



Setanta European Equity Fund – Q4 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, with a long-term investment horizon.

Our aim is to invest in European companies that are trading below their intrinsic value. Our investment process seeks to invest in companies that exhibit a combination of low financial risk, low operational risk and low valuation risk.

We believe that if we can invest in companies that possess these characteristics then we can 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 CFA & David Byrne CFA



Investment Principles

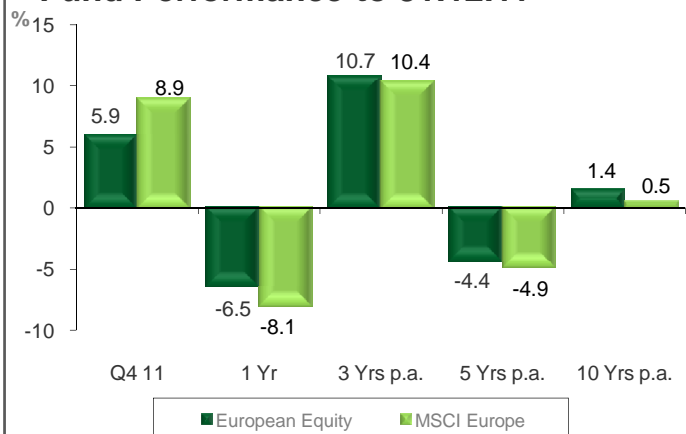
- We do not believe the market is efficient.
- We aim to make investments at a price below our assessment of intrinsic value.
- We make an investment in a business rather than trade securities.
- We believe risk is the possibility of permanent impairment of value.
- We make investments for the long term.
- 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



Fund Statistics

PRICE/BOOK	1.7
PRICE/EARNINGS RATIO (FY 1)	10.5
FREE CASH FLOW/EV %	7.1
DIVIDEND YIELD %	4.4
AVERAGE MARKET CAP €BN	44
NO. OF HOLDINGS	29

Yearly Performance

Year	2007	2008	2009	2010	2011
Fund	-4.4	-38.4	34.1	8.3	-6.5
Benchmark	2.7	-43.6	31.6	11.1	-8.1

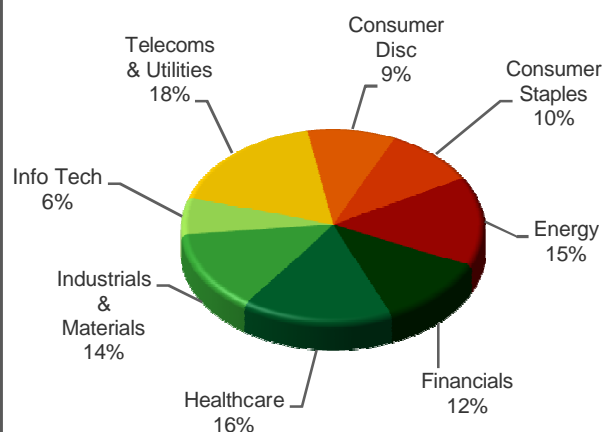
The investment objective of the Fund is to outperform the MSCI Europe index over periods of three years or more.

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.

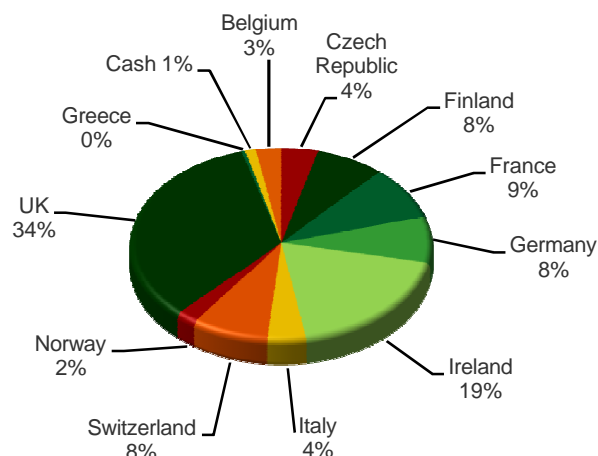
Top 10 Holdings

COMPANY	SECTOR	% OF FUND
NOVARTIS	HEALTHCARE	5.7
DIAGEO	CONSUMER STAPLES	5.6
BP	ENERGY	5.6
GLAXOSMITHKLINE	HEALTHCARE	5.1
CRH	INDUSTRIALS & MATERIALS	4.9
SANOFI	HEALTHCARE	4.9
DCC	INDUSTRIALS & MATERIALS	4.7
VODAFONE	TELECOMS & UTILITIES	4.7
C&C	CONSUMER STAPLES	4.4
TOTAL	ENERGY	4.1

Sector Distribution



Geographic Distribution



IMPORTANT INFORMATION

The Fund is currently available in Ireland via a unit-linked offering of Canada Life Assurance (Ireland) Limited. For this life assurance product, 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.

