

Fund Description

The **Income Opportunities Fund** ('the Fund') is an actively managed multi-asset Fund that is focussed on generating income and maintaining the real value of capital invested over the long-term.

The Portfolio Managers follow 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.

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 20 to 40 stocks with expected holding periods of up to 5 years. While investment in attractively valued high yield equities (overwritten with call options) will be the primary strategy employed in the Fund, the Portfolio Managers seek long-term higher yielding value opportunities in other asset classes also.

The covered option overwriting strategy employed is active and at all times maintains a focus on total return.

The Income Opportunities Fund has two investment objectives:

- 1 To generate income at a target rate. (Declared annually at beginning of year).
- 2 To grow real capital value over the long term

Portfolio Managers

Richard Doyle CFA & David Pastor 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.



WINNER
Equities Manager of the Year



WINNER
Equities Manager of the Year



WINNER
Equities manager of the year

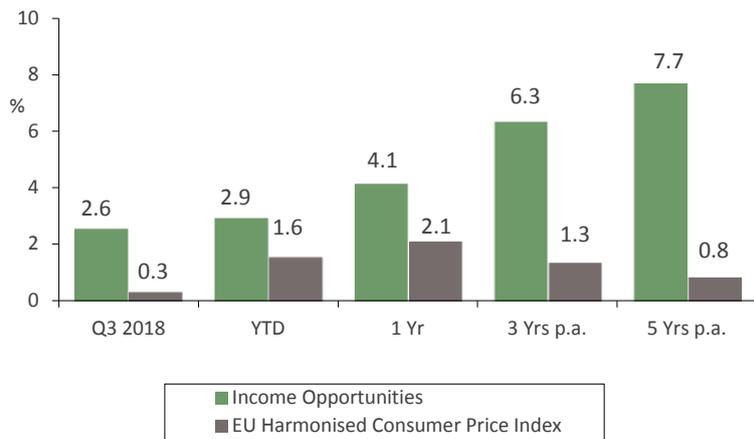


WINNER
Equities Manager of the Year



WINNER
Equities Manager of the Year

FUND PERFORMANCE – 30.09.18



YEARLY PERFORMANCE

Year %	2012	2013	2014	2015	2016	2017
Fund	11.7	14.7	8.4	10.6	9.7	2.9
Benchmark	2.2	0.8	-0.2	0.2	1.1	1.4

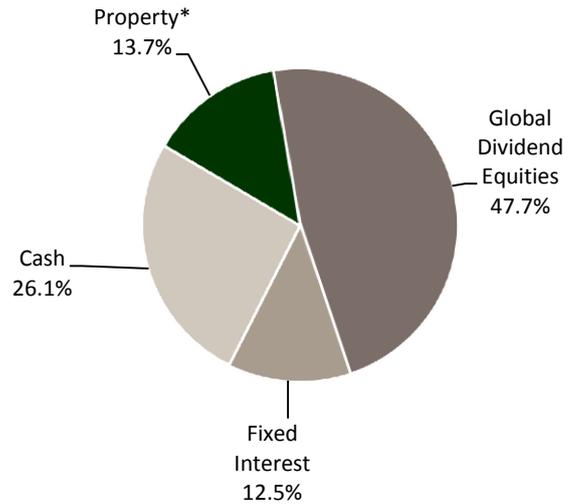
Performance Source: Setanta Asset Management Limited. Benchmark: European Harmonised Consumer Price Index. Fund returns are shown gross of management fees. The performance will be reduced by the impact of management fees paid, the amount of which varies.

* Inception as at 30.09.11

TOP 10 EQUITY HOLDINGS

COMPANY	SECTOR	% OF FUND
NWS HOLDINGS	INDUSTRIALS & MATERIALS	2.2%
HARLEY DAVIDSON	CONSUMER DISCRETIONARY	2.1%
BASF	INDUSTRIALS & MATERIALS	2.1%
PROXIMUS	TELECOMS & UTILITIES	1.9%
VODAFONE GROUP	TELECOMS & UTILITIES	1.9%
BOLSAS Y MERCADOS	FINANCIALS	1.9%
GLAXOSMITHKLINE	HEALTHCARE	1.8%
FORTESCUE METALS	INDUSTRIALS & MATERIALS	1.7%
COCA-COLA AMATIL	CONSUMER STAPLES	1.6%
SK TELECOM	TELECOMS & UTILITIES	1.6%

GEOGRAPHIC & ASSET SPLIT



*includes 2.0% in IRES REIT

HISTORIC INCOME

Year	Income Earned % of Fund Value
2011	6.2%
2012	5.6%
2013	5.5%
2014	4.8%
2015	5.5%
2016	4.7%
2017	4.1%

This quarter, our colleague, Caroline White, reflects on our experience investing in the Information Technology (IT) sector, while also reporting on a recent addition to the fund.

