

March 2024 – Share Class B (USD)



Morningstar
Category % Rank
5 Year
2
Best=1
Worst=100

Overall rating out of 906 Global High Yield Bond funds as of 31 March 2024.

THE FUND:

The Pentagon High Conviction Bond Fund is a subfund of Merrion Capital Investment Funds Plc., an open-ended investment company with variable capital incorporated in Ireland with registered number 427248 established as an umbrella fund with segregated liability between sub-funds.

OBJECTIVE:

The Pentagon High Conviction Bond Fund's objective is to target attractive risk adjusted returns through a combination of income and capital appreciation by investing in a concentrated portfolio of higher yielding global corporate bonds.

INVESTMENT APPROACH:

The Pentagon High Conviction Bond Fund looks to gain a meaningful exposure to 'higher alpha' global credit opportunities through an investment approach that focuses on value investing, bottom-up credit selection and delivering absolute investment returns.

INVESTMENT MANAGER

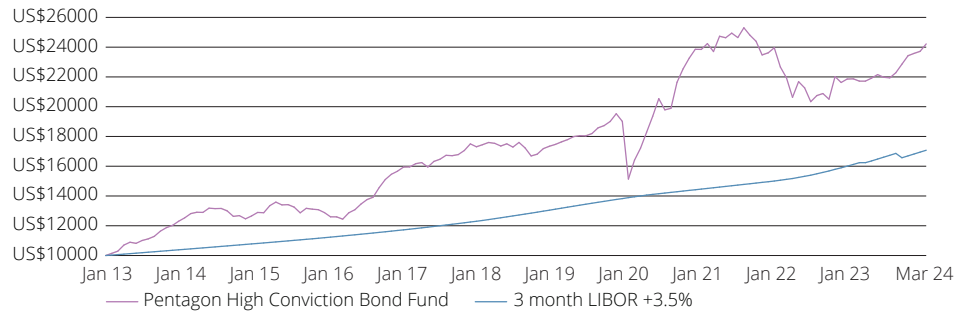
ICM Investment Management Limited is the sub-investment manager to the Pentagon High Conviction Bond Fund. www.icmim.limited

FUND INFORMATION

Total Net Assets	€11.83m
NAV per Share (Class USD)	\$137.63
NAV at Launch (1 May 2018)	\$100.00
Underlying Running Yield	5.79%
Effective Duration	3.48
Number of Positions	32
Domiciled	Ireland
Share Classes	Euro/USD
Minimum Subscription	€10,000
Sub Investment Manager	ICM Investment Management Ltd
Liquidity	Daily
Total Expense Ratio	1.50%
Investment Advisor	ICM Limited
Custodian	Northern Trust
Fund Administrator	Northern Trust
Investment Management Company	Merrion Capital Investment Funds PLC

PERFORMANCE

GROWTH OF US\$10,000 SINCE INCEPTION

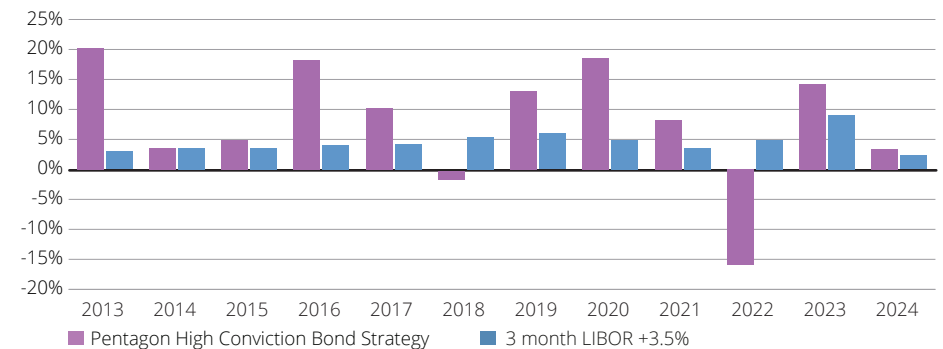


STRATEGY PERFORMANCE (USD)

	1 month	3 month	1-year	3-years	5-years	Annualised Return since Inception
Absolute Return	2.1%	3.4%	10.8%	0.5%	6.7%	8.2%
	YTD*	2023	2022	2021	2020	2019
Absolute Return	3.4%	14.2%	-16.0%	8.2%	18.6%	13.1%

* Calendar year to date

PENTAGON HIGH CONVICTION BOND STRATEGY – ANNUAL PERFORMANCE (USD)



