



## Setanta Cash Fund – Q2 2011

### Fund Description

The **Cash Fund** (“the Fund”) is managed by Setanta Asset Management Limited (“Setanta”) and is a representative account of Setanta’s cash management strategy.

The Fund is an actively managed money market portfolio invested in Euro Government Treasury Bills, Commercial Paper, Floating Rate Notes, short term bonds, Certificates of Deposit and Term Deposits.

The key objectives of the fund are to provide capital preservation, liquidity and yield. This is a highly diversified fund that invests in only the highest quality investments as rated by S&P and Moody, with minimum short term credit ratings of A1 / P1. The Fund will follow strict guidelines with regard to liquidity and diversification. The maximum exposures to any one issuer of 10%, excluding government or government backed investments, while the maximum exposure to the funds top ten holdings must be below 40% of total fund assets, again excluding government issues. The average weighted duration of the fund will be a maximum of 60 days.

All investments are taken after careful analysis of all relevant metrics and on a long term view. All investment returns are judged on a risk-adjusted basis.

### Investment Philosophy

We in Setanta do not believe the market is efficient. Our aim is to purchase and own assets at a price below a reasonable assessment of their worth. This is where we focus our resources. Our process is akin to assessing a part ownership of a business rather than trading a security. This assessment of value must always encompass a thorough understanding of where this value is derived. We have a long term investment horizon and risk management is always central. We regard risk as the potential for permanent impairment of value. Integrity is a key tenet of our professional DNA and we embrace a culture of continued learning.

### Portfolio Managers

David Ryan & Gary Edge



### Investment Principles

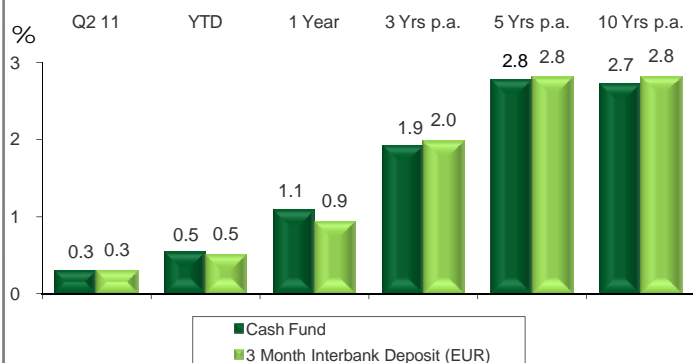
- We do not believe the market is efficient.
- We aim to make investments at a price below our assessment of intrinsic value.
- We make an investment in a business rather than trade securities.
- We believe risk is the possibility of permanent impairment of value.
- We make investments for the long term.
- We invest where we see value and are not afraid to be contrarian and swim against the tide.
- We don't make forecasts, we consider scenarios.
- We demand financial strength from the companies we invest in.
- We will act with integrity and communicate with our clients in a manner representative of our investment style.
- We have the humility to know we make mistakes and embrace the need to continue learning through both experience and study.

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## Fund Performance to 30.06.11



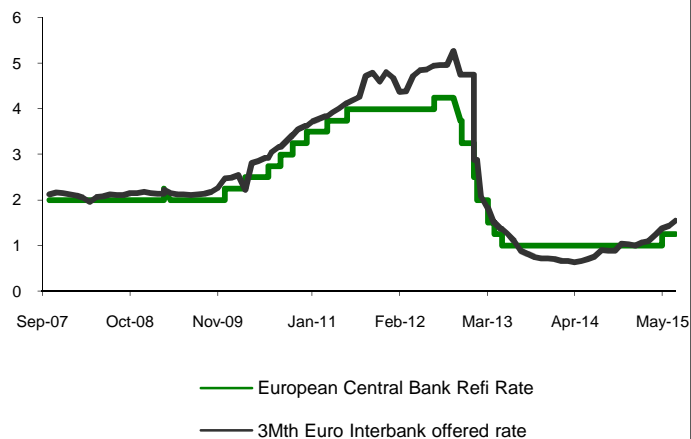
## Yearly Performance

Year	2006	2007	2008	2009	2010
Fund	2.9	4.2	4.8	1.8	1.0
Benchmark	3.1	4.2	4.8	1.4	0.8

The investment objective of the Fund is to outperform the 3 Month Interbank Deposit (Euro Rate).

