Best Irish Fund Manager Bets on Army, Luxury to Outweigh Brexit

by **Peter Flanagan**
January 3, 2017, 12:01 AM GMT

- Setanta's Ryan looks to Oshkosh and Richemont for growth
- Favors high-yield corporate debt over 'safe' government bonds

The U.K.'s decision to exit the European Union and Donald Trump's election shocked the world. At the headquarters of Ireland's best-performing fund manager, David Ryan shrugged and carried on as usual.

Head of multi-asset funds at Dublin-based Setanta Asset Management, Ryan said the firm is a long-term investor, focusing on underlying value rather than risk being swayed by short-term surprises.

That strategy paid off in 2016 for Setanta, owned by Great-West Lifeco Inc. Setanta's Managed Fund gained 10 percent in the 11 months to the end of November, compared with an industrywide average return of 3.4 percent, according to Rubicon Investment Consulting.

The fund holds as much as 80 percent of its assets in stocks, with Ryan buying shares in of truck maker Oshkosh Corp. and Cie. Financiere Richemont SA, the luxury goods company. He has pulled back from government debt, instead preferring high-yielding securities tied to companies as far afield as Norway and Mexico.

"As a firm we don't trade in and trade out of positions in the short term,'' Ryan, who helps manage 8.1 billion euros ($8.5 billion) at Setanta, said in a phone interview. "We are risk-averse by nature, and most asset classes look expensive."

The bets on Oshkosh and Richemont both reflect underlying value investors may have missed, said Ryan, who joined Setanta in 2003.

In 2015, Oshkosh won the U.S. military contract to produce a new armored truck known as the Joint Light Tactical Vehicle, replacing the Humvee. Since February, the stock has more than doubled to about $65.72.

“The market fixated on concerns around other cyclical divisions of its business, with some sell-side analysts happy to go along with that,” Ryan said. “It’s a classic example of market short termism versus our long-term horizon perspective.”

Watchmaking Jobs

Some investments have yet to fully pay off. Richemont, based in the lakeside town of Bellevue, just outside Geneva, fell about 7 percent in 2016. The company is cutting watchmaking jobs in Switzerland, as slumping demand in Asia spread to Europe and the U.S. this year, forcing Richemont to buy back unsold inventory from retailers and refocus on more affordable pieces.

Ryan remains unconcerned about the owner of brands such as Cartier, Dunhill and IWC Schaffhausen.

The company “takes a long-term view, has a strong balance sheet and has grown earnings and dividends over the last 20 years,” he said.

Ryan’s fund currently holds more cash than government debt, and has instead moved into short-dated corporate debt.

Bonds tied to Ocean Yield ASA, a Norwegian firm with investments in oil service and industrial shipping, yield more than 5 percent. In Mexico, Coca Cola Femsa SAB de CV, one of the biggest drinks bottlers in the world, has a strong balance sheet and its bonds offer about a 7 percent yield, Ryan said.

For Ryan, talk of the so-called “Trump Trade” on higher interest rates and a stronger dollar, or Brexit, distract investors from what should be their main focus: company fundamentals.

“Even if we knew for certain where economic variables were going in a year’s time, it wouldn’t make much difference to us,” Ryan said.