

Setanta Dividend Fund

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

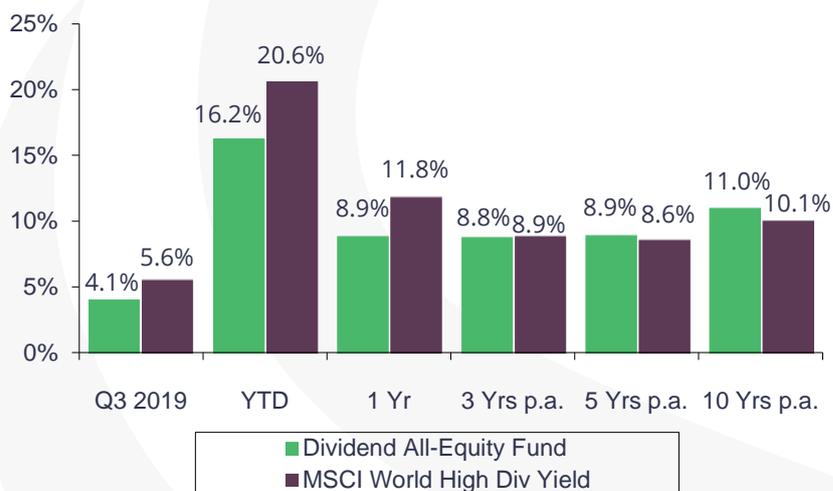
We consider scenarios rather than making forecasts

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 – 30.09.2019



Yearly Performance

Year %	2014	2015	2016	2017	2018
Fund	11.9	12.2	11.9	6.3	-2.0
Benchmark	16.7	7.8	12.6	3.8	-2.9

Performance Source: Setanta Asset Management Limited. Benchmark: MSCI High Yield Index (100% Euro). The Fund returns since 30.09.07 are based on the movements in the unit prices of a representative account, based on mid to mid prices, and are gross of management fees. The unit prices prior to this are derived from a net of fee price, adjusted for the management charge to be representative of the gross of fee performance.

Holdings Source: Setanta. Sector allocations based on invested portfolio only (excludes cash). **Fund Statistics Source:** Bloomberg (metrics include Financials). *Calculated using Index Method

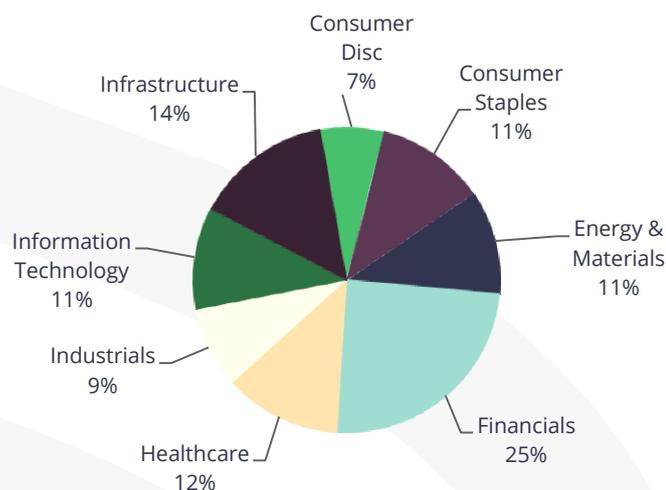
Top 10 Holdings

COMPANY	SECTOR	% OF FUND
LANCASHIRE HOLDINGS	FINANCIALS	4.0%
GLAXOSMITHKLINE	HEALTHCARE	3.9%
PROCTER & GAMBLE	CONSUMER STAPLES	3.4%
HARLEY DAVIDSON	CONSUMER DISCRETIONARY	3.3%
SMITHS GROUP	INDUSTRIALS	3.3%
NATIONAL GRID	INFRASTRUCTURE	3.2%
NOVARTIS AG	HEALTHCARE	3.1%
COCA-COLA AMATIL	CONSUMER STAPLES	3.1%
SAGA PLC	FINANCIALS	3.0%
CISCO SYSTEMS	INFORMATION TECHNOLOGY	2.9%

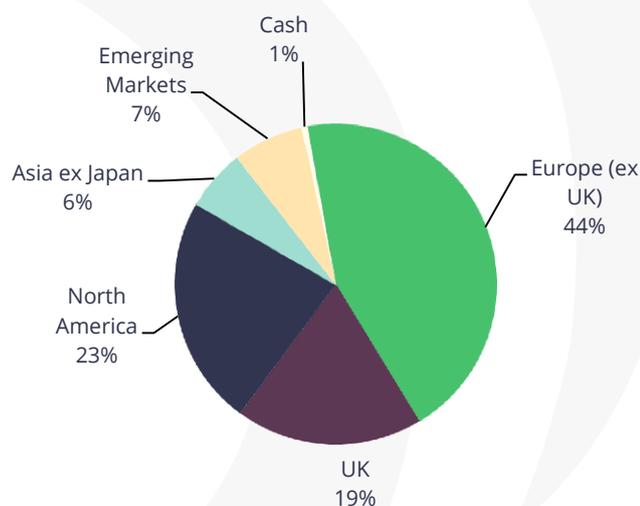
Fund Statistics

PRICE/BOOK	1.8
PRICE/EARNINGS RATIO (FY 1)	14.7
DIVIDEND YIELD %*	4.2
AVERAGE MARKET CAP €BN	57.6
NO. OF HOLDINGS	43
DEBT/EQUITY %	59.9
ACTIVE SHARE %	79.2

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:

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

Brendan Moran, Tel: + 353 1 612 4962
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. 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. 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