

# High Alpha Exempt Fund

The High Alpha Exempt Fund was launched in August 2008. It invests in an unconstrained portfolio of high conviction stocks. 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% p.a. for the investor notwithstanding how equity markets perform.

*There is no bid/offer spread on the High Alpha Exempt Fund and the management fee is 1.5% p.a.*

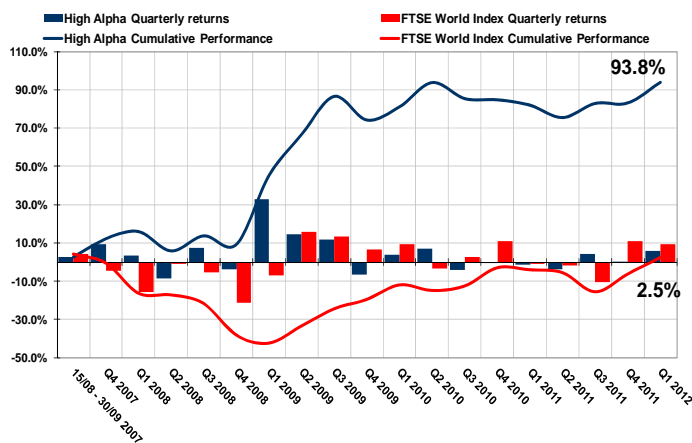
*There is a performance incentive linked directly to the success of the fund. Merrion Investment Managers will share 20% of the excess return over 7% p.a.*

QUARTER 1, 2012

Performance Update at 31.03.2012			
	High Alpha	Fund Target	FTSE
3 Months	+5.9%	+1.8%	+9.2%
2011	-0.9%	+7.0%	-3.4%
2010	+6.1%	+7.0%	+20.6%
2009	+59.4%	+7.0%	+30.2%
2008*	-2.6%	+7.0%	-37.8%
Since Inception	+93.8%	+36.9%	+2.5%

Source: Merrion Investment Managers & Bloomberg 31.03.2012

## Performance from inception to 31.03.2012\*



Source: Merrion Investment Managers & Bloomberg 31.03.2012

\* The Merrion High Alpha Exempt Fund was launched in August 2008. Therefore, it does not have an established long-term past performance record. To demonstrate the investment manager's capabilities in differing historic market conditions, we have shown the past performance of the High Alpha Fund. This Fund and the Merrion Exempt Trust High Alpha Exempt Fund are managed by the same investment team, using the same investment process and built around the same model equity portfolio. Consequently, we anticipate that the past performance of the High Alpha Fund is representative of the past performance that would have been achieved by the High Alpha Exempt Fund had it been available over the historical periods shown. The High Alpha Exempt Fund returns are shown when available since August 2008. Performance Source: MIM & Bloomberg 31.03.2012.

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.

## Portfolio Review

Equity markets continued the trend from Q4 2011 when recording positive gains in the first quarter of 2012. The FTSE World index gained over 9% for euro investors, while the High Alpha Exempt Fund captured a significant proportion of the market's return despite maintaining a cautious fund position with a Q1 return of +5.9%.

The fund started the year with net long positions in equities of circa 33% and a short position in German bonds of approximately 7.5%.

During the first two weeks of January we bought Italian government bonds on the basis they would be a significant beneficiary of the 3 year long term refinancing operations announced by the ECB in December. We also added to our position in Japanese equities and mining stocks and initiated a long position in European banks.

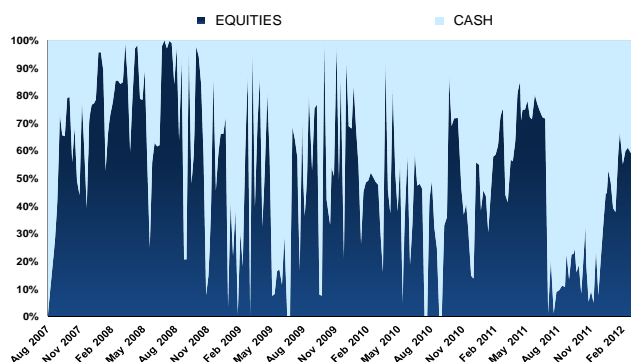
Based on the belief that core bond markets were not reflecting the improvement in outlook indicated by the rise in equity markets we opened a pair trade to try capture this apparent anomaly by going short German government debt and short US equities.

As markets continued to rally throughout February we took profit on our European banks position. We opened a short position in the Yen against the US Dollar based on technical indicators signalling Yen weakness was likely. Towards the end of February we further reduced our long equity exposure and initiated a short position in US equities.

Following the brief correction in equity markets in early March, we opened long positions in some US mining stocks which had sold off significantly more than the market. The fund finished the quarter with a market neutral position in equities and a short position in German bonds of circa 19%.

Given the on-going uncertainty, in Europe in particular, we anticipate a continuation in the volatility we have seen in financial markets and will look to exploit opportunities within this volatility as they present themselves.

## Asset Allocation to 31.03.2012\*



\*Gross exposures