FUND DETAILS

SHARE CLASSES & MONTH-END NAV

Share Class	ISIN	Bloomberg	Month End NAV
Share Class A (EUR)	IE00BF1F4X98	BBG00KG5NFM3	€122.70
Share Class B (USD)	IE00BF1F4Y06	BBG00KG5NFS7	\$137.63
Share Class E (GBP)	IE00BHR48L00	BBG00NDP1YN8	£93.54
Share Class G (USD)	IE000HLGDJJ3	BBG0141HCP84	\$103.53
Share Class P (USD)	IE000P52VV31	BBG015HY7961	\$99.52

TEAM

• Gavin Blessing, Portfolio Manager • Conor Spencer, Portfolio Manager

The value of investments and the income therefrom may fall or rise. Past performance is not indicative of future performance. For the full Performance disclosure statement, please see the final page of this document.

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FUND LETTER MARCH 2024

What a difference a year makes. This time last year, markets were digesting the failures of Silicon Valley Bank ("SVB"), Signature Bank, and Credit Suisse.

At the time, it seemed that Central Bankers had gone too far and severely stressed the financial system.

In addition to a strained financial system, ominous signs loomed over the US economy. Economic indicators, ranging from The Conference Board Leading Economic Index to the ISM US Manufacturing Purchasing Managers Index, painted a bleak picture, and economic commentators were falling over themselves to predict ever-gloomier outlooks.

Fast-forward twelve months, and the US economy has just recorded a remarkable nominal GDP growth of 6.3% in 2023, 2.5% in real terms. The S&P 500 has surged by an impressive 30% over the past twelve months. So much for economic forecasts!

Turning our attention to this year, U.S. three-month treasuries yielded 5.36% at the end of March. Since the U.S. Federal Reserve last increased interest rates in July 2023, the yield on U.S. three-month treasuries has been range-bound between 5.33% and 5.46%. The outlook for interest rates later in 2024 continues to move. The market now anticipates two interest rate cuts by the U.S. Federal Reserve in 2024, down from six at the beginning of the year.

The U.S. yield curve remains deeply inverted, with the short end yielding significantly higher than the long end. The longer end of the curve remains broadly flat, albeit rates have increased by about 40bps since the beginning of the year and are now yielding about 4.5%. Increasing longer-end interest rates resulted in US Treasury bonds, as measured by the Barclays US Aggregate Government Index, falling by 1.0% in Q1 2024.

Across the developed sovereign bond market, there was a similar trend, with short-end rates remaining steady while longer-term rates increased. Q1 even saw Japan join the higher interest rate party. However, it was not enough to stop a continued sharp decline in its currency, as rate increases paled compared to the rest of the developed world. In Q1, the Japanese Yen declined by 6.8% against the U.S. Dollar.

In Europe, longer-term rates increased by 30bps to c. 2.4%. Increasing longer-end interest rates resulted in European Government bonds, as measured by the Barclays Euro Aggregate Government Index, falling by 0.6% in Q1. However, the Euro weakened against the U.S. Dollar as capital flowed into that relatively higher-yielding currency.

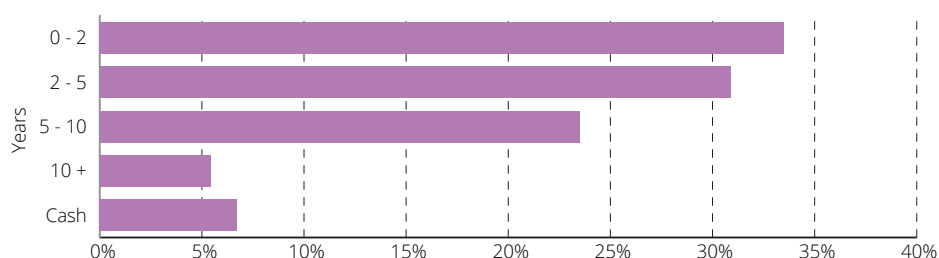
Spreads in U.S. investment-grade corporate bonds tightened from 104bps to 94bps during the quarter. A combination of price appreciation due to spread tightening and the running coupon on corporate bonds was enough to offset the negative impact of higher rates noted above. In Q1, U.S. Investment-Grade Corporate Bonds, as measured by the ICE Bank of America US Corporate Index, fell by 0.1%.

Spreads in U.S. high-yield bonds tightened from 339bps to 315bps during the quarter. In Q1, spread tightening and the running coupon more than offset the negative impact of higher rates, resulting in high-yield bonds, as measured by the ICE Bank of America High-Yield Index, increasing by 1.5%.

