



Ireland's *Leading* Investment
Management Firm

*Unlike the average
investment manager –
we're different*

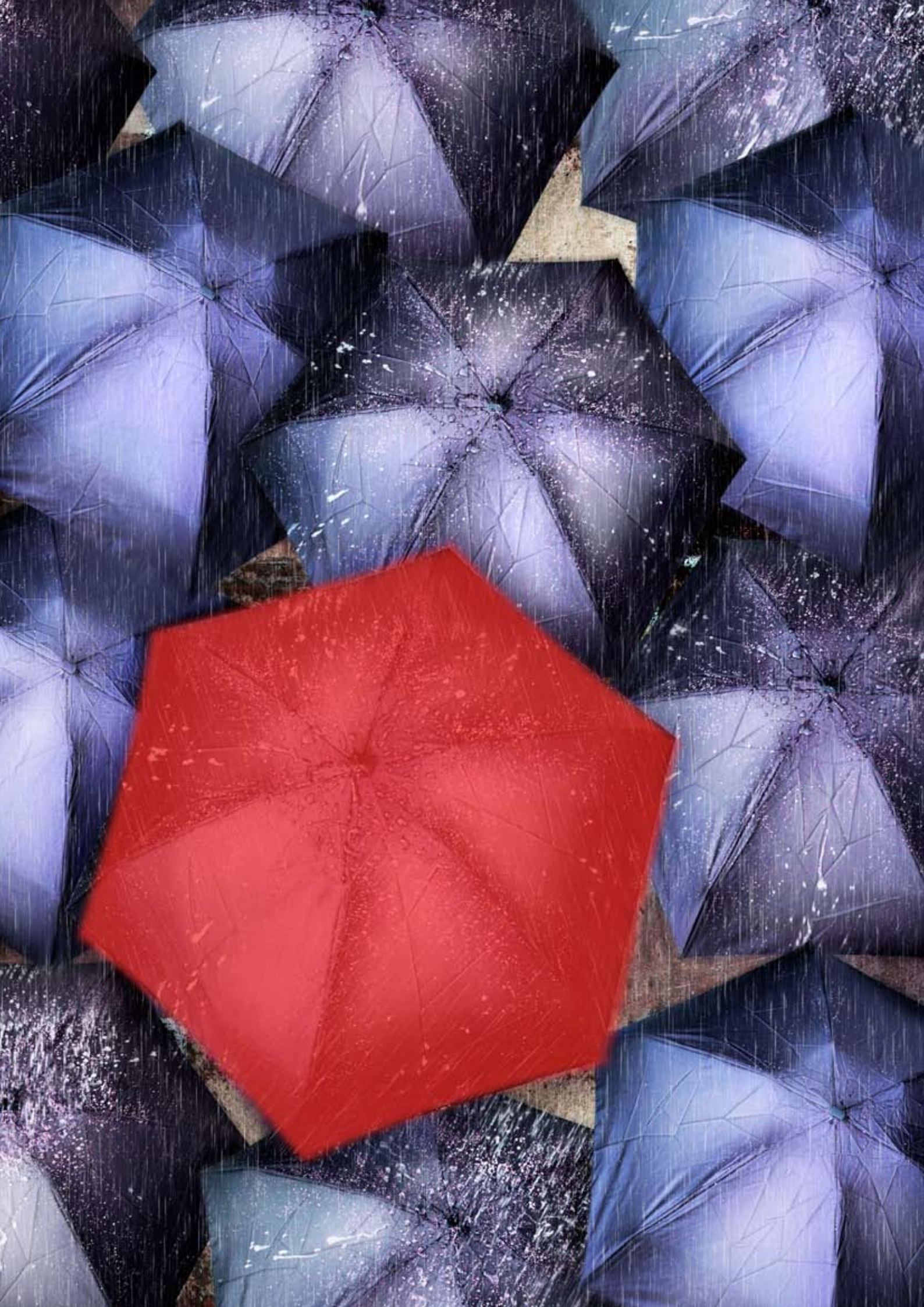
Our Business

Our only business is Investment Management

Ever since our company was established in 1986, our sole objective has been to achieve the best investment returns for our clients. We are not part of a bank or an insurance company. We manage a range of investment funds and portfolios on behalf of institutional and individual investors.

