

Fund Description

The **EAFE Equity Fund** (‘the Fund’) is managed by Setanta Asset Management Limited (‘Setanta’) and is a representative account of the EAFE Equity strategy.

The Fund is an actively managed equity portfolio, with a long-term investment horizon. Our aim is to invest in EAFE (Europe, Asia and Far East) 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 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. The investment objective of the Fund is to outperform the MSCI EAFE index over the long term.

Fund Commentary

Volatility and Risk

The first quarter of 2017 saw a notable lack of volatility in stock markets. The Dow Jones Industrial Average had an average absolute percentage daily change of 0.3%, the lowest since the fourth quarter of 1965. The S&P 500 also averaged a daily change of 0.3%, its least volatile since the third quarter of 1967. Modern portfolio theory states that the risk of an underlying asset, be it a stock or portfolio, is measured by its price volatility. Beta, the extent to which a company’s share price co-varies with the broader market, is supposed to tell us how risky a stock is. So should we feel relaxed about risk in these becalmed markets?

(Fund Commentary continued on Page 3)

Portfolio Managers

Rowan Smith, Fergal Sarsfield CFA & Conor Walshe

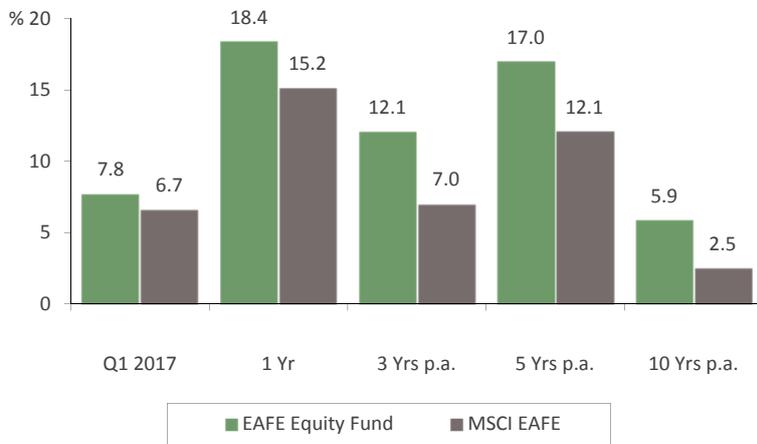


Investment Principles

- 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 (CAD) – 31.03.17



YEARLY PERFORMANCE

Year %	2012	2013	2014	2015	2016
Fund	19.6	35.8	4.5	25.2	7.0
Benchmark	14.7	31.0	3.7	19.0	-2.5

Performance Source: Setanta Asset Management Limited. Benchmark: MSCI EAFE Index (100% CAD). The Fund returns since 30.09.07 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 unit prices prior to this are derived from a net of fee price, adjusted for the management charge to be representative of the gross of fee performance. **Fund Statistics Source:** Bloomberg

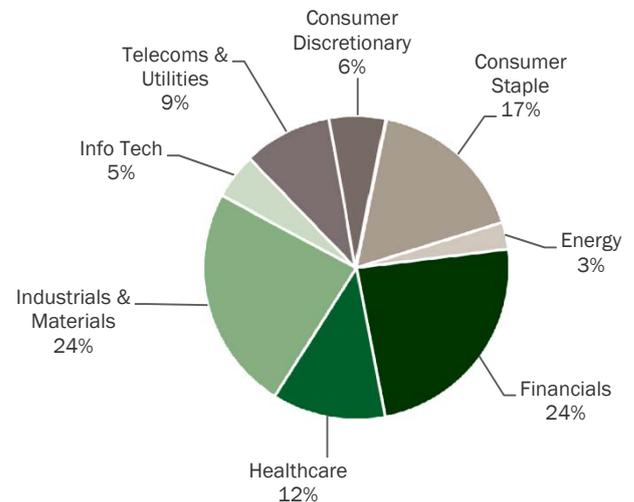
TOP 10 EQUITY HOLDINGS

COMPANY	SECTOR	% OF FUND
DCC	INDUSTRIALS & MATERIALS	5.7%
GPE BRUXELLES LAMBERT	FINANCIALS	5.6%
MELROSE INDUSTRIES	INDUSTRIALS & MATERIALS	4.7%
SAMSUNG ELECTRONIC	INFORMATION TECHNOLOGY	4.6%
SANOFI	HEALTHCARE	4.5%
C&C GROUP	CONSUMER STAPLES	4.2%
SWATCH GROUP	CONSUMER DISCRETIONARY	4.0%
NOVARTIS	HEALTHCARE	3.9%
SMITHS GROUP	INDUSTRIALS & MATERIALS	3.7%
FENNER	INDUSTRIALS & MATERIALS	3.4%