Equity markets are largely ignoring the increase in interest rates. In Q1, the S&P 500 marched higher by more than 10%, making new all-time highs in the process. According to Lipper, earnings are expected to grow by 9.5% in 2024 and close to 20% over the next three to five years¹. With growth expectations like that, it is little wonder that the S&P 500 trades at such a hefty premium relative to its historical levels and the rest of the world.

continued on next page

DURATION SPLIT OF INVESTMENTS



PORTFOLIO SUMMARY

TOP TEN HOLDINGS ¹		% of gross assets
1	Aris Gold 7.5% 2027	5.67
2	DNO 7.875% 2026 (Sep 2024)	5.56
3	Phoenix Life 5.75% Perp (Apr 2028)	5.34
4	Cosan O/seas 8.25% Perp (Discrete 30 Days Notice)	5.21
5	Enquest 11.625% 2027	5.10
6	Bath and Body Works 7.6% 2037	4.68
7	Aviva 6.875% 2058 (2034)	4.18
8	Arcelor Mittal 6.75% 2041	4.08
9	Coinbase 0.5% 2026	4.04
10	L&G 5.5% 2064	3.87
TOTAL		47.73

INDUSTRY GROUP SPLIT OF INVESTMENTS

Oil&Gas	18.86%
Insurance	17.10%
Sovereign	11.81%
Diversified Finan Serv	8.73%
Retail	7.82%
Cash	6.73%
Banks	6.45%
Mining	5.67%
Iron/Steel	4.08%
Internet	3.76%
Commercial Services	3.61%
Pipelines	2.33%
Building Materials	1.46%
Transportation	1.33%
Auto Manufacturers	0.23%
Other	0.03%

GEOGRAPHICAL SPLIT OF INVESTMENTS

United States	38.44%
Great Britain	22.20%
Norway	7.89%
Cash	6.73%
Brazil	6.54%
Canada	5.67%
Luxembourg	4.08%
Switzerland	2.89%
France	2.00%
Singapore	1.97%
Italy	1.56%
Other	0.03%

HIGH CONVICTION STRATEGY ANALYTICS¹

Average Credit Quality	BBB
Sharpe Ratio (Risk Free Ref: US 3mth T-Bill)	0.67
Annualised Standard Deviation	10.51%
Correlation to Treasuries	-0.13
% Periods Up:	66
% Periods Down:	34

¹ Source: ICMIM

WARNING: Past performance is not a reliable guide to future performance. The value of your investment may go down as well as up. If you invest in this fund you may lose some or all the money you invest. This fund may be affected by changes in currency exchange rates.

Important Notes

The information in this factsheet should not be considered an offer, or solicitation, to deal in the Pentagon High Conviction Bond Fund (the "Fund"). The information is provided on a general basis for information purposes only, and is not to be relied on as investment, legal, tax or other advice as it does not take into account the investment objectives, financial situation or particular needs of any specific investor. Investments in the Fund are subject to investment risks, including the possible loss of the principal amount invested. The value of investments and the income therefrom may fall or rise. Past performance is not indicative of future performance. Investors should read the prospectus and the supplement or seek relevant professional advice, before making any investment decision. The information presented has been obtained from sources believed to be reliable but no representation or warranty is given or may be implied that they are accurate or complete. The Investment Manager reserves the right to make any amendments to the information at any time, without notice. Issued by ICM Investment Management Limited. Registered in England: 08421482. Authorised and regulated by the Financial Conduct Authority.

In Europe, the Eurostoxx 50 beat the S&P 500, increasing by 12.4% in Q1. Like the S&P 500, the Eurostoxx benefitted from positive economic data. The Eurostoxx continues to trade at a significant discount to the U.S., with a Cyclically Adjusted Price Earnings (“CAPE”) ratio of c. 21 versus c. 35 for the U.S.² Simply put, investors pay USD 35 per USD 1 of earnings in the U.S. versus EUR 21 per EUR 1 in Europe, reflecting the substantial difference in growth expectations between each region’s stock markets.

In Q1, Emerging market equity, as measured by the MSCI Emerging Market Equity Index, increased by 2.2%, with strong performance from Malaysia, South Korea and Taiwan being offset by poor performance from Brazil and China. And if you thought Europe looked cheap at a CAPE ratio of 21, Korea trades at a CAPE of c. 15 times; Brazil trades at c. 13 times, and China trades at an all-time low of c. 10 times, less than half what it was in early 2021.