Setanta Asset Management Limited is regulated by the Central Bank of Ireland, PO Box 559, Dame Street, Dublin 2, Ireland. This factsheet, which is for information purposes only, does not form part of any contract. This is a marketing communication that (a) has not been prepared in accordance with legal requirements designed to promote the independence of investment research, and (b) is not subject to any prohibition on dealing ahead of the dissemination investment research. The information contained in this document is based on current legislation and is, therefore subject to change. The contents are intended as a guideline only and should not be construed as an interpretation of the law. You should always seek the advice of an appropriately qualified professional. Performance disclosures are stated above.

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.

Mr. Market - A Jekyll and Hyde type character

Ben Graham, the father figure of value investing coined the phrase Mr. Market,

“a fellow who turns up every day at the stock holder's door offering to buy or sell his shares at a different price. Rarely, the price quoted by Mr. Market seems plausible, but most of the time it is ridiculous. The investor is free to either agree with his quoted price and trade with him, or to ignore him completely. Mr. Market doesn't mind this, and will be back the following day to quote another price. The point is that the investor should not regard the whims of Mr. Market as determining the value of the shares that the investor owns. He should profit from market folly rather than participate in it. The investor is best off concentrating on the real life performance of his companies and receiving dividends, rather than being too concerned with Mr. Market's often irrational behaviour. “

Basically Mr. Market suffers from Dissociative Identity Disorder or in layman's terms, split personality. Q4 2011 more than adequately portrays this Jekyll and Hyde type behaviour of Mr. Market. In the quarter there were 65 trading days, 31 of which were up days and 34 of which were down days. We are well aware of the economic uncertainty that prevails in the European Union but did this uncertainty really cause the value of all companies in the MSCI Europe Index to fall by 9% over 9 consecutive days before recovering 8.8% over the following 4 trading days in November or is this just more evidence of the Jekyll and Hyde behaviour of the market?

As long term value investors we aim to use this type of behaviour to our advantage by using short term price declines to increase our positions in stocks which we believe are oversold and undervalued rather than panicking and getting caught up in momentum trading.

Momentum traders or High Frequency Traders (HFT) are basically speculators, gambling on the short term direction of a stock or a stock market. This strategy increases the probability of an investor getting whipsawed. They sell out as the stock/market falls hoping to buy back at a lower price but if the market rebounds they have foregone potential profits in what they have sold as well as incurring increased trading costs – spread, exchange fees, commission etc.

As value investors we fully appreciate that momentum trading is prevalent and realise that there will be times when increased volatility is a factor in fund performance but we firmly believe that long term value investing based on buying good companies at attractive valuations will lead to superior fund performance over the long term.

CRH – we believe it's a good company but Mr. Market is a little unsure!

CRH is a prime example of one of our investments which has experienced heightened volatility during 2011. Mr. Market couldn't quite make up its mind how to value the stock, in January 2011 it valued the entity at €15.18 per share while by December 2011 it valued it at €15.36. Not much volatility there I hear you say but what happened during the year tells a different story! In September 2011, Mr Market decided that CRH was only worth €10.50 per share, almost one third lower than the value it was willing to attribute to it some 9 months earlier but yet by December 2011 it believes that CRH is worth more than it was at the beginning of the year.

Mr. Market = Mr. Jekyll + Mr. Hyde!!

We fully realise that global construction markets are on their knees but like night follows day we expect construction markets to recover at some point in the future. What we don't know is when this will happen. However the timing of this recovery does not bother us as Mr. Market has given us the opportunity to own a stake in CRH at only 12x P/E based on its average earnings over the last 10 years. While we wait patiently for a recovery in construction end markets and in CRH's earnings we are happy to receive a dividend yield of over 4%.

Transactions during Q4 2011

There were no new additions or disposals to the fund in Q4 2011.