

Fund Description

The **Managed Fund** ("the Fund"), managed by Setanta Asset Management Limited ("Setanta"), is a unit-linked offering of Irish Life Assurance Limited.

The Fund is an actively managed multi-asset portfolio, which holds a combination of equities, fixed income, property, commodities and cash. The Fund holds between 50-80% of its assets in equities. The asset exposures of the Fund are achieved primarily via:

- Equities: The Setanta Global Equity Fund; Global Equity UCITS Fund
- Fixed Income: The Setanta Fixed Income Fund; ILA Fixed Interest Fund
- Property: The Canada Life Property Fund
- Commodities: The ETFS All-Commodities DJ-UBS
- Cash: The Setanta Liquidity Fund
- Absolute Value: The Longhaul Value Fund; Income Opportunities Fund

The investment objective of the Fund is to outperform the median of the domestic Managed Fund peer group.

Fund Commentary

An oilman dies. He stands before Saint Peter at the gates of heaven, who says, "You've been a good man and normally I'd send you to heaven, but heaven is full. We only have a place in hell." The oilman says, "Any chance I could talk to other oilmen in heaven?"

Saint Peter says, "It's not happened before, but sure, I don't see any harm in it." The oilman goes to heaven, finds the oilmen and yells, "They found a huge oil discovery in hell!" Oilmen start stampeding out of heaven to hell, with our oilman leading the way.

(Fund Commentary continued on Page 3)

Portfolio Managers

Kieran Dempsey & David Ryan CFA, CAIA, FRM



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

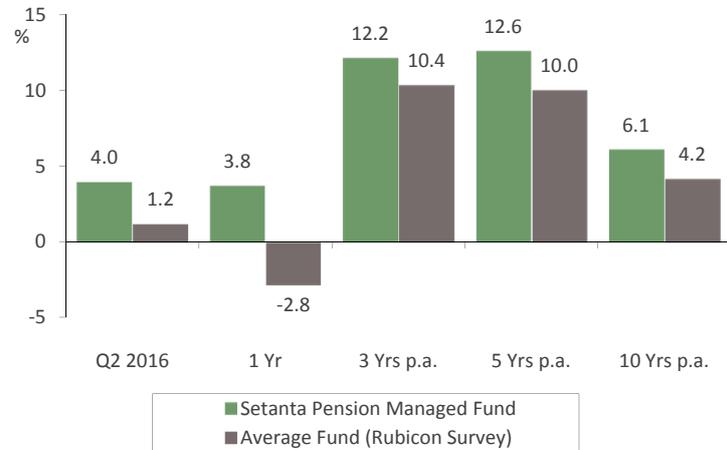


WINNER
Equities Manager of the Year



WINNER
Equities Manager of the Year

FUND PERFORMANCE – 30.06.16



Performance Source: Setanta Asset Management Limited. Benchmark: Rubicon Pension Managed Fund Survey. The actual Fund returns stated are based on the movements in the unit prices of an institutional series of the Fund and are net of management fees. Credit Rating Source: S&P

FIXED INTEREST PORTFOLIO

CREDIT RATING WEIGHTING		
CREDIT RATING TYPE	ASSET TYPE WEIGHTING	BENCHMARK WEIGHTING
AAA	22%	24%
AA	34%	37%
A	1%	2%
BBB	43%	37%
	100%	100%

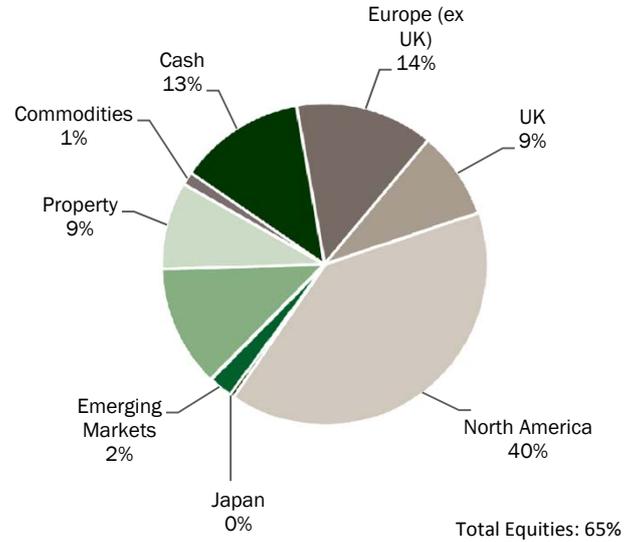
TOP 10 EQUITY HOLDINGS

COMPANY	SECTOR	% OF FUND
DCC	INDUSTRIALS & MATERIALS	2.2%
BERKSHIRE HATHAWAY	FINANCIALS	2.0%
OWENS-ILLINOIS	INDUSTRIALS & MATERIALS	1.9%
CRH	INDUSTRIALS & MATERIALS	1.8%
FAIRFAX FINANCIAL	FINANCIALS	1.6%
JOHNSON & JOHNSON	HEALTHCARE	1.6%
OSHKOSH	INDUSTRIALS & MATERIALS	1.6%
FEDERATED INVESTORS	FINANCIALS	1.5%
LEUCADIA NATIONAL	FINANCIALS	1.5%
MARKEL	FINANCIALS	1.4%