Gold hit a new all-time high in March of more than USD 2,200 per ounce. Gold has rallied despite the prevalence of significant real interest rates, the real interest rate being the difference between the Federal funds rate and inflation. Historically, high real rates have resulted in outflows from gold into interest-bearing treasuries. Gold continues to buck that trend, hitting new all-time highs above USD 2,400 per ounce at the time of writing.

Oil, too, has had a strong start to the year, increasing by 13.6% in Q1. Natural Gas prices declined again in March and are down by 30% this year. Per the Wall Street Journal, when adjusted for inflation, Natural Gas is at its lowest-ever price since it began trading on the New York Mercantile Exchange in 1990.

PERFORMANCE

In March, the Pentagon High Conviction Bond Fund (the “Fund”) increased by 2.1%, versus 1.2% for both the U.S. investment-grade and high-yield indices, respectively.

Year-to-date, the Fund has returned 3.4%, compared to negative 0.1% and positive 1.5% for the U.S. investment-grade and high-yield indices, respectively.

Since its inception, the Fund has returned over 142.2% in total or 8.2% annually.

Per Morningstar, the Pentagon High Conviction Bond Fund is in the 2nd percentile of top-performing Global High Yield Bond Fund out of 671 funds over the past five years.

MARKET OUTLOOK

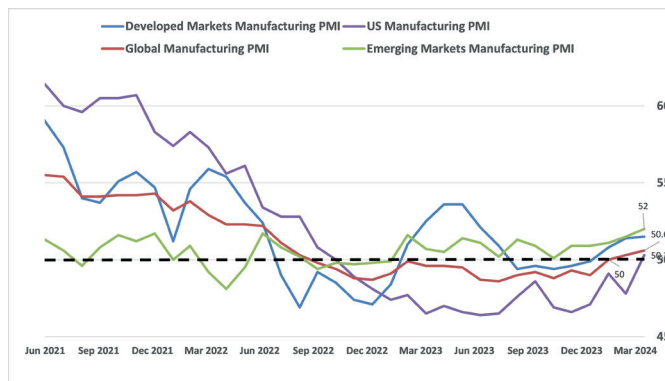
The global economic outlook is steadily shedding its baggage. Over the past year, investor discourse has shifted from hard landing to soft landing to no landing. Now, the discussion is focusing on the factors driving growth. The short to medium-term likelihood of a recession is gone, with plenty of reasons for optimism on the growth outlook at present. The US growth forecast for 2024 has been revised upward again to 2.2%, up from 2.1% in February, due primarily to a stronger Q1 2024³.

Many of the lingering concerns for investors over the past few months have disappeared of their own accord.

Weak manufacturing is no longer a concern

The resurgence of the US manufacturing sector is the latest welcome sign of the improving state of the US and global economies. PMI is an important leading indicator that measures inputs to economic activity and provides valuable insights into the state of the U.S. economy in general and the manufacturing sector in particular. In March, the U.S. Manufacturing PMI rebounded by 2.5 percentage points to 50.3 per cent versus 47.8 per cent in February, marking the first expansion in the manufacturing index in sixteen months (see the red line below). Global, developed, and emerging markets PMIs also crossed 50, the number that indicates future economic expansion.

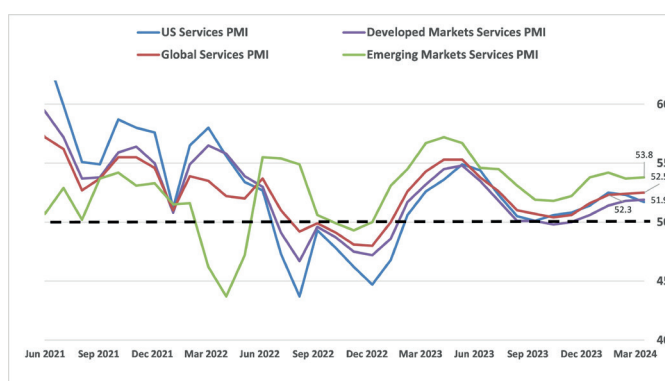
Manufacturing Purchasing Managers Index



Source: Bloomberg, www.ismworld.org

Service sector resilience and robust U.S. Labour market

Fading momentum in services spending was mooted to be a concern, but the latest Services sector PMIs suggest there is little to worry about, as the number stayed comfortably above 50.

