

Fixed Interest Fund

QUARTER 1, 2012

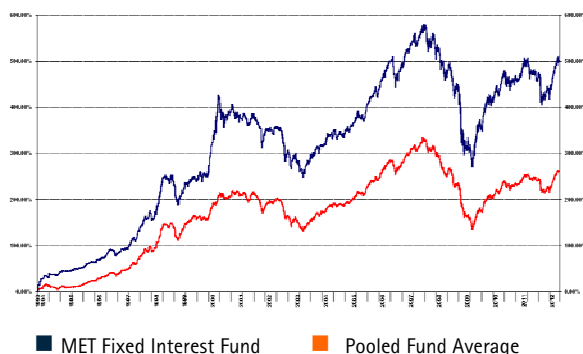
The Merrion Exempt Trust Fixed Interest Fund returned +6.3% during the first quarter of 2012. The benchmark pooled average fund returned +4.6% over the same period.

There is no bid/offer spread on the Fixed Interest Fund and the management fee is 0.4% p.a.

PERFORMANCE UPDATE AT 31.03.2012		
	Merrion	Average
1 Months	+0.6%	+0.2%
3 Months	+6.3%	+4.6%
1 Year	+14.4%	+9.7%
3 Years p.a.	+6.4%	+4.5%
5 Years p.a.	+4.5%	+4.4%
10 Years p.a.	+4.7%	+5.1%

Source: Pooled Pension Fund Survey 31.03.2012

Performance since inception to 31.03.2012



DISTRIBUTION OF ASSETS AT 31.03.2012		
	Merrion	B/Mark
<5 Years	8.1%	0.0%
5 – 10 Years	40.7%	55.8%
10– 15 Years	28.5%	13.5%
>15 Years	22.7%	30.7%
Total	100.0%	100.0%

DISTRIBUTION OF ASSETS AT 31.03.2012		
	Merrion	B/Mark
Cash	4.9%	0.0%
Core*	36.0%	52.9%
Periphery*	34.2%	36.2%
Other*	24.9%	10.9%
Total	100.0%	100.0%

*Core: Germany/France/Netherlands/Finland

*Periphery: Italy/Spain/Ireland

*Other: Belgium/Austria

Portfolio Review

Performance among the peripheral bond markets diverged over the quarter with Spanish bonds erasing their year-to-date gains during March, while both Italian and Irish bonds were positive in March ending a strong quarter for both markets. Portuguese bonds which had been weaker in January recovered strongly during both February and March, to post a gain for the quarter.

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.

Economic data in March did soften 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.

Towards the end of the period, the ECB conducted its second LTRO, lending 530bln euro to 800 banks for three years, bringing total lending by the ECB to 1.13tn euro, 90% of which is in the three year LTRO's.

Strategy:

In early 2012 we removed our long-standing overweight in Norwegian bonds, investing the proceeds in Austrian and Belgian bonds, where we are now overweight. The fund maintained an overweight position in Italian bonds, and underweight Spanish bonds. The fund is now overweight French bonds and underweight German bonds.

Outlook:

Efforts by the ECB to alleviate liquidity concerns for 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.

Although the Greek bond swap has been highlighted by politicians as "voluntary", the retrospective introduction by the Greek government of collective action clauses to force holders to participate highlights that default has become a policy option in the Euro-zone.

The subordination of private bond holders to the official sector was highlighted by the fact that the Greek government bonds held by the ECB and national central banks were not to be included in the bond swap, nor were they included in the collective action clauses. What longer term impact this will have on previously espoused "risk-free" assets and markets in general we do not know, but it is unlikely to be positive.

Given the low yields available within core bond markets, with 10 year yields for the UK, Germany and the US all circa 2% offering investors a negative real return, the relative attractiveness of real assets is favourable versus bonds.

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.

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