“We are living in the most complex and rapid changing of times. The pace of technological innovation, like never before, is challenging the way we operate”.

Having enjoyed a huge bull run since March 2009, there is now a buzz surrounding the Information Technology sector which encourages faith in this being a fundamentally different era, both for society and investors. There is an abundance of capital chasing the IT industry. Early-stage companies with negative earnings are achieving billion dollar valuations in initial public offerings (e.g. Avalara and Spotify) and loss-making companies have experienced share price jumps as high as 200% upon adding ‘blockchain’ to their name (e.g. Long Island Iced Tea Corp. to Long Blockchain Corp.). Indeed, it could be argued that the meteoric rise of the FAANGs (Facebook, Apple, Amazon, Netflix and Google) has been a key factor in GICS, which classifies companies into sectors, moving Alphabet (a.k.a. Google) and Facebook from the IT sector into other sectors.

While it is undeniable that we live in an evolving world, it is notable that the quote above from the Scientific American Journal dates from no fewer than 150 years’ ago (September 1868). As investors, we continually face challenges in how to respond to rapidly changing industries. With our conservative approach and our belief that risk is the possibility of permanent impairment of value, many of the companies cited above would simply be unsuitable for the funds that we manage. We are highly unlikely to invest in a loss-making early stage company, even if we acknowledge that some of those will survive and do very well over time. Likewise, we are wary of the media’s current favourites, noting Warren Buffet’s comment: “you pay a very high price in the stock market for a cheery consensus”. Nonetheless, we have found some unloved gems in the IT sector over the years. We acquired each of these highly profitable, large-cap ‘old-tech’ stocks at low valuations. These stocks, both through consistent and growing dividends and capital appreciation, have greatly added to the performance of the fund. We summarise below our experience with two of the fund’s current IT holdings, Intel and Cisco.

We first acquired a position in Intel in 2013, attracted to its near-impregnable position in personal computer semiconductors, while having faith in its ability to navigate its way into emerging applications for its logic chips technology. We felt this vote of confidence was deserved given the company’s track record of innovation and value creation and we took the opportunity to capitalise on the market’s scepticism at Intel’s ability to prolong this position. Today, the company continues to perform strongly, achieving Return on Capital Employed of around 20% in recent years. Our investment in router and switcher maker, Cisco, dates from 2016. At that time, we were attracted to the integral role that Cisco plays in ensuring that data travels expeditiously across IT networks all over the world. This key role was reflected in tremendous free cashflow generation (nearly 10% relative to its enterprise value) and a highly impressive return on capital. The market in our view, however, over-emphasised the emerging competition from Chinese peers and technological disruption. While Cisco’s valuation today is more reflective of its strong position, we believe that its high returns are very much sustainable.

We seek a similar outcome with our most recent investment in the sector, Samsung Electronics. At a five year earnings yield of well over 10%, Samsung compares favourably with the IT sector average on a similar basis (circa 5%). Two thirds of its profits come from industries with oligopolistic market characteristics – three companies have almost all the market share of the DRAM memory market, three hold 75% of the NAND memory market and Samsung’s share in the smartphone OLED screens is over 90%. It also targets the foundry market (manufacture of semiconductor chips for third parties) where economies of scale reap significant advantage. More than 50% of the foundry market is controlled by TSM (a fund holding), but Samsung’s focus is on the remainder, while being fragmented, offers potential for an entrant with deep pockets and a long-term horizon. Although much uncertainty surrounds the current cyclical positioning of the memory markets, we are confident that with its \$60b pile of net liquid investments, its extensive R&D operations, and an embedded culture of innovation, Samsung is well positioned to weather any lurking storm. We believe that in the long-run, Samsung will generate a good return both through increasing dividends and capital appreciation.

Caroline White – Portfolio Analyst

Contact Details:

Setanta Asset Management Limited,
Beresford Court,
Beresford Place, Dublin 1, Ireland.

Brendan Moran, Tel: + 353 1 704 2028
Email: brendan.moran@setanta-asset.com
www.setanta-asset.com

IMPORTANT INFORMATION

For this life assurance product, investors should refer to the relevant policy conditions available through Irish Life and via www.irishlife.ie. The strategy is also available on a segregated basis or a UCITS mutual fund via Beresford Funds plc. Investors should consider the investment objectives, risks, charges and expenses carefully before investing. See 'WARNING' and IMPORTANT INFORMATION' below.

Setanta Asset Management Limited is regulated by the Central Bank of Ireland, New Wapping Street, North Wall Quay, Dublin 1, 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.

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