FACTSHEET

Setanta Global Equity Fund – December 2011

Fund Description

The **Global Equity Fund** ('the Fund') is managed by Setanta Asset Management Limited ("Setanta") and is a representative account of the Global Equity strategy. The Fund is an actively managed equity portfolio which holds c. 100-140 global stocks. The stocks are chosen within a global sector framework via thorough bottom-up analysis. The key endeavour is the establishment of a value case for each investment, informed by conviction in the value- investment principles of our firm.

Our investment process seeks to invest in companies that exhibit a combination of:

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

We believe that if we can invest in companies that possesses 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 Manager

David Byrne

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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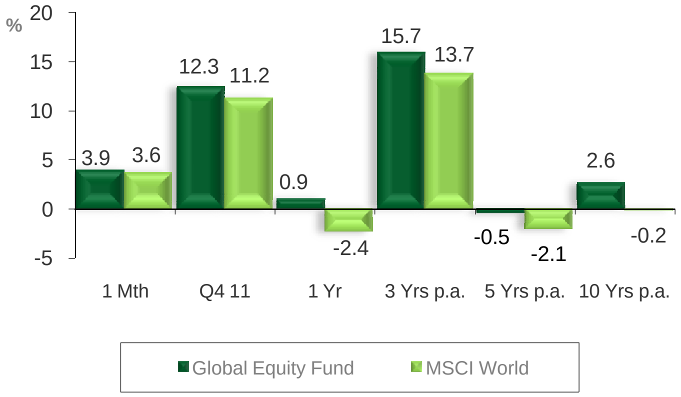
Fund Performance to 31.12.11



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

Performance Source: Setanta Asset Management Limited. Benchmark: MSCI World. 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

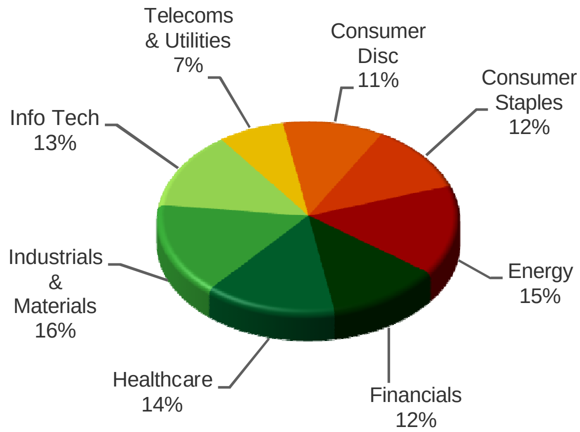
Top 10 Holdings

COMPANY	SECTOR	% OF FUND
Johnson & Johnson	Healthcare	2.2
Microsoft	Information Technology	2.1
Pfizer	Healthcare	2.1
Exxon Mobil	Energy	2.1
Medtronic	Healthcare	1.9
Tyco International	Industrials & Materials	1.9
Total	Energy	1.9
General Dynamics	Industrials & Materials	1.8
Sanofi	Healthcare	1.8
BP	Energy	1.8

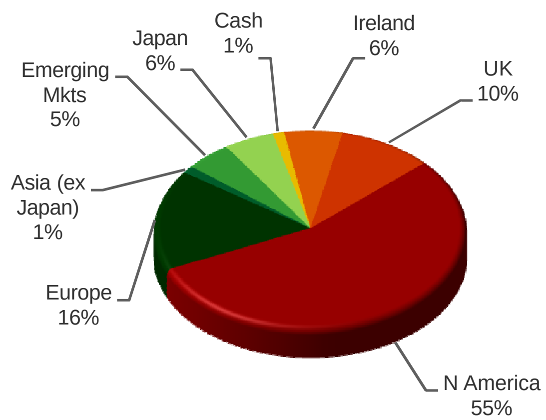
Fund Statistics

PRICE/BOOK	1.9
PRICE/EARNINGS RATIO (FY 1)	11.7
FREE CASH FLOW/EV %	6.5
DIVIDEND YIELD %	2.5
AVERAGE MARKET CAP €BN	49
NO. OF HOLDINGS	104

Sector Distribution



Geographic Distribution



Yearly Performance

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Fund	-11.0	-29.1	16.3	10.9	27.7	13.0	-1.0	-36.6	32.2	16.2	0.9
Benchmark	-12.2	-32.1	11.3	6.5	26.2	7.4	-1.7	-37.6	25.9	19.5	-2.4

For the global equity commentary this quarter I am going to revisit the writings of Graham and Dodd, examine some of their central concepts and see how these concepts can be applied to our investment process in today's "uncertain" world. I have three books on my desk which are permanent fixtures; Security Analysis by Graham & Dodd, The Intelligent Investor by Graham, The rediscovered Benjamin Graham by Janet Lowe. I have read 2 of these issues cover to cover but I must confess that I have yet to finish Security Analysis. Over the Christmas period I decided to re-read some of Graham's most prevalent writings to see if I could apply them to today's environment. Two of Graham's central tenets are the price/value equation and the concept of margin of safety. I am going to focus on the price/value equation and how it applies to equity markets today.