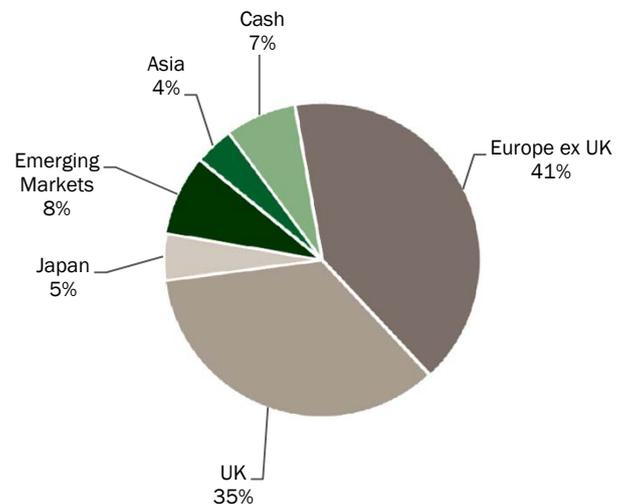
FUND STATISTICS

PRICE/BOOK	1.8
PRICE/EARNINGS RATIO (FY 1)	16.5
DIVIDEND YIELD %	3.0
AVERAGE MARKET CAP C\$BN	56.6
NO. OF HOLDINGS	34
DEBT/EQUITY %	52.3
ACTIVE SHARE %	92.9

SECTOR DISTRIBUTION



GEOGRAPHIC DISTRIBUTION



Economist Hyman Minsky theorised that a period of stability encourages risk taking which in turn leads to instability. When people aren't afraid of risk, they accept it without being compensated. Warren Buffett memorably summed this up with the line "It's only when the tide goes out that you discover who's been swimming naked". The current era of low "risk-free" interest rates may lead to the return bar being set too low for riskier investments.

We can't tell you whether we are on the verge of a "Minsky moment". What we can say is how we think about risk at Setanta and share price volatility does not figure. In evaluating any investment opportunity, the key to risk is the likelihood of the permanent destruction of capital. Our overarching focus is on avoiding this outcome through trying to understand the underlying fundamentals of the business and the inherent risks; over the years this has led to less downside risk in our strategy.

We sometimes describe our approach as "paranoid" investing. Scepticism is central to our process. Most of our investment case discussions centre on what can go wrong. When considering an investment, we try to consider how a company would perform in a range of possible future scenarios. We try to ensure that we are being compensated for the broad array of risks that the company could face. Focusing on a single most likely outcome as many sell side analysts do fails to capture this risk spectrum. We do not claim to be skilled crystal ball gazers or macroeconomic forecasters, nor are we trying to make explicit detailed projections. Instead by trying to consider the full range of risks facing the company, we are looking to be roughly right rather than precisely wrong.

It is impossible to consider or indeed imagine the full range of potential outcomes. There are "unknown unknowns" as former US Secretary of Defence Donald Rumsfeld once said. The future that actually transpires may be positive or negative for our stocks but we are seeking to ensure that we are being adequately rewarded for that inherent uncertainty. Critically, a business must have the wherewithal to endure a difficult business environment so it can survive and prosper when the backdrop turns more favourable.

This risk focus leads to us to look to avoid companies with the following characteristics: a highly indebted balance sheet; operating in a fast changing industry; poor, unpredictable or short-sighted management; opaque or complex business models; convoluted accounting; expensive / speculative stocks. Our preference is for financially strong, durable businesses with capable management who are focused on the long term and shareholder interests.