We have established an outstanding track record of delivering consistently superior performance within a secure framework that has been designed to ensure that our clients' assets are held completely independently of our own business.

Ireland's Leading Investment Management Firm



*The **difference** that makes a difference*

Merrion Investment Managers has always focused on the markets rather than the consensus or the competition. This has helped us to capture the sectoral themes that drive investment returns and enabled us to perform consistently in changing environments.

Most investment managers currently operating in Ireland set their investment objectives around the consensus or competitor average. This is logical for retail investment managers that wish to provide their sales staff with a competitive advantage but it may not always be in the best interests of the underlying investors.

The way that we structure our business organisation is also different. Many investment firms employ large teams of in-house analysts and researchers in the belief that extensive proprietary research confers an information advantage that in turn leads to improved performance.

Our view is that this may have been true in the past. However, today we live in an information age. High quality research and analysis is freely available to all investors. Successful investment is now far more a function of effective decision-making than availability of information.

Consequently, we operate a small closely-knit investment team where individuals enjoy a high level of autonomy. We believe that this promotes efficient decision-making and a high level of accountability.

Finally, the ownership of our business is different. Merrion Investment Managers is a wholly owned subsidiary of the Merrion Capital Group. All of our employees are given a direct stake in the ownership of our company.

The interests of our company, its owners, the management, employees and our clients are transparent and completely aligned

Our *approach* to investment

A different philosophy

There are a number of key beliefs that underpin our investment approach.

- Our focus is on obtaining the maximum return available within the market, rather than merely tracking the performance of indices or other investment managers.
- We aim to add value at every level - asset allocation, market, sector and stock selection.
- Economic cycles are becoming increasingly global. Therefore, industry and sectoral allocations are equally important as regional weighting.
- Investment returns are dependent on market dynamics - not any particular investment style such as value or growth.

Superior performance in a range of different market environments

A different process

There are three key inputs to our investment process – Macro-economic analysis, fundamental analysis and technical analysis.

The macro-economic assessment takes account of the level of global and regional economic activity and our view on the level and direction of interest rate and currency movements. The aim of this analysis is to assess the relative attractiveness of equity, bond and cash investment and the potential impact on each region, sector and specific stocks.

Our fundamental analysis is designed to assess the valuation of equities relative to other asset classes and historic normal levels. We compare the real equity yield (based on consensus return on capital forecasts as opposed to reported or forecast earnings) with the yield available from inflation protected bonds. This gives us a view on the real excess return available from equities.

The long-term average equity risk premium is around 2.5%. Therefore, if the real excess return available is significantly above this level, it will suggest a strong positive view on equities and if it is significantly below this level, it will suggest a more cautious or defensive position.

We also examine the return on capital at sector and stock level with a view to overweighting opportunities where we believe there is real value and avoiding investments that are over-valued.

While we believe that over the long-term equity movements are driven by valuation, over short-term periods, investor sentiment can be a much more powerful force. We find that technical analysis is very effective in helping us to gauge investor sentiment.

Our technical analysis examines long and short term equity market price movements with a view to identifying trends and inflection points. We also look at volatility levels and investor confidence indicators.

The ideas and themes resulting from this analysis will be reflected in our portfolios.





How we *manage* risk

A different view of risk

Generating good ideas is only one element of any successful investment process. It is equally important to incorporate those ideas into the portfolio in a risk-controlled manner. However, the concept of investment risk means different things to different people.

Many investment managers define investment risk in terms of volatility around a relevant market index or peer group benchmark. At Merrion Investment Managers, we believe that this can be too narrow a definition. There is little benefit in achieving a low volatility of returns relative to a peer group or benchmark return if the level of that return is significantly below the total potential return available in the market. Consequently, we define investment risk as the risk of failing to identify and capture this total potential return.

