Setanta EAFE Equity Strategy (USD)
Q1 2020

Strategy Description

The **EAFE Equity Strategy** ('the Strategy') is managed by Setanta Asset Management Limited ("Setanta"). The Strategy is available to US Investors on a separate account basis.

The Strategy is an actively managed equity portfolio, with a long-term investment horizon. Our aim is to invest in EAFE (Europe, Asia and Far East) companies that are trading below their intrinsic value. Our investment process seeks to invest in companies that exhibit a combination of low financial risk, low operational risk and low valuation risk.

We believe that if we can invest in companies that possesses these characteristics then we can reduce the risk of a permanent loss of capital and enhance our chances of outperforming our benchmark over the long term. The investment objective of the Strategy is to outperform the MSCI EAFE index over the long term.

Fund Commentary

A date with history

Firstly to all our clients and readers I hope all of you and your families are staying safe during this difficult time.

We are going through strange, worrying and unprecedented times. While I have no doubt that financial markets will recover over time the human impact is much, much deeper, there are thousands of families across the world who's lives have changed forever due to COVID19. I think it's fair to say that 2020 will be marked in history books for all the wrong reasons.

(Fund Commentary continued on Page 3)

Portfolio Managers

Rowan Smith; Fergal Sarsfield, CFA & Conor Walshe



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

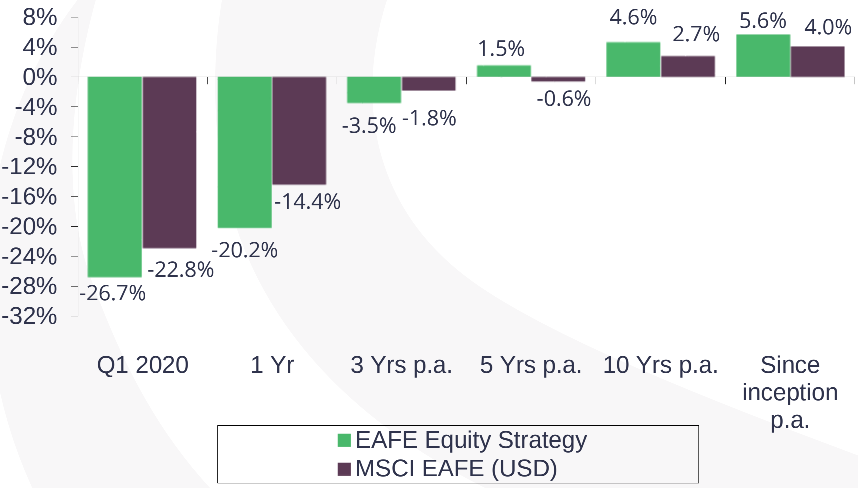
We consider scenarios rather than making forecasts

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

Strategy Performance (USD) to 31.03.2020



Yearly Performance

Year %	2015	2016	2017	2018	2019
Fund	4.4	10.8	24.9	-10.7	19.1
Benchmark	-0.8	1.0	25.0	-13.8	22.0

Performance Source: Setanta Asset Management Limited. The Fund returns stated, which have been converted to USD at FX rate 0.702568, are based on the movements in the unit prices of the CLA CA Managed EAFE Portfolio SF035 [IEC11007] and are gross of management fees. The performance will be reduced by the impact of management fees paid, the amount of which varies. Inception date January 2004. **Benchmark:** MSCI EAFE (USD). **Holdings Source:** Setanta. Sector allocations based on invested portfolio only (excludes cash). **Fund Statistics Source**: Bloomberg.

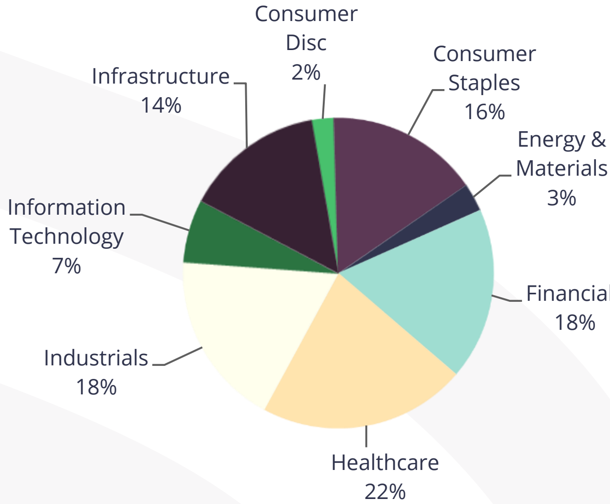
Top 10 Equity Holdings as at 31.03.2020

COMPANY	SECTOR	% OF FUND
GPE BRUXELLES LAMBERT	FINANCIALS	5.6%
DCC	INDUSTRIALS	5.5%
ALFRESA HOLDINGS	HEALTHCARE	5.1%
KDDI CORP	INFRASTRUCTURE	4.7%
UNILEVER	CONSUMER STAPLES	4.2%
NOVARTIS AG	HEALTHCARE	3.9%
ALCON AG	HEALTHCARE	3.6%
DIAGEO	CONSUMER STAPLES	3.6%
SANOFI	HEALTHCARE	3.6%
GLAXOSMITHKLINE	HEALTHCARE	3.5%

