

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 4.9% over the quarter, bringing the year to date figure to 12.2%.

There was mixed performance across asset classes. Equities performed strongest, with our global equities delivering circa 7% over the quarter, and 16% year to date.

Equity markets rallied on an assumption of growth, reflation and repatriation under the US president-elect. Within sectors, energy (+13%) and financials (+10%) led with healthcare (+1%) and telecom and utilities (5%) lagging.

(Fund Commentary continued on Page 3)

Portfolio Managers

Kieran Dempsey & David Ryan CFA, CAIA, FRM

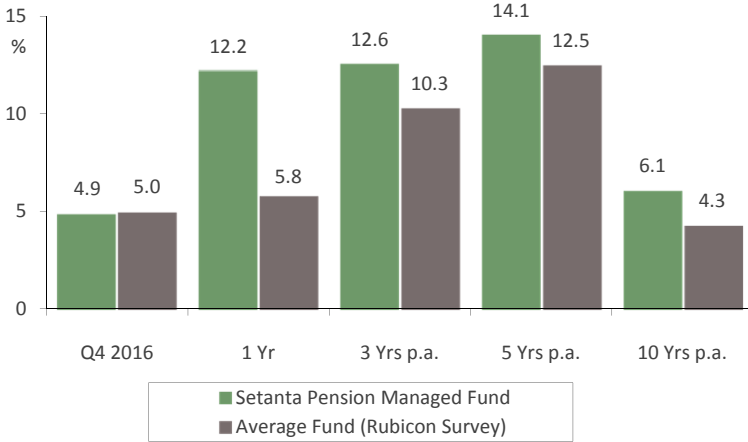


Investment Principles

- 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.



FUND PERFORMANCE – 31.12.16



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	17.9%	25.8%
AA	29.4%	32.8%
A	5.3%	2.7%
BBB	47.5%	38.8%
	100%	100%

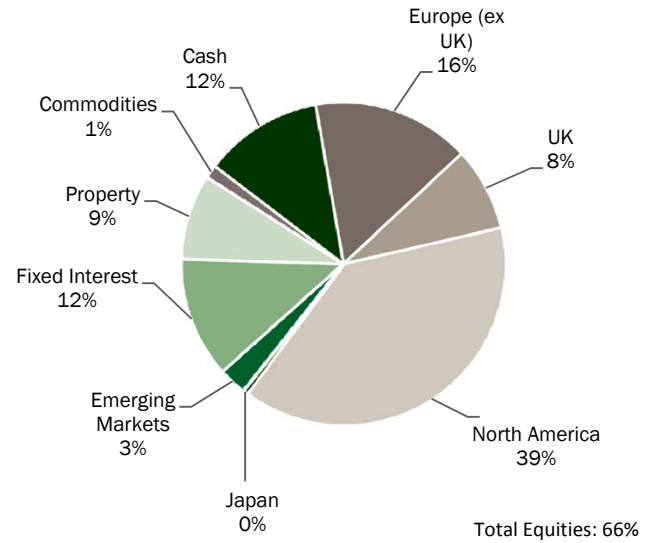
TOP 10 EQUITY HOLDINGS

COMPANY	SECTOR	% OF FUND
BERKSHIRE HATHAWAY	FINANCIALS	2.0%
CRH	INDUSTRIALS & MATERIALS	2.0%
OWENS-ILLINOIS	INDUSTRIALS & MATERIALS	1.9%
DCC	Industrials & Materials	1.8%
LEUCADIA NATIONAL	FINANCIALS	1.7%
OSHKOSH	INDUSTRIALS & MATERIALS	1.7%
FAIRFAX FINANCIAL	FINANCIALS	1.5%
FEDERATED INVESTORS	FINANCIALS	1.5%
JOHNSON & JOHNSON	HEALTHCARE	1.4%
SAMSUNG ELECTRONIC	INFORMATION TECHNOLOGY	1.4%

