Setanta
ASSET MANAGEMENT

FACTSHEET

Setanta Dividend Fund – Q2 2011

Fund Description

The **Dividend All-Equity Fund** ('the Fund') is managed by Setanta Asset Management Limited ("Setanta") and is a representative account of the Dividend strategy.

The Fund is an actively managed portfolio of global equities. The fund managers follow Setanta's value investment philosophy, seeking to pick stocks at a price below the managers' assessment of intrinsic value. The Fund further distils this philosophy by targeting stocks where management have both the willingness and ability to distribute meaningful dividends to shareholders. The rationale for the Fund is underpinned by studies (e.g. Dimson, Marsh and Staunton, 2011) that show dividends have played an important role in the cumulative total return of equities over the past century, while other academic studies support the thesis that a high dividend yield is an excellent indicator of value.

While the Fund does not target specific regional or sector weights, the managers seek to maintain a sensible level of diversification. Risk is minimised by focusing on valuation, financial and operational risk measures and therefore the degree of downside protection, rather than focusing on measures of market volatility or beta. The Fund usually holds between 35 to 45 stocks with expected holding period of up to 3–5 years. Exposure to local currencies is limited, as the fund is mandated to hedge most of its exposure back to euro.

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

Paul McNulty & Richard Doyle

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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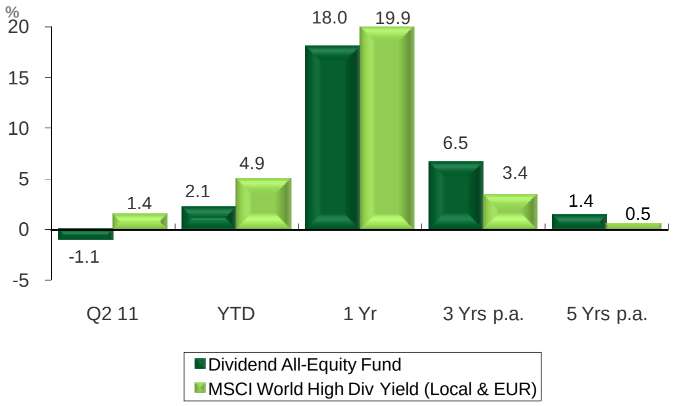
Fund Performance to 30.06.11



Yearly Performance

Year	2006	2007	2008	2009	2010
Fund	16.9	-4.8	-32.0	27.2	13.0
Benchmark	19.4	1.2	-36.6	25.0	7.0

The investment objective of the Fund is to outperform the MSCI High Dividend Yield index over periods of three years or more.

Performance Source: Setanta Asset Management Limited. Benchmark: MSCI (90% local, 10% Euro) & Bloomberg. The Fund returns since 30.09.07 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 unit prices prior to this are derived from a net of fee price, adjusted for the management charge to be representative of the gross of fee performance. **Fund Statistics Source:** Bloomberg Median ex Financials.

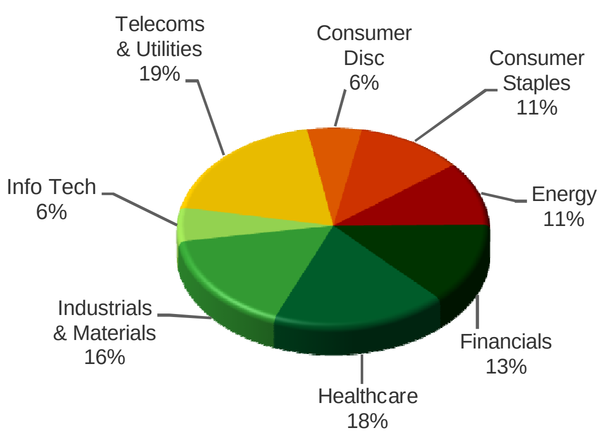
Fund Statistics

PRICE/BOOK	2.0
PRICE/EARNINGS RATIO (FY 1)	11.7
FREE CASH FLOW/EV %	6.0
DIVIDEND YIELD %	4.0
AVERAGE MARKET CAP €BN	36
NO. OF HOLDINGS	46

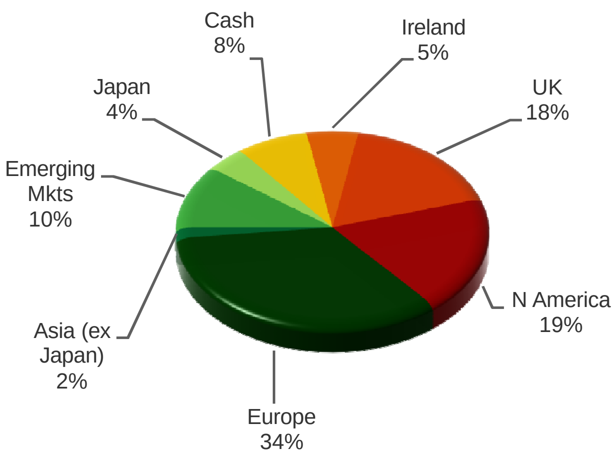
Top 10 Holdings

COMPANY	SECTOR	% OF FUND
SANOFI-AVENTIS	HEALTHCARE	3.9
CRH	INDUSTRIALS & MATERIALS	3.4
NOVARTIS	HEALTHCARE	3.0
LOCKHEED MARTIN	INDUSTRIALS & MATERIALS	2.8
FORTUM	TELECOMS & UTILITIES	2.6
TELEFONICA O2	TELECOMS & UTILITIES	2.5
PEARSON	CONSUMER DISC.	2.3
GLAXOSMITHKLINE	HEALTHCARE	2.3
THAI BEVERAGE PUBLIC	CONSUMER STAPLES	2.3
SVENSKA HANDBKN	FINANCIALS	2.3

Sector Distribution



Geographic Distribution



Given that, as value investors, we scorn a short term focus it is somewhat inconsistent with our philosophy to spend too much time speaking of short term performance. Indeed we have learned from experience that this activity serves little more use than filling space. On many occasions top performers in one period turn out to be bottom the next. Our objective is to make the right investment decisions for the long term. We hope that by ignoring the short term 'madding crowd' we can outperform over the period that really matters for us all; the long term. If we don't then no amount of explanation will be sufficient.

