Setanta ASSET MANAGEMENT

FACTSHEET

Setanta Dividend Fund – Q4 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 high yield equities. The Portfolio Managers embrace 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* 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 approximately 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 CFA, Richard Doyle CFA & David Pastor

e.g. Dimson, Marsh and Staunton, 2011

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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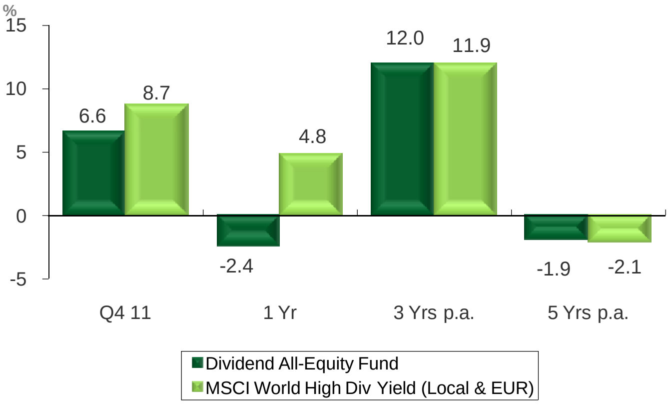
Fund Performance to 31.12.11



Yearly Performance

Year	2007	2008	2009	2010	2011
Fund	-4.8	-32.0	27.2	13.0	-2.4
Benchmark	1.2	-36.6	25.0	7.0	4.8

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.

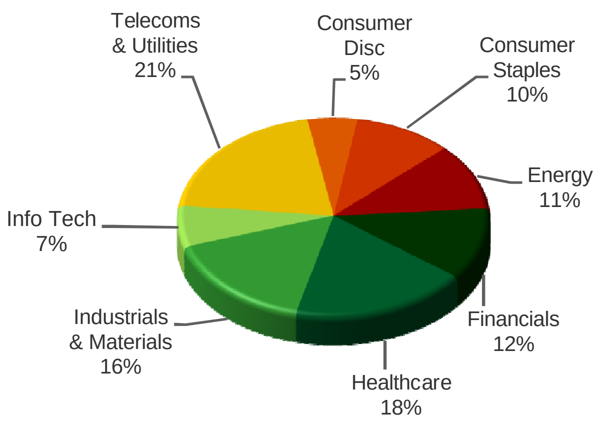
Fund Statistics

PRICE/BOOK	1.8
PRICE/EARNINGS RATIO (FY 1)	10.5
FREE CASH FLOW/EV %	6.8
DIVIDEND YIELD %	4.0
AVERAGE MARKET CAP €BN	44
NO. OF HOLDINGS	44

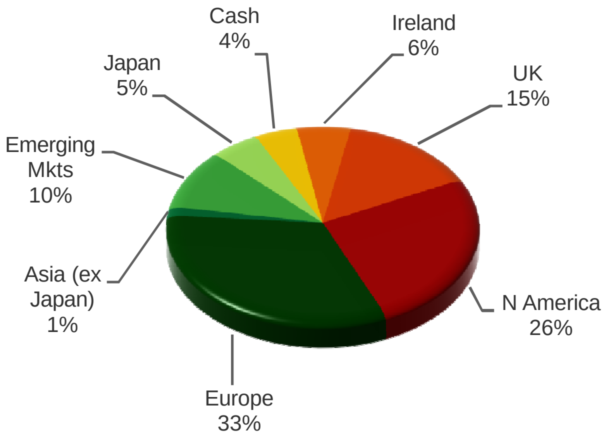
Top 10 Holdings

COMPANY	SECTOR	% OF FUND
CRH	INDUSTRIALS & MATERIALS	3.6
MEDTRONIC	HEALTHCARE	3.6
SANOFI	HEALTHCARE	3.5
LOCKHEED MARTIN	INDUSTRIALS & MATERIALS	3.3
NOVARTIS	HEALTHCARE	2.9
MICROSOFT	INFORMATION TECHNOLOGY	2.8
DIAGEO	CONSUMER STAPLES	2.8
KIMBERLY-CLARK	CONSUMER STAPLES	2.7
PFIZER	HEALTHCARE	2.7
ASTELLAS PHARMACEUTICAL	HEALTHCARE	2.6

Sector Distribution



Geographic Distribution



We manage the Setanta Dividend Fund with a focus on the long term and our incentives increasingly reflect this. While we see sensible diversification as crucial, we do not pay attention to the index. Most important is whether a high yield stock represents sufficient value to be purchased and owned. We want to own a limited number of stocks of companies with strong competitive advantages, managed by competent and properly incentivised management, and with sound financials, which give capacity for dividend growth. By mandate 90% of non euro currency is hedged back to Euro. While 2011 was not a particularly good year for us, we will continue with our dedicated value strategy and hope you will judge us on our long term results.

