Appian
Asset Management

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Appian Fact Sheet Euro Liquidity Fund

JUNE 2018

About Appian Asset Management

Appian is an independent Irish owned asset management company. Since our establishment in 2003 our investment philosophy has been to achieve solid investment growth with the minimum of risk and volatility. Our objective is to preserve and grow capital through value investing on a sustainable, risk adjusted basis. We ignore investment fashions and do not leverage any of our investments.

The Appian Euro Liquidity Fund was set up in response to our clients' demands for a diversified Euro liquidity fund which would be actively and prudently managed with a view to minimising risk on cash deposits.

The Appian Euro Liquidity Fund has the following features:

- The fund may invest in bank deposits with terms of up to 5 years.
- The fund may invest in government and corporate debt securities with maturities of less than 5 years.
- No more than 30% of the fund can be placed on deposit with any single credit institution.
- Detailed due diligence and credit analysis is completed prior to any investment.
- The fund's investments are in Euro.
- The fund assets will be appropriately diversified through fundamental analysis of each investment.

Appian Euro Liquidity Fund Performance 30.06.18

Period	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 YTD
Appian Euro Liquidity Fund	2.84%	2.37%	1.10%	0.26%	-0.09%	-0.13%	-0.04%	-0.21%	-0.42%	-0.42%
Moneymate Sector Average Cash	1.61%	0.75%	0.57%	0.34%	0.61%	0.07%	-0.06%	-0.35%	-0.47%	-0.22%

Investment Team

Patrick J Lawless

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John Mattimoe

Niall Dineen

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Key Features

- Focus on counterparty risk
- A well-diversified portfolio of cash and highly liquid assets
- All investments in Euro
- No entry, exit or performance fees
- No more than 30% with a single institution
- Independent Trustee Custodian and Administrator

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Appian Euro Liquidity Fund Review, Quarter 2 2018

The Fund was down -0.42% for the second quarter as the ECB held interest rates at historically low levels, core inflation continues to reside at levels well below the ECB's stated target and EU Banks offer miserly rates on cash deposits.

Yields on short term German Bunds fell over the quarter as the newly elected populist Italian government announced their fiscal plans. Whilst volatility in short term European government debt was short lived and measured the same could not be said for the Italian equivalent as redenomination risk became part of investor's considerations. With the appointment of a market and Euro friendly Finance Minister, the 5Star/League coalition moved away from immediate confrontation with their European counterparts.

There was a notable change in policy from the ECB at their June meeting. Mario Draghi provided the market with guidance as to the ECB's intentions with regards their Quantitative Easing (QE) program and interest rate policy. He relayed a message that was both "Hawkish" and "Dovish". The ECB QE program is to be reduced at the end of September and to be finished at the end of the year. In addition, Draghi does not foresee an interest rate hike until after the summer of 2019.

One of the major issues concerning regulators and Central Bankers in the Eurozone is the high levels of non-performing loans (NPLs) for European banks. This remains an especially acute concern for banks in Greece, Portugal, Italy and Ireland. There has been a lack of political will to have this issue resolved but even in a global economy that has experienced synchronised growth these NPLs continue to be stubbornly high. At this present moment liquidity is plentiful with little competition for cash deposits in Ireland; however this may not continue to be the case if Investors focus on the NPLs of Irish banks. Philip Lane, governor of the Central Bank, was quoted in May as saying "Elevated levels of non-performing loans on bank balance sheets pose a substantial financial stability risk". Combining the issue of NPLs with the possibility of a hard Brexit should alert investors to the substantial risks inherent in the domestic economy.

Hence the primary focus of the Fund is the security of assets and this is reflected in both the duration and credit quality of the Fund's counterparties.

Fund Facts

LAUNCH DATE
January 2009

NAME
Appian Liquidity Fund

FUND SIZE
€6 million

PRICING FREQUENCY
Weekly

PRICING BASIS
Single Price

ANNUAL MANAGEMENT CHARGE
0.25% p.a.

FUND CUSTODIAN
BNP Paribas Securities Services

STRUCTURE
Retail Investor Alternative Investment Fund

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