Having said this it is always useful for us to discuss and help you understand what we see as the merits of the case for holding some of the business stakes in our portfolio. In doing this we don't worry about whether the company disappointed in the last earnings, or whether for example a member of management left. Our focus is on whether this company possesses the sustainable competitive advantage we perceived it to have when purchased, combined with the were-with-all that renders closing the apparent discount to our assessment of value achievable. This is much simpler to write than to achieve but we attempt to remain as thorough and logical as humanly possible in our pursuit of this goal. We will get some investments wrong, and have done so in the past, but hopefully we can keep expensive mistakes to a minimum.

Belgian chemical and plastics company, **Solvay**, a member of our investment stable since the third quarter of last year, having been purchased at a discount to book value, acquired French peer Rhodia in April. Having sold their pharmaceutical division last year resulting in significant net cash resting on their balance sheet, the company had signalled to us, and to the investment universe, their desire to deploy the capital into an adjacent business. This is always a worry for investors because management often destroy significant value making an acquisition. While the price paid doesn't appear particularly attractive to us we do see the logic in the combination, particularly with regard to market position and culture. Maybe the market agreed with us, or it is possible there was just relief that a more value destructive deal was not carried out. In any case Solvay has had a stellar debut in this portfolio. While the price has increased 40%, it now trades at 1.3 times book value with a dividend yield just south of 3%. We think there is a little more to go for.

While cyclical stocks have done particularly well since the market reached it's lows in March of 2009 the second quarter of this year was less forgiving. Spreads in fiscally challenged country debt blew out significantly and companies issuing disappointing outlooks were punished immediately. Fears over the sustainability of Greek finances almost certainly weighed on **OPAP**. When combined with uncertainty on the effect of competition from new games to be introduced by the Greek government, and the overhang of the 34% government stake, which is now due to be sold by early 2012, one gets a flavour of why the stock reversed the strong showing earlier this year. While we acknowledge a supernormal level of profitability in Greece, which will suffer as their monopoly disappears we do expect the company to pick up new product revenues from a proliferation in games. Given that the balance sheet has no debt and the company trades on a 16% earnings yield (much of which they pay out to us as a dividend) we believe the market is overly focused on the negatives and hope that the company don't go out and blow their balance sheet by making an expensive acquisition.

Last year's purchase of **Wincor Nixdorf** towards the end of the third quarter predated a significant rally which reversed subsequent to a recent profit warning. While it is not desirable to observe one of our investments fall in price we are not unduly worried about Wincor as we believe this company possesses many of the attributes we look for in a value investment. The core banking franchise commands a strong competitive advantage, particularly in Europe. We believe this can be attributed to customer trust, efficiency and cost saving attributes of Wincor products, customer loyalty and reliability. Banks wish to minimise mistakes while continuing to reduce costs in the handling of cash. Another very attractive element of Wincor's business model is the high element of recurring revenues. Their retail exposure isn't quite as attractive, exhibited by margins almost half the banking level, but management seem suitably returns focused and with the new CINEO system operating the same technology across retail and banking Wincor can continue to leverage their knowhow into the retail segment.

The banking crises and cost takeout focus of the sector combined with competition with Diebold and NCR make this a tough environment for Wincor to operate in, but we believe our investment at current levels has a good chance of delivering good long term returns.

Performance Snippet

Performance in the second quarter and so far in 2011 is two and a half percentage points behind the market following a strong showing in 2009 and 2010. The mandated hedge has helped keep absolute performance in positive territory in 2011. Our focus remains on investing in an attractively priced bunch of high yield stocks to deliver long term returns.

Recent significant changes in the portfolio:

Portfolio transactions were low in the second quarter with one sale, our position in **Bangkok Bank**, and two purchases, South Korean telecom, **SK Telecom** and Swiss pharmaceutical **Novartis**. Bangkok Bank has been part of the fund for a relatively short period, having been purchased in March 2010 at a price close to book value. Given that loan growth had been reasonable in Thailand (in contrast to much of the west) and, in common with many Asian banks, management kept balance sheets conservative and did not race to buy 'high yielding assets' we had more faith in Bangkok than much of the sector. The sale, in April this year, after a 35% appreciation in the stock and a 4% dividend payment reflected our view that at a price to book over 1.3 times, this bank which has an ability to earn a 12% return on equity through the cycle was fully priced. We took a position in the local line of **SK Telecom**, an underperformer for the best part of the last decade causing the company to derate markedly. SKT has around 50% of the mobile telecommunication market in the mature market of South Korea, with the other two operators, KT and LGT in control of most of the remainder. Trading on 8 times earnings and a 13% free cash flow yield with a potential for a debt free balance sheet within a year on current run rates we believe we are being given ample margin of safety to compensate us for the difficult environment. **Novartis**, the other added position, is one of the best known, large cap drug companies which as a group have derated significantly over the past 10 years. We believe that with up to 40% of profits likely to come from non traditional drug sources such as vaccines, generics and Novartis in the coming years, Novartis' attractions are underappreciated on 11 times earnings.

Paul McNulty, CFA.