Setanta Managed Fund
Q3 2019

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 Managed Fund is an actively managed multi-asset portfolio, which holds a combination of equities, fixed income, property, commodities, cash and absolute value. The Fund holds between 50-80% of its assets in equities, reflecting the breadth of the market and Setanta's expertise in the area. The portfolio is managed in accordance with the Setanta investment philosophy. That is, the managers seek to own good assets for the long-term at prices below what they think they're worth, carefully considering each investment's risk profile.

The investment objective of the Fund is to outperform the median of competitor Managed Fund offerings over the long term.

Fund Commentary

The Setanta Managed Fund gained +2.5% over the third quarter, bringing year to date returns to +13.3%.

Global equity markets, following on from last quarter, continued to march higher (MSCI World +5.0% QTD).

Within global equities, the Telecom & Utilities (+8.2%) and Consumer Discretionary (+7.2%) sectors were the leaders in performance, while Industrials & Materials (-1.0%) and Energy (+0.8%) were the laggards.

(Fund Commentary continued on Page 3)

Portfolio Managers

Kieran Dempsey & David Ryan CFA, CAIA, FRM

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

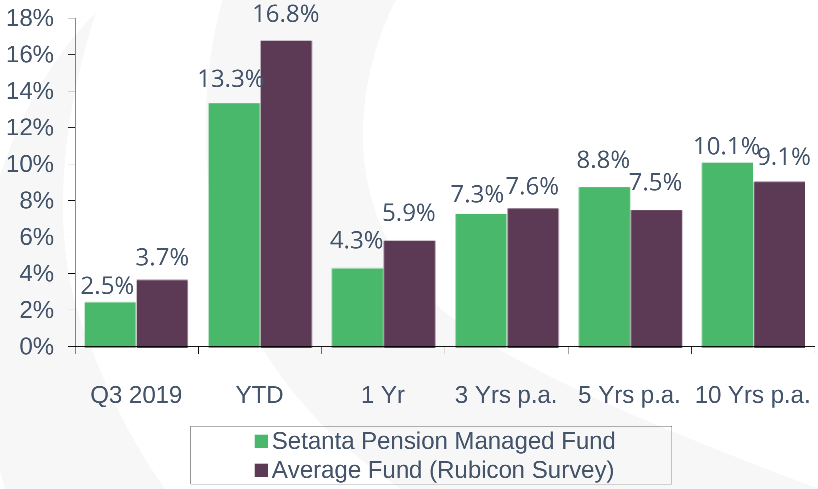
We consider scenarios rather than making forecasts

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

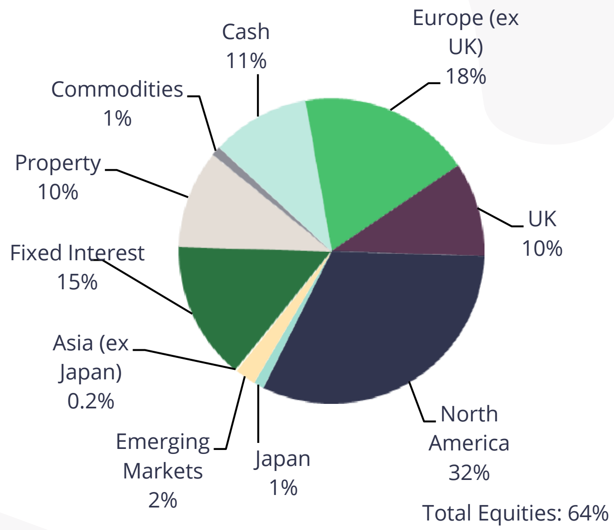


Performance Source: Setanta Asset Management Limited. Benchmark: Rubicon Pension Managed Fund Survey. The actual Fund returns stated are based on the movements in the unit prices of an institutional series of the Fund and are net of management fees. **Holdings Source:** Setanta. Sector allocations based on invested portfolio only (excludes cash). **Credit Rating Source:** S&P

