

Setanta Global Dividend Fund – Q2 2018 (CAD)

Fund Description

The **Global Dividend 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 30 to 50 stocks with expected holding periods of approximately 5 years.

The investment objective of the Fund is to generate a return above the general return of equities over rolling periods of three years or more – this is measured by reference to the total return of the MSCI World High Yield Index (100% CAD).

Portfolio Managers

Richard Doyle CFA & David Pastor CFA



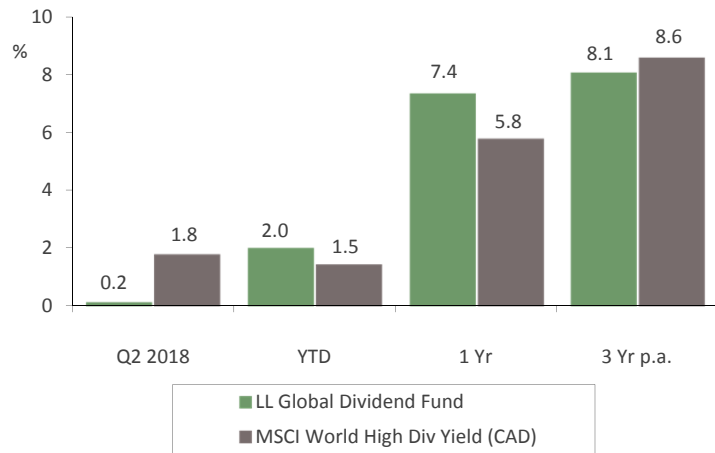
*e.g. Dimson, Marsh and Staunton, 2011

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.



FUND PERFORMANCE – 30.06.18



Performance Source: Unit prices: GWL. Returns are based on LL - Global Dividend Fund 8.26SAM Account. Benchmark: MSCI High Yield Index (100% CAD). Returns are in CAD 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

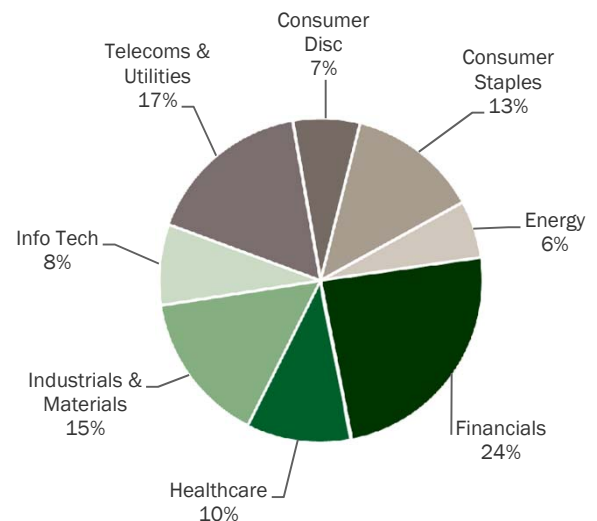
TOP 10 EQUITY HOLDINGS

COMPANY	SECTOR	% OF FUND
PROCTER & GAMBLE	CONSUMER STAPLES	3.5%
LANCASHIRE HOLDINGS	FINANCIALS	3.3%
GLAXOSMITHKLINE	HEALTHCARE	3.1%
SAGA PLC	FINANCIALS	2.9%
SMITHS GROUP	INDUSTRIALS & MATERIALS	2.9%
HARLEY DAVIDSON	CONSUMER DISCRETIONARY	2.9%
CISCO SYSTEMS	INFORMATION TECHNOLOGY	2.9%
NATIONAL OILWELL	ENERGY	2.9%
INTEL	INFORMATION TECHNOLOGY	2.8%
JOHNSON & JOHNSON	HEALTHCARE	2.8%