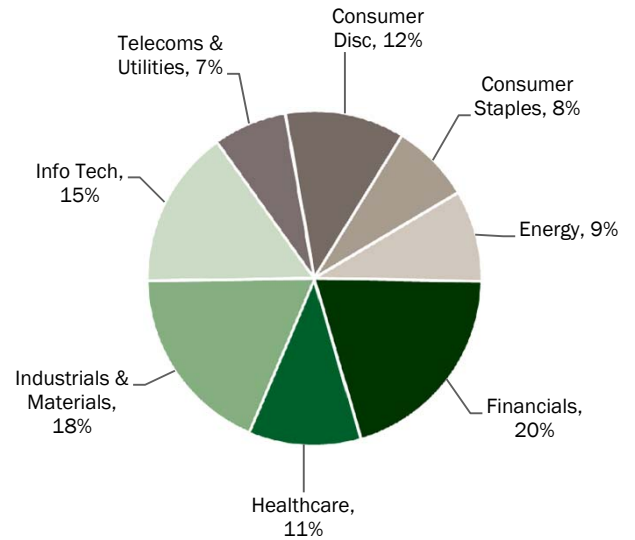
YEARLY PERFORMANCE

Year %	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Fund	-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	12.2
Benchmark	-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	5.8

GEOGRAPHIC DISTRIBUTION



SECTOR DISTRIBUTION



Government debt in turn dropped 5%, reacting to a possible turn in monetary policy (a second US rate hike in eight years), the likelihood of increased fiscal spending, and higher inflationary expectations.

It is important to be aware that at current low absolute yield levels, government debt, generally considered a diversifier of risk within a balanced fund, could prove more of a disperser.

... Half of my speculative positions go up and half go down when the news is bad, and vice versa when the news is good; so I have what is called a "well balanced position"...

Keynes to his mother, Sept 2, 1922

Given the valuation of developed government debt (negative nominal in some and historically low real yields in others) we have been reducing developed market government debt and adding to our credit exposure, up 1% over the quarter, with tightening spreads, higher carry and short duration offsetting higher and steeper government bond yields in general.

Turning to real assets, property continues to perform, with our direct holding delivering 4% over the period. Commodities delivered 8%, moving with the general risk on theme. Oil moved higher, on continued OPEC jawboning. With copper rising and gold falling, industrials trumping precious metals, in line with the pro-growth market narrative.

Our allocation to an internal income fund, a quasi-bond proxy, was beneficial, returning 5% over the period, capturing the move up in equities and ongoing diversified income streams.

So, the quarter has seen markets pricing near certainty of positive outcomes from promises from the campaign trail. Equities rallied, rates were routed and inflationary expectations have risen. Risk of protectionism, emerging market tariffs, and possible slowing global trade would not seem to have caused *too* much market uncertainty!

In "Billions", the latest Showtime parody of the financial world, Bobby Axelrod leads a hedge fund. In a pivotal scene, while Bobby is watching his kids play basketball, a colleague asks him to settle a dispute between two employees.

Should they stay long or sell short a stock? He looks at one of them, and asks, "*What's your level of certainty?*" The employee's response - "*I am not uncertain*" - settles the dispute (though it should be caveated by the fact the certainty of a positive outcome was based on illegal information!).

As we end 2016, we appear shrouded in an environment of more uncertainty than usual. With this uncertainty increasing downside risks. We have uncertainty across the monetary, fiscal and political spectrums, to cover just a few. We could see an end to the monetary easing that markets have come to know and love, with a loosening of fiscal reins also on the cards.

These measures, likely led by the US, where larger infrastructure spending and lower tax rates should see deficits rise if not supported by the "expected" stronger growth. Closer to home, ongoing austerity, would seem to be against the populist agenda, with views more polarised and governments more inclined to spend as prospects improve.

Politically, we end a year with both the UK and US political landscapes changed beyond expectations, while entering a year with a number of European elections to traverse.

Early in Q1 we have a Dutch general election, followed by French presidential and German general elections later in the year. While the US political agenda may pose greater risk to trade and security issues, populist forces in Europe could question the very EU itself.

Unlike Bobby and his ilk, we remain perpetually uncertain of likely market direction, macro trends and investor moods, and their subsequent effect on downside risks.

We do however concentrate on reducing uncertainty where we can. In thorough analysis of and allocating to assets, at a price low enough to offer some margin of safety, thus mitigating some valuation uncertainty.

Contact Details:

Alan Hickey, Tel: + 353 1 612 4903
Email: alan.hickey@setanta-asset.com
www.setanta-asset.com

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.

Setanta Asset Management Limited is regulated by the Central Bank of Ireland, PO Box 559, Dame Street, Dublin 2, 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