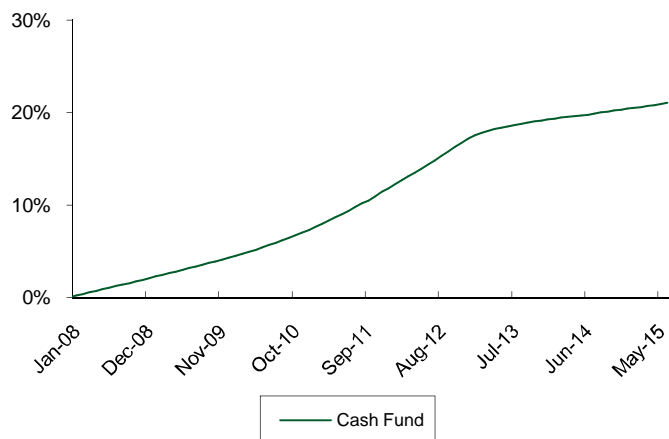
**Performance Source:** Setanta Asset Management Limited. Benchmark: 3 Month Interbank Deposit EUR (100%). The Fund returns stated are based on the movements in the unit prices of a representative account, based on mid to mid prices, and are gross of management fees. The performance will be reduced by the impact of management fees paid, the amount of which varies.

## Money Market Benchmark



Source: Bloomberg, to 30.06.11

## Cumulative Fund Performance



## Counterparty Exposure

ISSUER	% OF FUND
FMS WERTMANAGEMENT	8.9
NATIONAL IRISH BANK	8.8
ITALIAN TREASURY BILL	7.7
BNP PARIBAS	7.5
ULSTER BANK	7.3
ACC BANK	6.4
CAISSE D'AMORTISSEMENT DE LA DETTE	5.9
NRW BANK	5.9
BELGIUM TREASURY BILL	4.5
KOMMUNINVEST SVERIGE	4.4
INSTITUTO DE CREDITO OFICIAL	4.4
KREDITANSTALT FUER WIEDERAUFBAU (KFW)	4.2
ITALIAN TREASURY BILL	3.3
LANDWIRTSCHAFTLICHE RENTENBANK	3.0
KOMMUNEKREDIT	3.0
NEDERLANDSE WATERSCHAPSBANK NV	3.0
FINLAND TREASURY BILL	3.0
SPANISH TREASURY BILL	3.0
SOCIETE FINANCEMENT DE L'ECONOMIE FRANCAISE	1.6
DEXIA CREDIT LOCAL	1.5
EUROHYPO CAPITAL FUNDING TRUST	1.5
SPANISH GOVERNMENT BOND	1.1
CASH	0.3

Counterparty exposures (G) are covered by the Irish Government guarantee. Other counterparty/credit exposures are covered by either other European National Government Guarantees or have individually strong credit ratings.

The European Central Bank (ECB) has now raised rates twice in the current cycle, firstly in early April by 25bps and also in early July by another 25bps to bring the main refinancing rate (Refi) to 1.50%. In Q2, the EONIA (overnight) averaged 1.043%, while 3m Euribor averaged 1.413%, having steadily increased through the period.

The ECB stated rationale for these rates hikes has been to normalise the current very low rates and also to tame inflation which is currently running at 2.7%, thus above their 2% medium term target.

The ECB is embarking on a two-tiered approach to the Sovereign debt crisis, with on the one hand rate hikes to control inflation for Northern European countries that are showing signs of steady growth, while also leaving full allotment in market operations to ensure ample liquidity for banks in crisis hit countries. Also of note is the fact that the standing facility rates corridor was left at +/- 75bps of the refi rate instead of moving back to the +/-100bps pre crisis level.

However, the current crisis is adding major stress and uncertainty to the Eurozone system. This can be seen through the widening spread between the stronger northern and southern European countries with Ireland, even in very short rates. Finding a lasting solution will be vital to restoring confidence.

The fund continues to concentrate its holdings in high quality government and government backed institutions. We have also added to our Floating Rate Note (FRN) exposure. These will pay off if market rates rise, as their coupons are tied to the 3m Euribor level.

Gary Edge.

### IMPORTANT INFORMATION

The Fund is currently available in Ireland via a unit-linked offering of Canada Life Assurance (Ireland) Limited. A similar strategy is also available in Germany, via a unit linked offering of Canada Life Assurance Europe Limited. For these life assurance products, investors should refer to the relevant policy conditions. The strategy is also available on a segregated basis. Investors should consider the investment objectives, risks, charges and expenses carefully before investing. See 'WARNING' and 'IMPORTANT INFORMATION' sections below.

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**WARNING:** Past performance is not a reliable indicator of future results. The price of units and the income from them may go down as well as up and investors may not get back the amount invested. The return may increase or decrease as a result of currency fluctuations. Forecasts are not a reliable indicator of future performance.