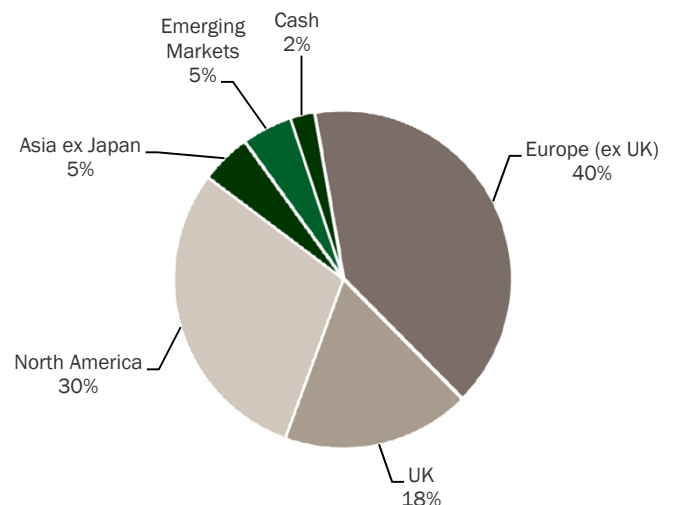
FUND STATISTICS

PRICE/BOOK	1.6
PRICE/EARNINGS RATIO (FY 1)	14.3
DIVIDEND YIELD %	3.7
AVERAGE MARKET CAP C\$BN	70.8
NO. OF HOLDINGS	42
DEBT/EQUITY %	54.9
ACTIVE SHARE %	79.3

SECTOR DISTRIBUTION



GEOGRAPHIC DISTRIBUTION



Annie Duke, a former professional poker player, wrote in her recent book, **'Thinking in Bets'**: "(...despite the popular wisdom that we achieve success through positive visualisation, it turns out that negative visualisation makes us more likely to achieve our goals....)".

While we might shrink at the noble art of investing being compared to poker playing, we think that there's something in what Ms. Duke has to say! Basking in an optimistic view of the future gives us a warm and comfortable feeling and it thus something that we like to do. For this very reason, we are all at risk of biasing our decision-making to the hope of good things happening. As Ms. Duke elaborates, in many instances, you can obtain better results by focusing on the thankless task of grinding through the obstacles and negative scenarios you may encounter in trying to achieve your objective.

In our opinion, successful investing is a fine balance of creating a reasonable investment case incorporating a healthy dose of scepticism and some 'negative visualisation' of what could go wrong. As portfolio managers of the Fund we try our hardest to guard against 'blue sky thinking'. This means that it is unlikely that any one of the Fund's holdings will be amongst the market's very best performers in any given year, but it also means that it is much more likely that the holdings in general should perform relatively well, and certainly much better than the worst performers. We believe that this is a good recipe for good long-term investment performance.

Recent Portfolio Addition

Sampo is a pan-Nordic financial conglomerate that was recently added to the Fund. Its principal interests are property and casualty (P&C) insurance and universal banking across Sweden, Finland, Denmark and Norway. Sampo is a holding company with two key assets: If and Nordea. Sampo's approach is to focus on return on investment; prioritise profitability over growth; and ensure that its holdings are providing dividends to the parent. It has an excellent record of capital allocation, both inter-, and intra-, assets, since its creation around the turn of this century.

If has successfully created a genuinely pan-Nordic P&C business that successfully bridges the four major Nordic countries, their different currencies and different statuses within both the European Union and Eurozone. The Nordic property and casualty insurance market is an attractive one. Underwriters there, such as If, typically 'own' the relationship with the customer, rather than relying on brokers, which means that there is more profit available to the insurance writer (and the customer). Furthermore, the prevalence of high renewal rates favours competent incumbents, such as If. These characteristics, combined with If's highly disciplined underwriting of insurance risk, results in a strong underlying return on investment (typically in the mid-teens range).

Sampo's position in Nordea, a universal bank operating in the same Nordic countries, is held through a large equity stake. Nordea's market positions in each of the four major Nordic countries are strong, while the markets themselves are concentrated, typically having 2 – 3 larger banks. Through Sampo's influence, the bank very much prioritises profitability over growth, a prudent approach in this mature market. Nordea's capital base, a bank's bulwark against times of strife, is among the strongest in Europe, at close to 20% of its equity. While this has capped its return on equity at no more than 'good' levels, it is a figure in which we take comfort.

Risks to the investment case include Sampo's reliance on key personnel; exposure to some 'hot' property markets; a centralised lending model at Nordea; and, longer-term, a decline in the need for motor insurance. We nonetheless believe that these risks are adequately reflected in Sampo's valuation. We acquired our position at a price corresponding to a 5.0% dividend yield and just under a multiple of 17x average earnings of the past five years.

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IMPORTANT INFORMATION

The Setanta Global Dividend Fund is managed by Setanta Asset Management Limited and is a representative account of the Setanta Dividend strategy. The Fund is available on a separate account basis to institutional investors. Investors should consider the investment objectives, risks, charges and expenses carefully before investing. See 'WARNING' and IMPORTANT INFORMATION' sections below.

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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