

# EUROPEAN VALUE FUND

QUARTER 1, 2012

The European Value Fund returned +8.6% over the first quarter of 2012. The benchmark (1/3 FTSE 100 & 2/3 DJ Euro Stoxx) returned +8.2% over the same period.

PERFORMANCE UPDATE AT 31.03.2012		
	Merrion	B/Mark*
1 Month	-0.1%	-0.4%
Quarter 1	+8.6%	+8.2%
1 Year	-3.9%	-4.5%
3 Years p.a.	+19.2%	+24.4%
Since Inception p.a.	-7.4%	-5.9%

\* Benchmark: 1/3 FTSE 100 & 2/3 DJ Euro Stoxx

Source: Merrion & Bloomberg 31.03.2012

SECTORAL DISTRIBUTION OF ASSETS (%)		
	Merrion	World
Consumer Discretionary	22.8%	10.8%
Consumer Staples	8.2%	12.0%
Energy	10.2%	10.2%
Financials	15.0%	20.1%
Healthcare	7.7%	8.5%
Industrials & Materials	17.7%	19.4%
Information Technology	0.0%	11.3%
Telecom SVC	8.9%	4.0%
Utilities	9.5%	3.7%
Total	100.0%	100.0%

TOP TEN STOCKS	
Lyxor ETF DJ Stoxx 600 Banks	3.5%
Fresenius SE & Co KGaA	3.4%
Christian Dior	2.7%
CGG Veritas	2.1%
Next	2.1%
BP	2.0%
Intesa Sanpaola	2.0%
Johnson Matthey	1.9%
InterContinental Hotels	1.9%
Wolseley	1.9%

## Market Review:

Equity markets continued the trend from late 2011 recording positive gains in the first quarter of 2012.

Economic data in general has been better than expected over the quarter, particularly for the US, helped albeit by temporary factors such as some easing around European concerns and better weather supporting accelerated construction activity and retail sales. The rise in gas prices however, is a concern and may cause headwinds if the trend continues.

More recently economic data in March softened somewhat as Manufacturing Purchasing Managers Indices for both France and Germany dropped to 47.6 and 48.1 respectively, worryingly below the 50 levels associated with economic expansion.

Earnings revisions continued to be revised down significantly over the quarter. However the rate of downgrades has materially slowed in the past month with some regions (US and Japan) now seeing small upgrades to earnings estimates for next year. Profit margins continued to rise in Q4 2011 and are now at a 40 year high in the US.

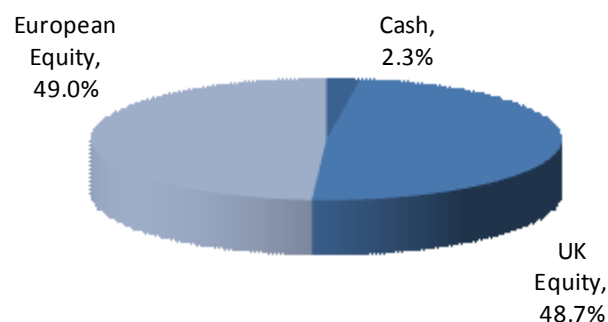
## Outlook:

Efforts by the ECB to alleviate liquidity concerns about euro zone financials appear to have bought time. 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.

From a technical perspective the equity market was a contrarian buy late in 2011 as investor sentiment levels reached negative extremes normally associated with at least a short term recovery in markets. As the equity market recovered through the quarter sentiment is now back to more normalised levels, with some readings such as the US volatility index (VIX) showing signs of investor complacency leaving the market more vulnerable to corrections.

Europe will likely remain volatile as implementation risk around many of the agreements reached over the past year increases as elections approach in both France and Greece in the coming months

## Asset Allocation 31.03.2012



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