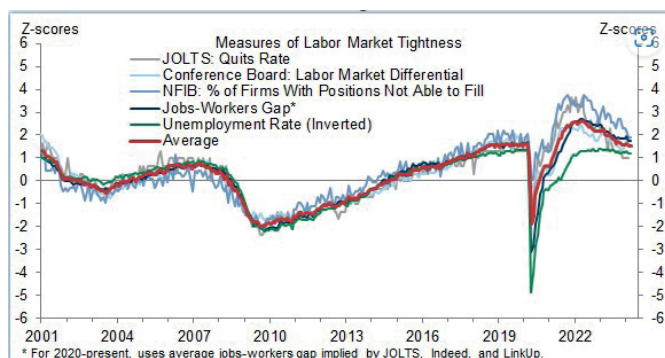


Source: Bloomberg, www.ismworld.org

In addition to strong services PMI data, the U.S. jobs market portrays a resilient U.S. economy. The Nonfarm Payroll report for March was stronger than expected at 303k versus the 214k consensus forecast and it also saw positive revisions for the prior month. In March, the unemployment rate fell to 3.8% versus 3.9% in February, and wages remained solid, indicative of a healthy economy.

Like the PMI, the US Bureau of Labor Statistics JOLTS report is another leading indicator that provides valuable insights into the labour market and overall economic trends, offering early signals of potential changes in the labour market and economic trends. The current JOLTS report paints a picture of a cooling but still robust labour market with a surplus of job vacancies. Other measures of labour market tightness are either falling or moving sideways. Most importantly, they are not rising, which indicates that the U.S. labour market is behaving in a way that will allow wage growth to slow and, importantly, give the Federal Reserve the room to eventually cut interest rates.

Measures of U.S. Labour Market Tightness



Source: Goldman Sachs Global Investment Research, Department of Labour, The Conference Board, NFIB

U.S. interest rate cuts still coming but delayed

PMIs over 50 and strong job numbers indicate a healthy and growing US economy. The Chairman of the Federal Reserve Bank acknowledged that this continued strength is likely to delay possible future rate cuts. At his March meeting, he said, "Recent indicators suggest that economic activity has been expanding at a solid pace. Job gains have remained strong, and the unemployment rate has remained low. Inflation has eased over the past year but remains elevated."⁴

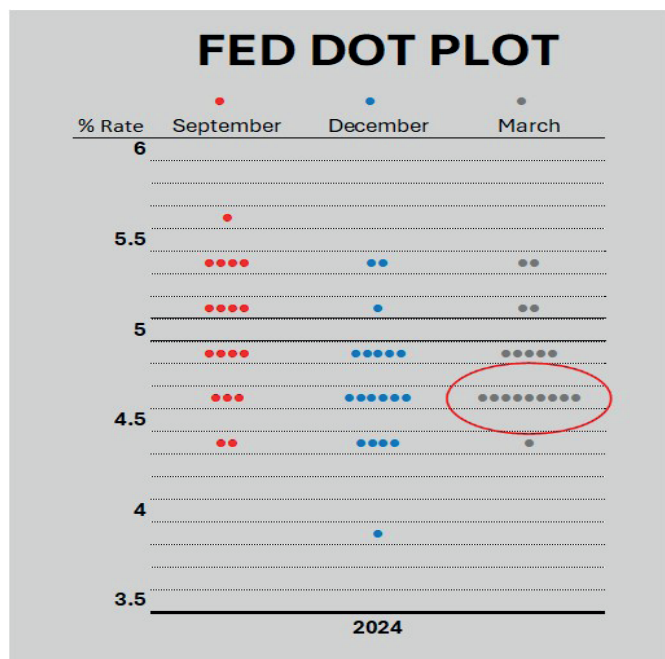
The March meeting minutes also noted that while most participants believed that it would be appropriate to move policy to a less restrictive stance at some point this year, they did not expect cuts to happen until they had gained greater confidence that inflation was moving sustainably toward 2 per cent. Participants reiterated that they did not expect cuts to be appropriate until they had gained greater confidence that inflation was moving sustainably toward 2 percent and noted that the recent inflation data had not increased their confidence. Hence, it seems we are in a waiting game to see how the data further evolves from here. It is clear that the Federal Reserve will want to see further declines in inflation data before it is prepared to start cutting.

The expectation for the timing and number of rate cuts in 2024 has fallen, given the higher-than-expected inflation readings in recent months. Furthermore, the overall economy appears robust, and manufacturing has bottomed and is recovering. Therefore, the Federal Reserve Bank does not need to cut rates to stimulate growth as was probably expected a quarter or two ago. Today, the number of expected cuts in 2024 is less than two. In January this year, that number was six cuts. At c. 4.6% today, the US 10-year Treasury yields the most all year, albeit it is still 60 basis points lower than its high in October 2023.