This approach means we will from time to time miss out on high flying single product biotechnology stocks or hot social media technology companies. While success stories spring easily to mind, the trail of business failures is more easily forgotten. In attempting to build a strong long term track record, avoiding disasters is critically important. If a stock drops 75%, then it must rise 300% to break even. We remain consistent in our approach and seek to avoid letting the "fear of missing out" infect our thinking.

Increased volatility can be very welcome in throwing up opportunities to buy good quality businesses at reasonable prices. Risk is conditional on the price paid. Take a case where a company has suffered a short term setback which leads to a meaningful share price decline but where the long term prospects of the business are relatively unaffected. Financial theory suggests that the increased volatility makes the company riskier. This completely ignores the lower price level which in fact makes the investment less risky.

Recent data from JP Morgan for the 1980-2016 period highlighted that the average intra-year maximum drawdown was -14.2% for the S&P 500. Bear in mind that this has been a very positive time period for equities. The annualised return with dividends re-invested was 11.5%. Even in this current bull market, six of the past eight years have seen double digit peak-to-trough intra-year declines in the S&P 500. Share price moves in the short term may have little to do with the underlying fundamentals of a business. As Benjamin Graham said, "In the short run the market is a voting machine, in the long term it's a weighing machine".

Considering risks to the investment case thoroughly in advance helps to provide the resolve to capitalise on share price weakness where we feel the long term attractions of the business remain intact. At Setanta, we hope that increased share price volatility can in fact afford us lower risk investment opportunities.

Transactions during Q1 2017

During the quarter we initiated a position in Ryanair, the low cost airline. The company boasts a meaningful cost advantage over its competitors including other low cost carriers. The flag airlines, weighed down by inefficient cost structures and institutional resistance to change, are particularly vulnerable to Ryanair's advance. Over the last three years, management has shifted its strategy towards a more customer friendly approach with a greater emphasis on serving primary airports. It has an attractive runway for growth. With a strong balance sheet, these plans can be financed internally. Management have been very judicious allocators of capital in the past, investing in fleet expansion at attractive prices during industry downturns and returning excess cash to shareholders at other times. Ryanair Labs, which seeks to use data mining to sell additional products such as hotel rooms to passengers, offers some optionality.

We also started a position in Unilever. We believe it has evolved into a higher quality company as CEO Paul Polman has shifted the business towards Personal Care and away from Foods through measured M&A. Well-known brands with strong distribution positions, particularly in Emerging Markets, give pricing power and attractive returns on capital. Company programmes focused on optimising pricing, delaying the organisation and responsible zero based budgeting offer scope for margin improvement. The Home Care and Refreshment businesses in particular have margin upside potential. Strong cash flow generation, a decent dividend and a reasonable valuation all added to the attractions. Kraft's takeover interest, which was subsequently rejected, triggered a share price rise which has prevented us from building a full position.

Conor Walshe – Portfolio Manager

Contact Details:

Suite S8-02,
 Eight Floor ,
 190 Simcoe Street,
 Toronto ,
 Ontario,
 M5T 2W5.

Rocco Vessio, (T) 416-552-5061 , (M) 647-823-4813

[E-mail: rocco.vessio@setanta-asset.com](mailto:rocco.vessio@setanta-asset.com)

www.setanta-asset.com

IMPORTANT INFORMATION

The EAFE Equity Fund is managed by Setanta Asset Management Limited and is a representative account of the EAFE Equity 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. Setanta Asset Management Limited is regulated by the Central Bank of Ireland, New Wapping Street, North Wall Quay, Dublin 1 Ireland and has been granted the International Adviser exemption from registration in Manitoba, Ontario, Quebec, British Columbia and Alberta. This exemption enables it to provide advisory services to clients in these provinces in accordance with the applicable securities legislation of Manitoba, Ontario, Quebec, British Columbia and Alberta. Setanta, who is an investment sub-advisor to a number of Great-West Life Group companies, does not trade on its own account. Units in the Canadian segregated and mutual funds are not offered for sale by Setanta but may be acquired by prospective investors via the relevant Great-West Life Group company. 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.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages

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.