Setanta ASSET MANAGEMENT

FACTSHEET

Setanta European Equity Fund – Q2 2011

Fund Description

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

The Fund is an actively managed equity portfolio, which holds c. 30-35 stocks with an investment horizon of up to 3-5 years. Our aim is to invest in European companies that are trading below their intrinsic value. Our investment seeks to invest in companies that have

- Low Financial Risk
- Low Operational Risk
- Low Valuation Risk

We believe that if we can invest in companies that possess all 3 characteristics then we can severely reduce the risk of a permanent loss of capital and enhance our chances of outperforming our benchmark over the long term.

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

Rowan Smith & Fergal Sarsfield

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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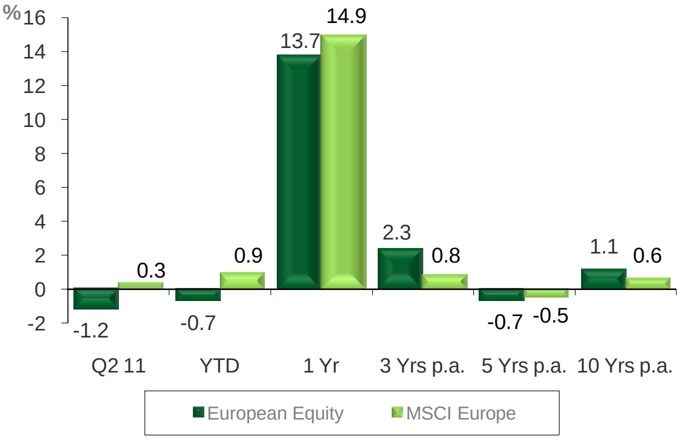
Fund Performance to 30.06.11



Fund Statistics

PRICE/BOOK	1.9
PRICE/EARNINGS RATIO (FY 1)	11.0
FREE CASH FLOW/EV %	7.0
DIVIDEND YIELD %	4.5
AVERAGE MARKET CAP € BN	37
NO. OF HOLDINGS	28

Top 10 Holdings

COMPANY	SECTOR	% OF FUND
C&C GROUP	CONSUMER STAPLES	5.2
NOVARTIS	HEALTHCARE	5.0
WINCOR NIXDORF	INFORMATION TECHNOLOGY	4.8
BP	ENERGY	4.7
DCC	INDUSTRIALS & MATERIALS	4.6
TELEFONICA O2	TELECOMS & UTILITIES	4.4
SANOFI AVENTIS	HEALTHCARE	4.4
DIAGEO	CONSUMER STAPLES	4.3
CRH	INDUSTRIALS & MATERIALS	4.2
GLAXOSMITHKLINE	HEALTHCARE	3.9

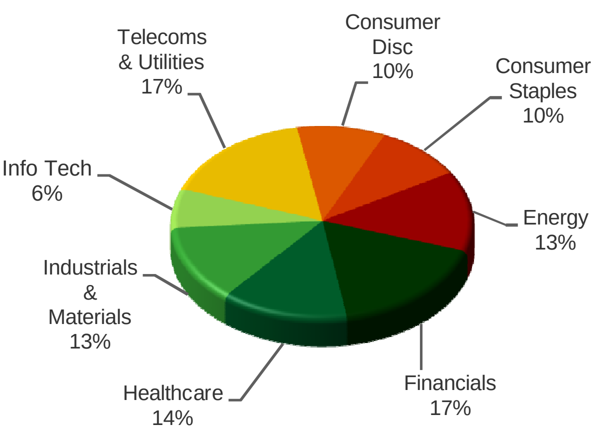
Yearly Performance

Year	2006	2007	2008	2009	2010
Fund	18.9	-4.4	-38.4	34.1	8.3
Benchmark	19.6	2.7	-43.6	31.6	11.1

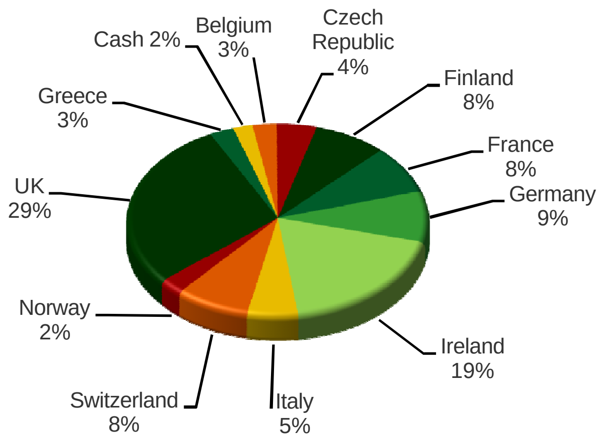
The investment objective of the Fund is to outperform the MSCI Europe index over periods of three years or more.

Performance Source: Setanta Asset Management Limited. Benchmark: MSCI Europe. 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. **Fund Statistics Source:** Bloomberg Median ex Financials.

Sector Distribution



Geographic Distribution



As value managers we often screen for stock ideas based on historically high returns and low current valuation multiples. When we find stocks that have historically generated returns far in excess of their cost of capital but yet current valuation multiples appear to be extremely attractive we tend to sit up and take notice. Coming across such stocks encourages us to carry out further analysis both quantitatively and qualitatively. This process is not only carried out for potential new ideas but also for our existing holdings on an on going basis.

There are few if any home runs in investment management, our process is built around investing in assets that are trading below their intrinsic value and thus mitigating the potential for losses if something does go wrong with a company's business model. In effect we have to try to marry past returns with current valuation with the outlook for future profitability. This is the challenge and dilemma that we face on an ongoing basis!

Within our European fund we have 2 companies (Nokia, Home Retail) that have historically generated stellar returns for shareholders, are trading on attractive multiples but yet continue to be a drag on overall fund performance. Mr. Market is clearly of the opinion that their respective business models are undergoing structural change, that the barbed wire fence that once protected their business is rapidly corroding and as a result future returns will be somewhat lower than historical returns.

Both companies have been experiencing deteriorating fortunes over the last 2 years or so and we openly hold our hands up and admit that we underestimated the severity of their woes. The reason I believe for underestimating the issues at hand is borne from our initial thesis on each company. We invested in both Nokia and Home Retail as they were market leaders with strong brands, had shown a history of executing well within their respective industries and had well capitalised balance sheets. Although we recognised that each company was going through a sticky patch we believed it was only temporary and that their strong brands and knowledge of their respective markets would see them through. If anything our over reliance on the past gave us a higher level of confidence than was warranted that everything would be okay in the future.

For the time being we continue to hold both Nokia and Home Retail as we believe they have been severely oversold by the market. Make no mistake about it, it hurts us when stocks underperform but we have learnt a valuable lesson in our ongoing analysis of each company and we hope to use this knowledge in our analysis of future potential investments.

During the quarter we sold **Solvay**. Solvay is an industrial manufacturer of chemicals and plastics. The stock appreciated since our purchase price and we took profit. We bought the stock at a discount to our appraisal value and sold it as it approached our estimate of fair value. We re-invested the proceeds in existing holdings that we believed offered better value.

We did not purchase any new holdings in the quarter but we are busy filling our locker with potential candidates. Our "idea" list is growing and we will pull the trigger if we can purchase these stocks at a large enough discount to intrinsic value.

Fergal Sarsfield, CFA.