



## Message from Kieran Dempsey, Setanta Asset Management

23<sup>rd</sup> January 2012

Dear Investor

Having spent the Christmas period being teased by my teenage kids that I was old, past it and too tight on pocket money, it was a welcome relief to get back to the office - only to endure much of the same! It did remind me however that I had just passed an important milestone, my 25<sup>th</sup> year as an investment manager; time for panic or perhaps a bit of reflection. It's funny I still feel (not look) pretty much the same as the beginning years which is helped in part by the challenging team environment we have here at Setanta and our passion for what we do. Investing is a long journey of learning, not only about how you analyze and manage investments but also about yourself. If I consider 25 years half time, I have a lot more to learn and a long way to go! So no time to panic, just reflection and that's the key, learning, building experience and gaining the confidence to make investment decisions with conviction.

As value investors at Setanta, we often live in a lonely, contrarian world and having the courage of conviction is so important. We look to buy attractively valued stocks, stocks that few others want; stocks that we estimate are at a discount to the true worth of the underlying business. We spend a lot of time on the balance sheet. A business may look cheap to earnings but if it doesn't have a strong foundation, it might not survive over the longer term. However, the market and most of the investment world seem ever more obsessed with the short term, be it quarterly earnings or monthly sales etc. Some investors try to predict the next great faddish product, guess which companies are going to innovate better than others, predict where the macro-economic environment will be headed and even invest by following a chart on a screen. All guess work and yes one may get lucky, make a decent prediction and get rich for a while, but it's impossible to repeat this consistently over 25 years and longer. To succeed over the longer term, like the great value investor Warren Buffet, such guessing will not be enough. Hard work based on sound fundamental analysis, investing in attractively valued companies with a solid foundation, having a team dedicated to the search for value which challenges every investment case and has the conviction to have a long term horizon - these are just some of the traits we at Setanta believe are crucial to investment success. Statistically, value investing out-performs all other investment strategies over the long term, yet it still amazes me 25 years later that so few of the investment community invest this way. In the years ahead, we hope our value investing approach will continue to reward our investors and we commit to continue to try to learn, to build our experience and not be afraid to have that conviction.

As we head into the New Year a quick plug for some of the products and how we have performed. Global Equity had a decent 2011 and is performing much better than the MSCI World over 3, 5 and 10 years. Our concentrated Global Equity Fund, Focus 15, is one of the

best performing funds on the globe, ranked top decile over 1, 3 and 5 years\*. Our high yield dividend strategies continue to outperform over the longer term.

We have added The Income Opportunities Fund to the Irish market, which is the only fund in Ireland set up to deliver a targeted 6% income return across different asset classes, utilising the tried and tested covered option writing discipline and premised on our value investing approach. We are providing Global Equity, High Dividend Yield and our EAFE strategy into the Canadian market and we have seen some significant growth into our funds in Germany from the Canada Life Europe business.

When I was working abroad in London all those years ago, the Irish investment community established a balanced fund called the Managed Fund. As time went on, investment managers and their clients became overly obsessed with the risk of underperforming their peer group, their conviction waned and they became passive and consensus-like in how they invested. As a result, everyone's returns more or less look the same. It has gotten to the point where the investment community is now trying to reinvent the model with more of the same, multi-asset funds and so-called absolute return funds. We at Setanta still see merit in offering balanced funds (along with our other fund range) but, crucially, built on our value investing principles. We don't follow the others; we apply our best strategies to these funds (conscious of course that we won't always get it right!). The performance numbers of our CLI Managed Pension Fund show that we are the number 1, 2 or 3 fund over all time periods. Passive/Consensus investing will lose you a significant amount of value over time due to the opportunity cost of missed performance and its compounding effects. A balanced fund dressed up as something else will probably do the same and charge you more.

If you want to invest in any of our funds or learn more about Setanta and our approach please have a chat with Alan Hickey or myself. You can visit our website on [www.setanta-asset.com](http://www.setanta-asset.com)

Have a great 2012 and thank you for your business and support.



Kieran Dempsey  
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\*Evestment Alliance, Global All Cap Core Equity

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