Now is a good time to revisit the Federal Reserve Bank rate expectation forecast, called the dot plot. The dot plot is a chart that summarises the outlook for the federal funds rate. The Federal Reserve publishes it quarterly and it presents a picture of how federal fund rates are expected to move in the immediate future based on the individual opinion of committee members. The chart projects anticipated changes in the central bank's key short-term interest rates and is watched closely by investors and economists for indications of the future trajectory of the federal funds rate.

The upwardly revised dispersion of the median dots in March indicates delayed rate cutting in 2024 and potentially suggests a higher terminal rate, in contrast with the ECB. Per the Federal Reserve Bank's dot plot, the federal funds rate for 2024 will be c. 4.8%, down from 5.05% in September but up from 4.7% in December.

Federal Reserve Bank FOMC Dot Plot



Source: US Federal Reserve Bank, ICM

At the start of 2024, the financial market was pricing in six 25-basis-point rate cuts this year. In this scenario, the Fed Funds rate would have fallen from c. 5.25% to c. 3.75 - 4%. Today, the market is pricing in less than two 25-basis-point cuts, suggesting the Fed Funds rate will be c. 4.75 % at year-end. As recently as the first week of April, Federal Reserve Bank of Minneapolis President Neel Kashkari said interest rate cuts might not be needed in 2024 if inflation progress stalls, especially if the economy remains robust. Mr. Kashkari's comments followed Chairman Powell's remarks the previous day, emphasising the Federal Reserve Bank's patience and assessment of incoming data.

The latest inflation report on the 10th of April firmly shut the door on a rate cut in June 2024 – the market is now only applying a 10% probability to a rate cut in June. July or September is the next likely date the Federal Reserve Bank will cut rates.

U.S. wage growth can still moderate despite a robust jobs market

Interestingly, notwithstanding the robust JOLTS report and Nonfarm Payroll report, the Federal Reserve Bank has been at pains to point out that wage growth can still moderate even with stronger-than-expected employment growth.⁵ This is because the supply side of the economy is currently growing faster than usual, with elevated levels of immigration boosting the labour force. As demand picks up, so too does supply, thereby maintaining a convenient balance. Hence, the economy can grow faster without necessarily stoking more wage inflation.

In addition, the U.S. is currently enjoying above-trend labour productivity growth, and this momentum could help keep wages and overall disinflation on track. Productivity growth, through the adoption of technology and better public infrastructure, is the key to unlocking trend growth in the economy without triggering inflation. So, while productivity remains strong, it will allow wage inflation to remain muted⁶.

Finally, the prices paid component of the most recent U.S. ISM Services report for March suggests that service costs, which are predominantly labour costs, is likely to fall further. The report suggests more wage disinflation is likely still ahead of us, especially as we know that labour market activity tends to lag the business cycle. Hence, it is probable that the U.S. labour market will continue to rebalance and soften, generally leading to a continued lowering of wage pressures over the next 9 months.

U.S ISM Services PMI – Prices Paid Component



Source: Bloomberg

Recent Inflation reports are definitely running stronger, but there is cause for optimism.

Turning to the most recent inflation reports, March CPI inflation provided an upside surprise, as it did in February. Looking more closely at the numbers, February CPI rose by 0.4 % (4.9% annualised, Last Twelve Months ("LTM") 3.2%) with the energy and shelter components contributing sixty percent of the monthly increase. In March, CPI rose by 0.4% again. For the twelve months to March 2024, CPI was 3.5%, 30 basis points higher than in February. Energy and shelter combined contributed over fifty percent of the monthly increase in March.

Looking at core inflation, which is ex-food and energy, March rose 0.4%, the same as in the two previous months. For the twelve months to

March 2024, core inflation rose 3.8%. The core index jumps to 4.5% when we annualise Q1 figures versus 4.2 percent in February, which is not what the Federal Reserve wants to see. This is not giving the Federal Reserve the confidence that inflation is a sustainable track lower as it wants core CPI to track back towards 2%.

There is however some good news when it comes to Shelter. According to Goldman Sachs, the annualised shelter inflation rate is running at about 5.7% in the 12 months to the end of March 2024. Given that Shelter (rents and owner equivalent rents) is a lagging component relative to the current rental prices, we know in advance that shelter costs will drop to the mid 3% range over the coming quarters. The Shelter costs component is a very large part of not just the CPI basket but also the Personal Consumption Expenditure (PCE) index, which is the Federal Reserve's preferred measure of inflation. Indeed, the Shelter component is about 25% of the core PCE basket. We can, therefore, expect a further significant fall in core PCE inflation later this year. Goldman Sachs estimates this impact alone will bring overall core PCE inflation down by about 30bps to 2.5%.