We measure ourselves against the MSCI High Yield index because of the stated dividend style. While this index is relatively new and is a reasonable barometer of whether we are adding value, it is relatively concentrated and has a high turnover rate. This is because of an unusual restriction, namely that the five year rate of dividend growth must be positive. As a result the index is skewed away from the cyclical sectors after the worst period for dividend cuts since the financial crisis (2008-2009). A fairly naïve classification of sectors into stable and cyclical baskets shows a sharp contrast between the broad market (as described by the MSCI World index) and the High Yield index. The dividend continuity effect has resulted in a much greater weight being allocated to ‘stable' sectors in the High Yield index - for example healthcare, consumer staples, telecoms and utilities make up 57% of the MSCI High Yield index.

In the second half of 2011, as the focus of the market shifted to stability, there was a stampede from peripheral markets like Greece, Portugal and Ireland, which was the single biggest factor in our relatively poor numbers. However, the high yield market was circa 10% ahead of the broader market (and most funds) over the year. This is also true over three years. When we look over five years, the high yield and broad market converge to an annualised loss of 2% per annum (gross of fees). At the end of the day, the net result of 2011 is that our fund has performed in line with the high yield market over three and five years. Since inception (somewhat fortunately March 2003), the fund has achieved a 7% annualised return.

Does this have any bearing on how we construct our fund? The answer is ‘No'. Indeed, fund management would benefit tremendously if managers were never given sight of the construction of an index, but merely told how it had performed on a rolling three to five year basis. The popularised consultant/actuarial view of asset management has imposed restrictions, which have diluted the industry and allowed its senior participants to abdicate responsibility to end investors. Generally this has led to closet, if not explicit, indexing whether within an asset class or between asset mixes. The growth of global economies and the coincident equity bull Market since the 1980s probably allowed and facilitated this.

When we look back on it all, we must hang our heads in shame. The major disappointment for us was the lack of leadership exhibited within finance, including our own asset management industry. If Bank A grew its loan book by 20%, then Bank B strived to grow it by 21%; if Fund Manager X was 20% weighted in emerging markets, then Fund Manager Y would be 18 - 22% weighted there. Why?? Of course incentives have a large part to play, a subject on which Charlie Munger is very illuminating. In theory, top paying professions attract the top talent to take bold decisions; in practice, all too often this talent followed its incentives to stay close to the benchmark (the safety of the herd) and made the same trade. If we look right across the spectrum, incentives are paramount in decision making - Why did Ben Johnson take performance enhancing drugs? Why does teacher John stay late and train the football team? The short time horizon over which incentives have typically been based and their asymmetric nature (encouraging ‘rolling the die') have been important factors in the failures of our industry. We must thus acknowledge a failure to understand the implications of these incentives.

The sole major change during the past quarter was the exit of PPDI, a US-based company that provides healthcare research services. As a reminder, we were attracted to PPDI's strong franchise and its ability to profit from the trend of outsourcing in the pharmaceutical and biotechnology industry - we purchased the stock at a 3.0% dividend yield. During the last quarter, we sold, at $33.2, the last third of our original holding following an approved offer for the company by a private equity consortium. Having purchased the stock at an average price of $20.6 in July 2009, we thus realised a handsome 79% return (28% annualised) on this stake. This comprised 10% of accumulated dividends and 69% in capital gain, the latter reflected in a 1.8% dividend yield at our exit price. As mentioned earlier, because the Dividend Fund is almost entirely hedged back to euro, we ‘receive' our return in local currency terms. In this case, this meant ‘missing out' on the dollar's appreciation. In truth, we do not seek to take currency positions and could just as easily have missed dollar depreciation.

Source: Bloomberg

Looking back at the stock's performance over our holding period, there were times when it suffered sharp falls. These were typically due to quarterly reporting, often relating to PPDI's new business falling below market expectations. Investors' perspectives have become increasingly short-term, so that gratification is sought over months, rather than years. Minor events, which we generally consider to be randomly occurring (much like the weather), are parsed and analysed for meaning, which simply might not exist. We endeavour to look through these episodes, if not to profit from them. The notion that a company's value could fall by 15% on the basis of three months of data confounds us! As the chart illustrates, more often than not, PPDI rebounded from these falls, reflecting, in our view, the structural longer-term appeal of the business. If we had focused on the volatility evident in the chart above, we might well have concluded that the stock was too risky. In contrast, we considered the downside risk (our 'margin of safety') at our purchase price, which positively reflected PPDI's strong balance sheet and its ability to generate cashflow through the economic cycle. Whilst recognising that we might simply have been somewhat lucky, we believe that this illustrates the virtues of a patient and long-term value approach to investment.