

Setanta Global Dividend Fund (CAD)

Q3 2019

Fund Description

The **Dividend All-Equity Fund** (‘the Fund’) is managed by Setanta Asset Management Limited (“Setanta”) and is a representative account of the Dividend strategy.

The is an actively managed equity portfolio, which holds 30-50 global high yield stocks. The portfolio is managed in accordance with the Setanta investment philosophy. That is, the managers seek to own good businesses for the long-term at prices below what they think they’re worth, carefully considering each investment’s risk profile. The Fund further distils this philosophy by targeting stocks where management have both the willingness and ability to distribute meaningful dividends to shareholders.

The fund is managed by three portfolio managers, who also look to leverage off the experience and knowledge of their colleagues. The aim is to achieve a sensible level of diversification on a sector and geographic basis. Stocks are chosen through bottom-up analysis, based on investment merit. The fund can hold up to 10% cash where investments of sufficient quality cannot be found. Rather than focusing on the historic level of volatility of an asset, the portfolio managers regard the probability of permanent impairment of capital as the most relevant measure of risk. In doing so, they seek to maximise downside protection by understanding the risks posed by the valuation, financial, and operational characteristics of the asset. The investment objective of the Fund is to outperform the MSCI High Yield index over the long term.

Portfolio Managers

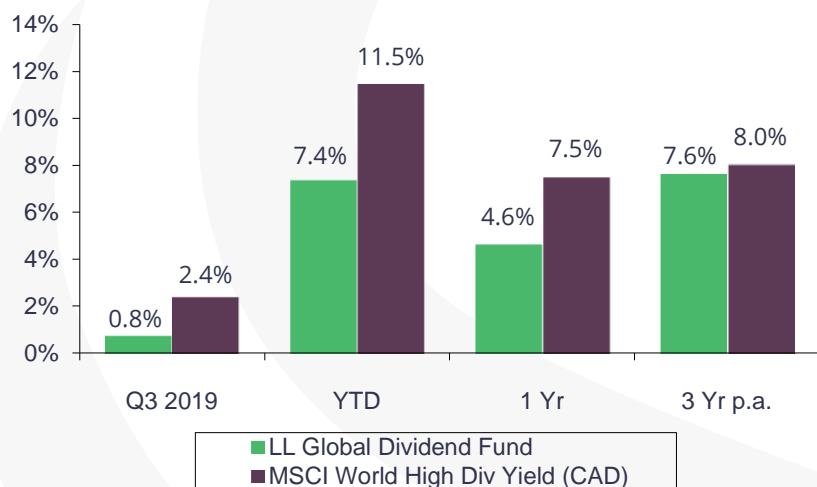
Richard Doyle, CFA; David Pastor, CFA; Caroline White, CFA



Our Investment Principles

- We do not believe markets are efficient
- We invest below our estimate of intrinsic value
- We invest in businesses rather than buying stocks
- Preservation of our clients’ capital is key
- Investing is a marathon, not a sprint
- We are not afraid to swim against the tide
- We consider scenarios rather than making forecasts
- Businesses we own must have strong balance sheets
- We make mistakes and always endeavour to learn from them
- We will act with integrity in everything we do

Fund Performance – 30.09.19



Performance Source: Unit prices: GWL. Returns are based on LL - Global Dividend Fund 8.26SAM Account. Benchmark: MSCI High Yield Index (100% CAD). Returns are in CAD and are gross of management fees. The performance will be reduced by the impact of management fees paid, the amount of which varies. **Holdings Source:** Setanta. Sector allocations based on invested portfolio only (excludes cash). **Fund Statistics Source:** Bloomberg. *Calculated using Index Method

