

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

The Managed Fund returned 2.97% over the quarter, bringing the year to date figure to 6.98%.

All asset classes contributed over the quarter bar cash (-0.6%). Bonds, both government (1.4%) and corporate (2.3%) continue to benefit from technical tailwinds and structurally low inflation. While equities Global (3.6%) were strong over the quarter, though this was driven by strong stock selection, leading to marked outperformance versus benchmarks. The direct property component continued to generate adequate returns (1.6%), while our exposure to alternative strategies through our Income Opportunities Fund proved fruitful (2.2%) for the quarter.

(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 – 30.09.16



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	17%	23%
AA	31%	38%
A	1%	2%
BBB	50%	37%
	100%	100%

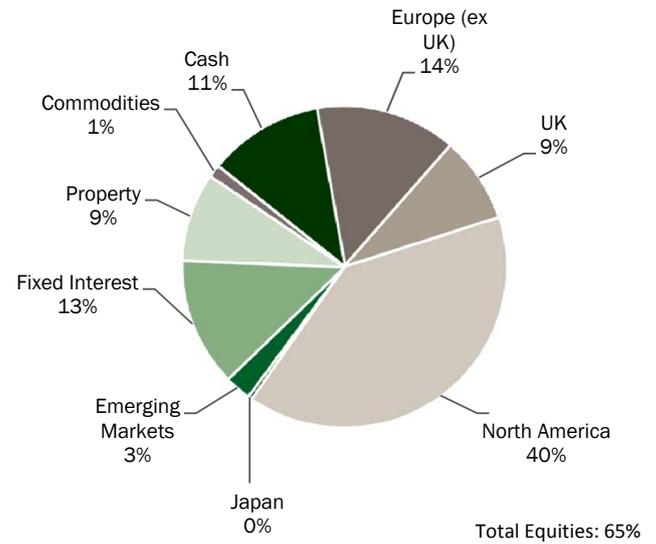
TOP 10 EQUITY HOLDINGS

COMPANY	SECTOR	% OF FUND
DCC	INDUSTRIALS & MATERIALS	2.04%
BERKSHIRE HATHAWAY	FINANCIALS	1.94%
OWENS-ILLINOIS	INDUSTRIALS & MATERIALS	1.93%
OSHKOSH CORP	INDUSTRIALS & MATERIALS	1.88%
CRH	INDUSTRIALS & MATERIALS	1.83%
FAIRFAX FINL HLDGS	FINANCIALS	1.76%
LEUCADIA NATL	FINANCIALS	1.60%
FEDERATED INVESTORS	FINANCIALS	1.51%
SAMSUNG ELECTRONIC	INFORMATION TECHNOLOGY	1.46%
JOHNSON & JOHNSON	HEALTHCARE	1.42%

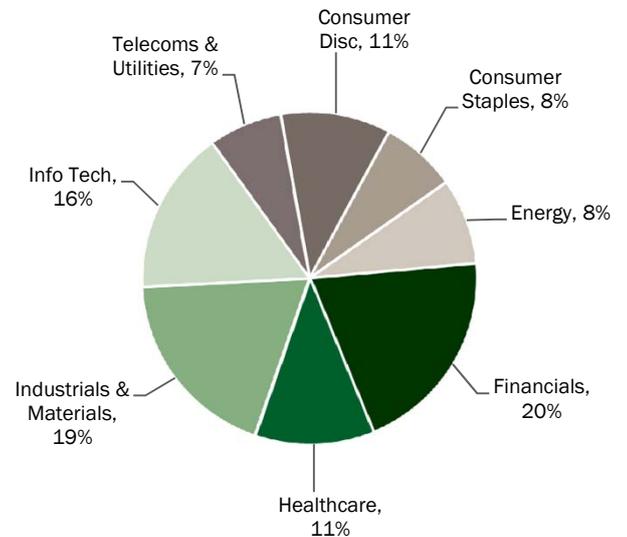
YEARLY PERFORMANCE

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



Winston Churchill once commented that a politician needs the ability to foretell what is going to happen tomorrow, next week, next month, and next year, and to have the ability afterwards to explain why it didn't happen.

Not unlike investors who try to foretell the future of various market and security variables, only to have returns make a mockery of expectations, with the forecast often telling us more about the forecaster than the future.

During Q3, a lot of focus has been placed on politics in general and the US presidential election in particular. Given the recent UK referendum vote, this interest is not surprising, with markets moving on various forecasts of who is ahead in the polls.

Politics could continue to influence financial markets near term, given Spain continues without a government, Italy has a senate referendum in December and next year, anti-EU parties may make gains in German and French elections while the UK looks like it is paving the way for a hard "Brexit".

While all very interesting from an intellectual perspective, foretelling these political outcomes do not feed into our investment process, unless valuations of assets move to attractive levels on political rhetoric or regulation, where then the underlying fundamentals warrant analysis.

Over the quarter central banks remained busy, the Bank of England stepped in with a rate cut, restarted debt purchases and offered favourable loans for banks. Sterling, acting as a shock absorber of sorts, continued to fall over the period. The Bank of Japan announced a capping of ten year yields at 0%, while trying to steepen the yield curve further out, so as not to completely wipe out their permanently precarious financial sector.

Meanwhile, the Fed huffed and puffed but as yet delivered nothing, with assumptions of no move close to the election with the December meeting a more likely date. The ECB continued with purchases, and soothing noises. Government bond yields were broadly down, with curves steepening at the longer end, as inflationary expectations increase with continued wanton QE and an uptick in Oil, post a hazy OPEC agreement.

Expansion of Central bank balance sheets could continue to weaken currencies such as the Euro, while uncertainty around the next Fed actions keeps the USD in a holding pattern. Global growth would seem to be around the 3% level, with the deleveraging needed to allow for greater growth to happen as yet. So more time and policy support could be needed.

Equities performed well, as a move higher in Oil helped sentiment. Though banking concerns grew, both locally (Deutsche Bank) and overseas (Wells Fargo) for different reason, insolvency in one and ineptitude in the other. Technical tailwinds, helped credit as non-financial corporate spreads continued to tighten in, as corporates continue to lock in cheap funding at longer term tenors, while yield starved investors unhappily prostrate themselves.

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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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