

Cash Fund

QUARTER 1, 2012

The Merrion Cash Fund was launched in May 2003. It is designed to provide capital security for pension fund investors approaching retirement. It may also be used as a short-term "safe-haven" by investors in times of market uncertainty. It invests in secure bank or building society deposits and money market instruments such as short-dated government bonds.

There is no bid/offer spread on the Cash Fund and the management fee is 0.25% p.a.

PERFORMANCE UPDATE AT 31.03.2012		
	Merrion	Average
1 Month	+0.1%	0.0%
3 Months	+0.3%	+0.1%
1 Year	+0.9%	+0.9%
3 Years p.a.	+0.6%	+1.1%
5 Years p.a.	+1.7%	+2.2%
7 Years p.a.	+1.9%	+2.2%

Source: MIM & Pooled Pension Funds Survey 31.03.2012

Portfolio Review

Over the last number of years, our over-riding concern with respect to cash management was security of capital and security of liquidity. The sovereign debt crisis in Europe has highlighted that sovereign guarantees for banks do not give the levels of comfort that they once did and we have seen dramatic increases in underlying sovereign bond market volatility.

These issues have in turn had significant implications for both term-deposit yields offered by banks and the yields that are available on short-term Treasury Bills issued by the various Euro-zone governments (with the weaker banks/countries offering significantly higher yields than stronger "core" countries).

We are actively managing our exposure to banks and underlying sovereign risk, at times opting for the security and liquidity of call accounts with our custodian rather than fixed deposits. However, following the Prudential Capital Assessment Review of the Irish banking sector at the end of the first quarter 2011, we began placing a small percentage of the fund into deposits with Irish banks. These deposits are strictly on a flexible basis, where funds can be returned at a moment's notice (rather than inflexible longer term deposits).

Furthermore, efforts by the ECB to alleviate liquidity concerns about euro-zone financials appear to have bought time, reducing short-term risks to deposit holders. However, the sovereign debt crisis is not over. We remain in an era of increased uncertainty, and hence increased volatility in financial markets. We expect this to remain a feature of financial markets for some time, and as a result we continue to keep deposit terms relatively short, and flexible.

We are continuing to look at other high quality European banks in order to diversify the holdings and increase the yield on the fund.

The fund no longer holds French or Dutch Treasury bills, as short-dated maturities in these instruments carry a zero or negative yield.

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.