When constructing traditional market-oriented portfolios, we take account of both local and global benchmarks. However, in an increasingly global market, we are more concerned with cross-referencing our stock weighting against a global sectoral benchmark. This represents the wider global economy and the sources of return within it more accurately than any single regional benchmark.

In recent years, we have successfully managed a number of unconstrained portfolios. These are not referenced to any market index or benchmark. Instead, they have an absolute return focus. These portfolios are high risk in a conventional sense in that their return profile is very different from that of the overall equity market. They may also be highly concentrated in a relatively small number of stocks. However, in practical terms, they have been very effective in reducing market risk and protecting capital through the use of dynamic asset allocation between asset classes.

In both conventional and unconstrained portfolios, risk management is central to our investment process.

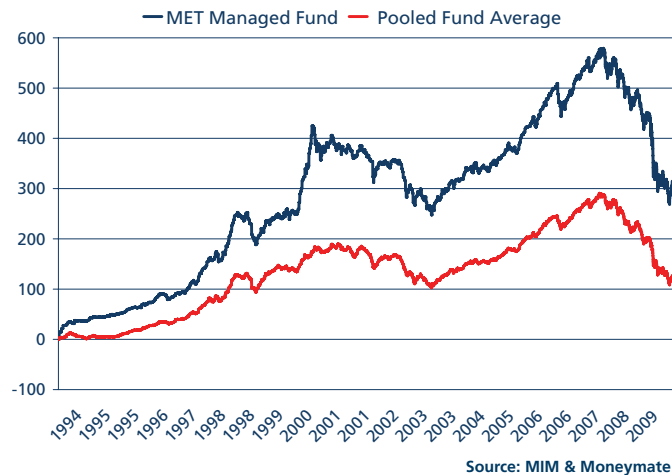
Investment markets are increasingly dynamic. Merrion Investment Managers' investment process and risk controls are structured to deliver consistent outperformance in this challenging environment

The *benefits* to our clients

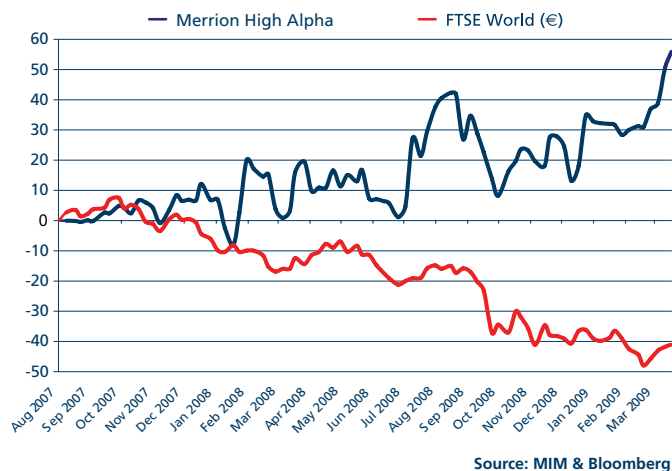
Outstanding performance

Merrion Investment Managers' innovative investment approach has delivered consistently strong returns for our clients.

*Since its launch in October 1993, our flagship Managed Fund has delivered more than double the market average or consensus return.**



During its first eighteen months, our unconstrained High Alpha Fund has produced a positive return of 32% while the global equity market has fallen by -39%.*



For the most recent details of our investment performance please refer to our website (www.merrion-investments.ie) or call us to request the latest copies of our fund fact sheets.

Security and peace of mind

Merrion Investment Managers does not physically hold any of the client assets that we manage. Instead, they are held by an independent custodian (or the client's own choice of custodian).

We believe that this provides our clients with a far greater level of security than many other investment managers where client assets and the investment manager's own business assets are held under the same roof.

*Warning: Past performance is not a reliable guide to future performance. The value of your investments may go down as well as up. Merrion Investment Managers Limited is regulated by the Financial Regulator.





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