Interestingly, Truflation, a blockchain-based protocol that strives to measure the true real-world inflation rate across the U.S. economy by tracking the prices of thousands of products and services across the economy in a transparent and verifiable way, suggests that U.S. inflation is already running below 2% and continues to fall.

U.S. Current Real Time Inflation rate as measure by Truflation



Source: Truflation

While inflation is proving to be stubborn and somewhat sticky, the disinflation story is still intact, which should allow the Federal Reserve to start cutting rates later in 2024. Economic variables tend not to move in straight lines, and the last 20% of a move can often be the hardest to achieve, but just because we have encountered a few bumps in the data, it should not be interpreted that the disinflationary cycle is over. In all likelihood, we probably still have a way to go, although we are getting a clear signal that we are nearer to the eventual end of the process, and as a result, we may not get as low as first thought, and therefore the interest rate cutting cycle will probably be shallower than we might have imagined six months ago.

Energy prices could also be about to open a new front in the Fed's war on inflation. The energy index rose 2.3 percent in February, as all its component indices increased, on the back of a 2.3% rise in the price of Brent in February. The Brent price rose 4.6% in March. The Brent crude oil price is back over \$90, a five-month high, on the back of persistent tensions in the Middle East and supply concerns. The cost of energy services rose for the 10th consecutive month (+0.7 percent in March; +3.1 percent year-over-year).

Oil is not the only commodity that has rallied this year. The Bloomberg Commodity index has rallied 7.8% since February. Commodities will become a net contributor to inflation due to the base effect from the start of May, assuming the current price of commodities does not give up all its recent gains. There are also a rising number of anecdotal examples of soft commodity prices rising, including coca spiking to \$10,000 per ton versus an average price of £2,435 since records began, as well as price pressure on coffee and orange juice.

We believe the Federal Reserve is likely to start cutting later this year, but overall economic data is suggesting that the economy remains relatively robust while the consumer continues to spend. Hence, it is increasingly likely that the Federal Reserve is likely to be more cautious about starting its rate-cutting exercise and then will be very data-dependent in determining whether to push through with successive rate cuts. If the economy is rebounding nicely as we think it will, then the amount of rate cuts needed to be pushed through will probably lessen.

Artificial Intelligence

No market outlook is complete these days without a view on Artificial Intelligence. For months, we have heralded the start of a cyclical upswing. Okay, perhaps interest rates won't provide a catalyst as soon as we expected, but plenty more factors drive markets higher, with AI being one of the biggest factors at present. So far this year, the best-performing investors are those buying into the euphoria of AI, especially those invested in the AI creators and enablers like Nvidia and Microsoft. Mega cap US growth names associated with AI have enjoyed turbocharged returns this year. We believe AI is only at the "dial-up modem" stage of its life cycle, and increased adoption will benefit the broader economy for decades. In his annual shareholder letter last week, JP Morgan's CEO, Jamie Dimon, compared AI's transformational potential to the steam engine, electricity, computing, and the Internet⁷.

Market implications

AI adoption will bring positive earnings growth to the broader economy and drive EPS growth. Perhaps Chairman Powell's breezy attitude toward wage inflation is based on AI's adoption and loosening of the existing labour market, especially in the services sector. For example, JPMorgan's CEO went further in his annual letter, "AI could augment virtually every job." AI is expected to raise redundancies in the long term despite JP Morgan's CEO's assurance that "[JP Morgan] will aggressively retrain and redeploy our talent to make sure we are taking care of our employees if they are affected by this trend." I hope he is right. Higher layoffs will result in interest rate cuts and higher equities values based on earning growth and a lower discount rate.

We believe there is plenty of time to invest in AI based on the next leg of adoption, which will expand beyond the US creators and enablers and permeate the entire global value chain. The phenomenal price appreciation of certain AI enablers suggests that early investors have growth expectations way ahead of what fundamental expectations would normally dictate. We have seen this numerous times in the past decade, for example, Tesla. We believe AI will positively contribute to returns for the broader economy, and earnings growth will become more distributed. The end results provide broader AI investment with more stable, less tech-focused fundamental value creations. This will apply to developed and emerging markets.