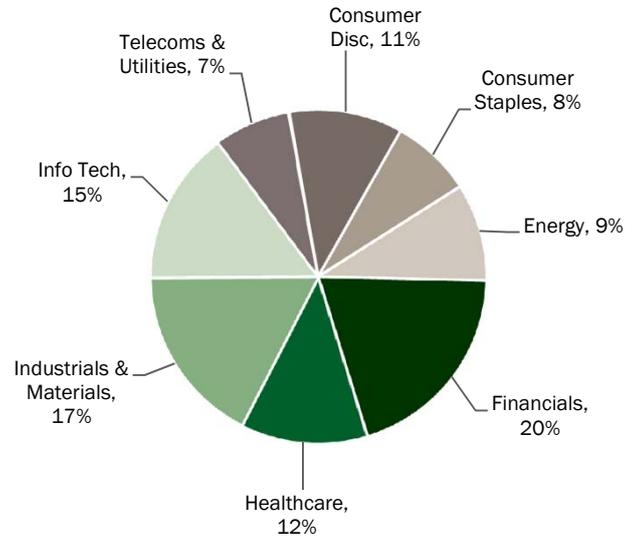
YEARLY PERFORMANCE

Year %	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Fund	-8.4	-20.4	12.2	9.8	21.7	9.1	-1.8	-29.6	22.9	9.5	0.5	14.2	18.5	17.8	8.3
Benchmark	-5.6	-19.0	12.2	10.2	21.7	13.3	-3.9	-35.6	22.0	11.3	-3.6	14.3	16.6	15.6	9.5

GEOGRAPHIC DISTRIBUTION



SECTOR DISTRIBUTION



Saint Peter asks him “Why are you going to hell with them? I have a spot in heaven, you can stay.” The oilman answers – “Are you kidding, what if it’s true?”

Such has been the turnaround in sentiment towards the Oil sector, I thought the above was apt. Financial markets as we know can be driven by near term sentiment, and with oil continuing to move higher this has helped turn sentiment on the energy sector (equity and credit) and oil exporting sovereigns over the quarter, which fed into strong performance across risky assets over the period.

This led to a general risk on theme until the end of June when the UK referendum result on “Brexit” quashed sentiment for a few days, though most asset classes generally recovered into quarter end, as true to form, central banks were quick to soothe concerns.

The ongoing dovish rhetoric and buying programs from Central banks pushed more government and some corporate yields into negative territory. It’s funny to think we started the year, markets bearish long dated government bonds, with four interest rate hikes expected by the Fed, and we may yet end up with none or one at most.

While sterling has borne the brunt of the UK referendum result and concerns about a possible UK recession, knock on effects to both economic and political peripheral contagion in Europe are to the forefront, markets for now seem relatively sanguine, outside of European banks in general and Italian banks in particular.

The Managed Fund delivered 4.05% over the quarter, with a return of 4.06% year to date. Q2 has helped turned around the lacklustre performance seen up to the end of Q1.

Quarterly performance across fund holdings was mixed. Equities in general rose, with energy and healthcare leading the way, while consumer discretionary and IT fell. Both the long duration government bonds and shorter duration corporates performed well over the period, as yields continued to grind lower, with the ten year German bund finally turning negative over the period. The ECB bond buying helped put a floor under most looming concerns.

At current levels, bonds diversifying benefits are likely becoming more muted. To offset a 10% drawdown in equities for example, the ten year bund would need to drop to minus 1%! While some would point to lower bond yields allowing for higher equity multiples, history would not always concur.

Direct property continues to see positive market dynamics, while our exposure to property REITs experienced poor returns as some local concerns relating to our holdings in Ireland and Spain hurt short term valuations.

Other real assets, commodities, continue to march on to higher levels, though there is some question around how much further oil can go with more rigs starting to come back on line.

Irrespective of short term market, economic & political movements, our focus remains on long term fundamentals within a diversified strategy, any pickup in volatility will be used to allocate more capital at hopefully cheaper valuations.

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IMPORTANT INFORMATION

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

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