Let's consider the following extract from a writing by Ben Graham in 1974,

"I think the future of equities will be roughly the same as their past; in particular, common stock purchases will prove satisfactory when made at appropriate price levels. It may be objected that that is far too cursory and superficial a conclusion; that it fails to take into account the new factors and problems that have entered the economic picture in recent years – especially those of inflation, unprecedentedly high interest rates, the energy crisis, the ecology-pollution mess, and even the movement towards less consumption and zero growth. Perhaps I should add to my list the widespread public mistrust of Wall Street as a whole, engendered by it's well-nigh scandalous behaviour during recent years in the areas of ethics, financial practices of all sorts, and plain business sense."[1]

He goes on to say that "the real question is the same as it has always been in the past, namely; Is this a desirable time or price level to make equity purchases?". We can add to this question by asking if it is desirable to buy equities as a whole (ie at the general price level of the market) or even if the overall price level is not satisfactory, is it desirable to buy individual issues at good prices?

As in 1974, the 2012 economic picture is equally murky. Debt levels in developed nations are very high relative to output, money printing has gone into overdrive, interest rates are at historic lows (and even negative in some places), and public mistrust of the financial industry is as great as it has been for generations. But even this non exhaustive list of economic problems should not preclude us from considering the all important question posed above; Is this a desirable time or price level to make equity purchases? Below is a list of major indexes around the world with their corresponding Price/Earnings ratios and dividend yields.

Index	2011 P/E	Earnings Yield	Dividend Yield
Dow Jones	12.7	7.9%	2.5%
S&P 500	13.3	7.5%	2.1%
FTSE 100	10.1	9.9%	3.8%
Euro Stoxx 50	10.4	9.6%	5.0%
Dax	10.3	9.7%	4.0%

Source: Bloomberg (04/01/2012)

From observing the table above we can make the following statement; If 2012 revenues stay the same and profit margins decline by 20% the S&P 500 still offers us an earnings yield of 6%. Compared with AA corporate issues or government issues that would be expected to make good their interest and principal payments, the earnings yield on the S&P500 looks sufficient. Some may argue that profit margins are at too high a level relative to history (eg John Hussman[2], Jeremy Grantham[3]) and that a reversion to mean would mean that prospective 10 year annual returns are around the 5% level. This is indeed a valid point and something that concerns us at Setanta. However, if the overall price level is not satisfactory we can still consider the second part of the value question; is it desirable to buy individual issues at good prices? We think there are individual issues available at good prices. Our most recent purchase in the consumer discretionary portfolio, Mohawk Industries, should help demonstrate this.

[1] The future of Common Stocks, Financial Analysts Journal, September/October 1974
[2] http://www.hussman.net/wmc/wmc120103.htm
[3] http://www.gmo.com/

Mohawk Industries

Mohawk is a leading manufacturer of flooring products primarily sold in the United States. They sell anything you can walk on in the home and a bit more. To understand the dynamics of the flooring business in the United States, it is necessary to consider how an end user makes a purchase. The typical customer is somebody who is remodeling their home. This person will go to a carpet/flooring outlet and choose a carpet/floor from a book of samples. They will then select a local tradesman to fit and install the floor. Often the store, which is typically a local mom & pop type outlet, will do the installation for them. This makes it possible for the mom & pop to make a decent return. As a result the market is quite fragmented as the home-centres (i.e. Home Depot and Lowe's) do not have significant service elements in their operations. They are a much more dominant force in other product categories, such as appliances. To think about this further if one is buying a washing machine one will probably drive to the home-centre, make the purchase, have a sales assistant load up the car and then drive home. Usually when making a carpet/flooring purchase the retailer only holds samples of the floor and orders the stock from a manufacturer/distributor after you make the purchase. A tradesman then delivers and installs the floor at a later date.

Mohawk's largest customer is Home Depot who account for around 5% of sales, Lowe's is next with a slightly smaller share. The upshot of this dynamic is that Mohawk enjoys a fragmented customer base that shows little sign of consolidating soon. Mohawk have taken advantage of this position and have built up an efficient production and distribution process enabling them to extract value. Furthermore, the carpet and floors are expensive to keep on site for the retailers so they keep samples and send the orders through to manufactures as they are received.

The US flooring market has 2 main producers (Mohawk and Shaw's) that share approximately 40% of the total market (20% each). Shaws are a subsidiary of Berkshire Hathaway. Berkshire CEO, Warren Buffett, bought Shaws in 2001. He paid approximately $3Bn (around 0.7x Sales and 13x earnings). Shaws was formed back in the 1960's and was built up over the decades with a series of bolt on acquisitions. Buffett tends to like businesses built up by managers that have a passion for business and skin in the game. One positive for Mohawk is that Shaws will probably behave rationally in regard to pricing.

Mohawk's success and profitability is linked to the health of the US housing market, but more specifically private fixed residential investment. Also household formations in the United States are at 40 year lows. Household formations can't be put off forever and should revert to more normalized levels soon. This dynamic should help Mohawk's profitability in the near future.

Mohawk has a good financial position, the majority of the debt is issued in bonds due 2016 ($900m), there is $400m in notes due 2012 and also $253m in a secured credit facility due 2013. Total operating cash flow for the last 3 years has been around $1.5bn or so. Mohawk should be well able to meet obligations coming due. We purchased Mohawk in the low $50s which was approximately 14 times our estimate of normalized earnings. This equates to an earnings yield of just over 7%. Getting back to the question posed by Graham, "is this a desirable time or price level to make equity purchases?" we think Mohawk is a business with excellent industry dynamics and good cash generating ability that offered good value at our purchase price.