Despite the increase in uncertainty about the course of the next interest rate-cutting cycle by the U.S. Federal Reserve and other global central banks, we still expect equity prices to go higher for the remainder of this year. Despite rising volatility, we think equity prices will be buoyed by a rebound in corporate earnings and improving financial conditions.

There is no doubt that the U.S. economy has proven to be far more resilient than estimated, and this suggests that while we will probably still get interest rate cuts, the U.S. rate cycle will be much shallower. It also seems that the U.S. economy is performing much stronger than other regions of the globe and that there will be a divergence in central bank responses, with the Federal Reserve lagging some of the other major banks. This has direct implications for US Government bond yields and the US dollar. Firstly, it is likely that 5 and 10-year U.S. Treasury yields are likely to stay higher and trade in a range between 3.75% and 5%, depending on the strength of the incoming economic data. It also suggests that demand for the US dollar should remain strong and we are less likely to see much weakness relative to other major currencies for the foreseeable future.

We continue to monitor an array of risks, including geopolitical stress, particularly in the Middle East and U.S. commercial real estate, as we

outlined in our January letter. The latter would dearly love to see rate cuts sooner rather than later.¹

Fund Positioning

In March, the Fund sold Nordstrom 5.0% 2044 after its price jumped c. ten percentage points to c. \$80c from \$70 on news that the Nordstrom family is exploring a bid to take the company private. The Pentagon High Conviction Bond Fund purchased Nordstrom 2044 for \$60 in October 2023.

This is the second time that the Pentagon High Conviction Bond Fund has made a significant gain on Nordstrom bonds. In November 2020, we invested in Nordstrom 4.375% 2030 for \$88 and sold for \$105 in July 2021.

Nordstrom is a great example of our strategy in action. We strive to identify out-of-favour credits where our robust credit analysis identifies a significant margin of safety and a catalyst to outperform, at which point we buy and wait.

Nordstrom is the longest-duration bond in the portfolio. By selling it, the Fund's duration fell to 3.5 from 4.0 the previous month. We continue to believe long-duration assets offer value and continue to look for opportunities to increase duration.

In March, the fund added c. 2% of TripAdvisor 7% 2025, yielding c. 7%. Like Boise Cascade in February, we believe TripAdvisor provides an excellent risk-adjusted return for the portfolio. ICM has no credit concerns for TripAdvisor. TripAdvisor 7% 2025 is the company's next maturity and is cash-covered. TripAdvisor has a negative net debt of USD 155 million, a stable annual EBITDA of USD 250 million, and a ten-year average annual free cash flow of USD 200 million.

TripAdvisor 2025s is a low-risk investment that will trade close to Par and be an alternative to cash while we wait for higher-yielding alternatives.

The fund remains overweight oil & gas and retail companies, two sectors that we believe will outperform in 2024.

Conor Spencer, April 16th, 2024

Source Data: ICM, Bloomberg as of March 31st, 2024

¹ <https://lipperalpha.refinitiv.com/2024/02/sp-500-long-term-eps-growth-forecasts-reach-multi-year-high/#:~:text=Using%20data%20from%20the%20latest,were%20expecting%20an%20earnings%20recession>

² <https://indices.cib.barclays/IM/21/en/indices/static/historic-cape.app>

³ Bloomberg US GDP Economic Forecast

⁴ US Federal Reserve Bank's FOMC statement, March 2024

⁵ US Federal Reserve Bank Press Conference, March 2024

⁶ [The U.S. Economy May Be Primed For An Innovation Boom \(forbes.com\)](https://www.forbes.com)

⁷ [Jamie Dimon's Letter to Shareholders, Annual Report 2023 | JPMorgan Chase & Co](https://www.jpmorgan.com)

PERFORMANCE DISCLOSURE STATEMENT

The Pentagon High Conviction Bond Fund was launched as a sub-fund of Merrion Capital Investment Funds Plc on 1 May 2018. The fund does not have an established track record as a UCITS before 1 May 2018. Prior to this, from 30 November 2015 to 11 April 2018 the performance relates to the Pentagon High Conviction Bond Fund, a Malta based Alternative Investment Fund. From 28 January 2013 to 30 November 2015, the performance relates to the Value Income Multi-strategy Bond Fund Limited with the status of an exempted company. All data presented in this report for periods prior to 1 May 2018 is unaudited. The full performance history for the Pentagon High Conviction Bond Fund "strategy" relates to the same pool of assets, managed by the same investment team using the same investment approach and investment focus throughout the full performance period outlined.