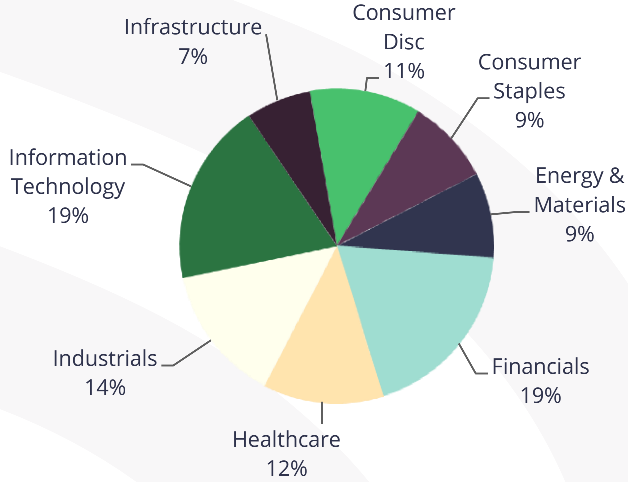
Top 10 Equity Holdings

COMPANY	SECTOR	% OF FUND
MICROSOFT CORP	INFORMATION TECHNOLOGY	2.1%
BERKSHIRE HATHAWAY	FINANCIALS	2.0%
DCC	INDUSTRIALS	1.8%
FEDERATED INVESTORS	FINANCIALS	1.7%
LANCASHIRE HOLDINGS	FINANCIALS	1.7%
MELROSE INDUSTRIES	INDUSTRIALS	1.5%
JOHNSON CONTROLS	INDUSTRIALS	1.5%
KEYSIGHT TECHNOLOGIES	INFORMATION TECHNOLOGY	1.4%
CISCO SYSTEMS	INFORMATION TECHNOLOGY	1.3%
ORACLE CORP	INFORMATION TECHNOLOGY	1.3%

Geographic & Asset Distribution



Sector Distribution



Fixed Interest Portfolio

CREDIT RATING WEIGHTING		
CREDIT RATING TYPE	ASSET TYPE WEIGHTING	BENCHMARK WEIGHTING
AAA	12.7%	19.0%
AA	43.0%	38.3%
A	22.1%	18.6%
BBB	22.2%	24.1%
	100%	100%

Yearly Performance

Year %	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Fund	9.1	-1.8	-29.6	22.9	9.5	0.5	14.2	18.5	17.8	7.9	12.2	6.8	-2.7
Benchmark	13.3	-3.9	-35.6	22.0	11.3	-3.6	14.3	16.6	15.6	9.5	5.9	7.3	-5.2

SETANTA
Asset Management

Commentary

Across our other main asset classes, Government bonds (+5.5%), Property (+0.9%), & Corporate Debt (+1.0%) all posted positive returns, as dovish central bank monetary policy provides a buffer against ongoing trade related tensions and lacklustre economic data.

Capital markets gyrated, with concerns ebbing and flowing in relation to US-Sino trade tensions (tariffs on-off), monetary policy pivots (generally more expansionary) and lacklustre growth (an ongoing theme).

Equities, at a headline level performed strongly, the US the S&P 500 hit new highs, though when viewed at a more granular level, the move masks quite a level of dispersion.

Government bonds also contributed to overall performance, with the German Bund yield falling, hitting an all-time low of -0.74%. This was a familiar story that played out amongst most developed bond markets.

Yield curves were flatter with some inversion, raising a possible red flag in relation to further economic expansion. A compromise by Italian politicians on budget limits with Europe saw Italian government bonds performing particularly well, with yields falling by over 1%, further aided by a particularly dovish ECB meeting. We see a changing of the guard over the quarter, as Mario Draghi will leave and Christine Lagarde take over as president of the ECB for Q4. While her lack of economic training has gotten some negative coverage, overtime her astute political abilities (IMF Head) and crisis management (French Finance minister during GFC) may well prove more important.

In currencies, the EUR weakened in general, with safe havens performing while the yuan breached psychological levels versus the US Dollar. Ongoing Brexit risks saw sterling selling off aggressively (reaching £0.93) only to finish the quarter close to where it started on some positive headlines on a possible deal.

Over the quarter, some divergences continued to widen, both in economic data and capital markets. Manufacturing data continued to fall (some to contractionary levels) pointing towards slower global growth. On the other hand labour markets continued to tighten with historically low unemployment levels, signalling a robust consumer segment and potentially greater inflationary risks.

That said, it has been argued that as economies have moved more towards being services led than manufacturing driven, the signalling effect of poorer manufacturing data may be less worrisome than before. A similar pattern was seen in 2015, with a slowdown in China leading to a manufacturing slump, but not a recession.

Turning to capital markets, equities would seem to have one eye on strong consumer spending, with markets moving higher (marginally off the highs), while government bonds (US 30 YR hitting all time low) through both curve shape and absolute levels remain more focused on the greater possibility of weakness (central bank distortions notwithstanding) and increasing recession probabilities.

There are ongoing signs of a late-cycle economy, with the current expansion the longest on record, so a certain level of concern is warranted. However, the end of the quarter did see some evidence of cyclical outperformance, with strength in both Financials and Autos. Heading into Q4 any signs of a Brexit or trade breakthrough could lead to a rally into year end. While this would be a nice way to finish a strong year, we remain more concerned about valuations and long term returns and will manage the portfolio with that in mind.

David Ryan – Portfolio Manager

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