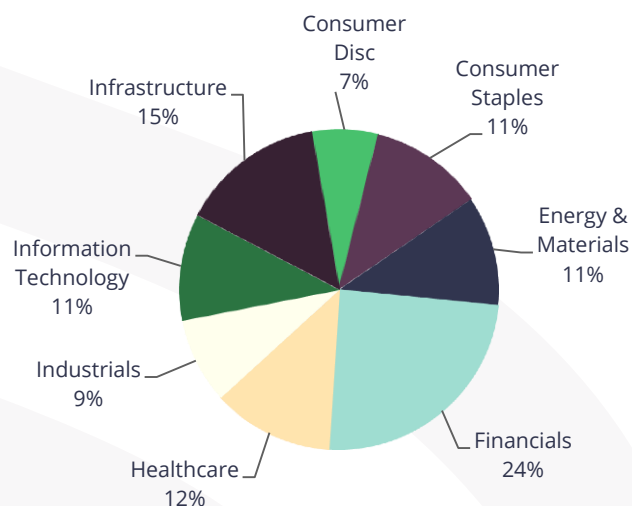
Top 10 Holdings

COMPANY	SECTOR	% OF FUND
LANCASHIRE HOLDINGS	FINANCIALS	4.1%
GLAXOSMITHKLINE	HEALTHCARE	4.0%
PROCTER & GAMBLE	CONSUMER STAPLES	3.5%
HARLEY DAVIDSON	CONSUMER DISCRETIONARY	3.4%
SMITHS GROUP	INDUSTRIALS	3.3%
COCA-COLA AMATIL	CONSUMER STAPLES	3.2%
NATIONAL GRID	INFRASTRUCTURE	3.2%
NOVARTIS AG	HEALTHCARE	3.0%
SAGA PLC	FINANCIALS	3.0%
CISCO SYSTEMS	INFORMATION TECHNOLOGY	2.8%

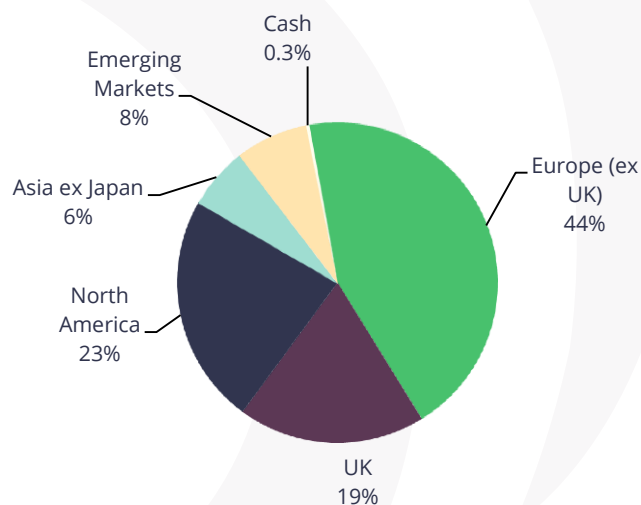
Fund Statistics

PRICE/BOOK	1.8
PRICE/EARNINGS RATIO (FY 1)	14.7
DIVIDEND YIELD %*	4.2
AVERAGE MARKET CAP C\$BN	83.2
NO. OF HOLDINGS	43
DEBT/EQUITY %	59.7
ACTIVE SHARE %	79.4

Sector Distribution



Geographic Distribution



Commentary

The character of the Setanta Dividend Fund is one of 'downside protection'. In seeking to achieve this, we are guided by the importance of a) being risk averse; b) being highly selective; and c) having a long-term horizon. Our recent purchase of Viscofan, a Spanish-based maker of meat casings, provides a good insight into how we seek to put these principles into practice in our investment process.

We first encountered Viscofan a decade ago, being sufficiently interested to produce a formal investment report to be subjected to further scrutiny. Our view then was that Viscofan appeared to be not much more than a producer of a basic product for meat processors, themselves part of a powerful and concentrated industry. As such, we had doubts about the ability of Viscofan to earn an attractive operating profit margin. A number of years later, we returned to the company, noting its record of strong operational and financial performance in the interim. We gained a better knowledge of the role that casings play, in particular how they enhance the feel and taste of many meat products and how they play an important role in enhancing the productivity (thus lowering costs) of those meat processors. We thus had greater confidence that Viscofan could earn an attractive operating profit margin. Nevertheless, we questioned whether this profit margin could be sustained over the long-term, bearing in mind the way in which above-average margins are often 'competed away' by peers.

In the face of further evidence of robust underlying financial performance, and a dip in the share price, we again considered the stock earlier this year. Challenging our remaining doubts, we came to the view that Viscofan has a strong prospect of prospering into the future. It has few competitors that can strongly challenge its dominant position, in what is a niche and oligopolistic industry. Compared to those few competitors, Viscofan has, in our view, much better market share and manufacturing scale; superior intellectual property; greater proximity to end markets; and a much stronger financial position. In fact, as time has passed, Viscofan has increased its advantage over its peers, in turn resulting in attractive returns on its capital (it has achieved an average Return on Equity of 18% over the past five calendar years). In the belief that we are adhering to the investment principles highlighted, we built a position in Viscofan, acquiring shares at a dividend yield of over 3% and a P/E over the past three years of 18x, good value, in our view, for a company of this quality. Of course, we cannot fully control the outcome of this investment; however, we can ensure that we take a selective, risk averse approach, investing on a long-term horizon.



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 Setanta Global Dividend Fund is managed by Setanta Asset Management Limited and is a representative account of the Setanta Dividend 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.

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