8%	4.6%
1 Yr	28.2%	7.0%
3 Yr p.a.	11.5%	7.0%
5 Yr p.a.	6.7%	7.0%
7 Yr p.a.	7.6%	7.0%
10 Yr p.a.	8.3%	7.0%
Inception*	333.4%	158.7%
Inc. p.a.*	11.0%	7.0%

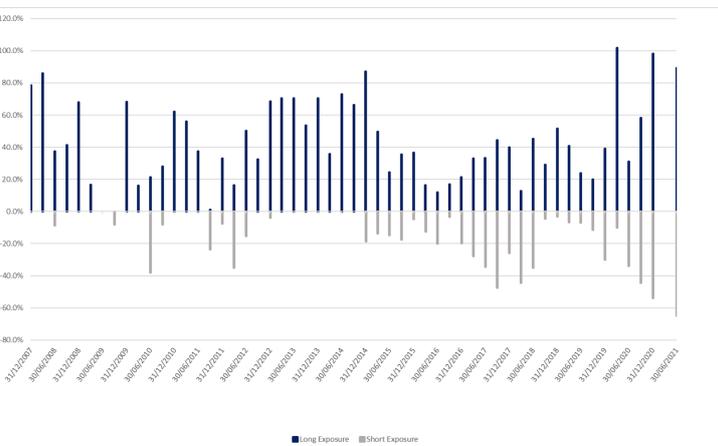
* The Merrion High Alpha Fund (QIAIF) was launched in August 2007. The High Alpha Fund (RIAIF) returns are shown from the end of Q3 2008. Source: Merrion Investment Managers 31/08/2021. Performance Figures are quoted gross of Management Fees. Management fees are detailed in the relevant share class addendum. There is a performance incentive linked directly to the success of the fund. Merrion Investment Managers will share 20% of the excess return over 7% p.a. Fund performance is quoted net of the performance fee.

Year on Year Performance

	High Alpha*	Fund Target
2008	6.6%	7.0%
2009	61.9%	7.0%
2010	7.7%	7.0%
2011	0.6%	7.0%
2012	9.5%	7.0%
2013	14.5%	7.0%
2014	10.7%	7.0%
2015	16.7%	7.0%
2016	-7.7%	7.0%
2017	-0.9%	7.0%
2018	-6.8%	7.0%
2019	0.5%	7.0%
2020	28.2%	7.0%

Having invested in commodity stocks in the previous month, we used the mid-month move lower in equities to add to this position, in addition to adding some exposure to high quality consumer luxury goods names. In addition, we added to our short positions in 30-year bonds in the US, and opened a new short position in 30-year German bonds.

The fund returned +1.5% over the month. Positive contributors were long positions in technology stocks and payment providers and short positions in bonds, whilst there was a small drag from commodity stocks and from put option protection.



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WARNING: Past performance is not a reliable guide to future performance. The value of your investment may go down as well as up. Merrion Capital Investment Managers Limited (trading as Merrion Investment Managers) is regulated by the Central Bank of Ireland. Cantor Fitzgerald Ireland Ltd is regulated by the Central Bank of Ireland and is a Member Firm of The Irish Stock Exchange and The London Stock Exchange.