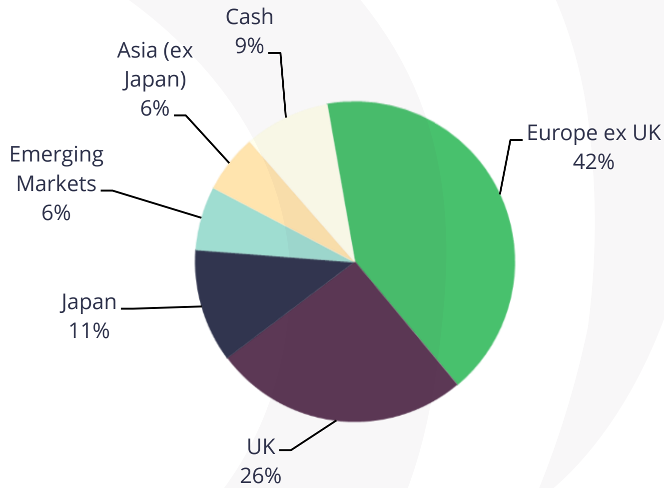
Fund Statistics as at 31.03.2020

PRICE/BOOK	1.2
PRICE/EARNINGS RATIO (FY 1)	12.5
DIVIDEND YIELD %	4.2
AVERAGE MARKET CAP $BN	33.9
NO. OF HOLDINGS	35
DEBT/EQUITY %	58.2
ACTIVE SHARE %	89.2

Sector Distribution as at 31.03.2020



Geographic Distribution as at 31.03.2020



SETANTA Asset Management

Commentary

One vital lesson we in Setanta have learned over time is to stick within our core circle of competence, to know the areas where we have a core competence and to be honest enough to know the areas in which we are not qualified to speak, comment or pass judgement on. We are not epidemiologists nor experts in disease prevention so we don't believe we can add any value by estimating how long it will take for various countries to flatten the curve, stem the speed of the virus and when this pandemic will end. We just hope it happens sooner rather than later.

Over the past several weeks we have spent a lot of time trying to understand how this crisis is going to impact our portfolio companies. Just to be clear, when it comes to analysing the impact of COVID19 the proverbial rule book has been thrown out the window. As you know we are very risk averse investors and carry out stress testing and scenario analysis on our portfolio companies to see how they may handle a downturn in economic activity. This will typically involve stress testing the financial statements for a 25-30% decline in normal business activity and analyse valuation levels based on this lower level of activity. However the current environment is not like one we nor our portfolio companies have experienced before, COVID19 has caused a huge demand side shock, we now have entire parts of certain economies experiencing a complete shutdown in demand and uncertainty around when they will start firing again. The fact that not since World War II has certain parts of Europe had to turn off the taps of economic activity shows the severity of the situation.

As mentioned, this has forced us to throw the rule book out the window, what we are focusing on now is trying to understand which companies are least/most impacted and what measures they can take to preserve their financial strength at a time when there is no cash coming in but still cash going out.
This quote is from the CEO of a consumer staples portfolio company. A company which ordinarily we would expect to be somewhat resilient but is still facing into a very uncertain time.

"2020 is now a year of protecting the business. It's really quite unthinkable, the speed of the change that's happened.... I think none of us appreciated just how, within the space of a matter of weeks, it would reshape our world."

The financial strength of our portfolio companies has always been a key priority and we have always tried to be predominately invested in companies with strong balance sheets but at times like this even the strongest companies are coming under pressure.

We've spent the past few weeks analysing balance sheets, debt covenants, cash flows and engaging with management teams to better understand where/how they can preserve cash. This process is ongoing and we will endeavour to take action on any holdings that we believe may struggle to maintain their current financial strength.

Commentary

At the time of writing we have made some modest tweaks to the portfolio but there have been no outright sales as of yet.

Quarter One Performance

Quarter one was a difficult period, the MSCI EAFE benchmark fell considerably and our fund underperformed. This has been hard to take as we have always felt that our fund was relatively well positioned to weather any downturn in equity markets.

So what happened that our fund did not perform as expected? In general, the severe reduction in economic activity across the breath of the global economy meant that there were few places to hide. Furthermore, there are two primary areas where we did not perform as expected.

A. We have an overweight position in the Industrials sector which underperformed the MSCI EAFE benchmark. This is not to be unexpected in a downturn but we would have hoped the share prices of our portfolio companies would have performed better. Holdings like Melrose and Ryanair performed particularly poorly, with European air travel grinding to a halt impacting Ryanair and operational (reduced auto and aerospace demand) as well as financial concerns (elevated debt and inability to dispose of assets) hurting Melrose. We estimate that the performance of our Industrial holdings contributed to over 75% of our underperformance. At this juncture, we intend to retain these positions.
B. We have an overweight position in the Consumer Staples sector, a sector which we regard as being defensive but two of our portfolio holdings, Thai Beverage and Coca Cola Amatil did not behave in a defensive manner as the global pandemic unfolded. Both companies are exposed to the drinks sector, Thai Beverage being beer and spirits and Coca Cola Amatil soft drinks, water and juices. With bars, restaurants and cafés all being closed there was a material reduction in demand which has had a knock on effect on their share prices. Despite this, we believe both are exceptionally strong companies and will weather this storm and we now believe valuation levels are back to very attractive levels

However it hasn't all been bad news. We have had some exceptionally strong performers during the quarter, with Alfresa, Ericsson and KDDI all performing well ahead of the benchmark and closing the quarter close to price levels where they began the year. We firmly believe that as the market returns to some level of rationality that more of our portfolio companies will behave like the aforementioned companies.

We look forward to communicating to you again in early July when hopefully the COVID19 pandemic will have passed and the world will be getting back to some level of normality.

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IMPORTANT INFORMATION

The EAFE Equity Strategy is managed by Setanta Asset Management Limited and is a representative account of the EAFE Equity strategy. The performance shown is the performance of a representative account (CLA CA Managed EAFE Portfolio SF035 [IEC11007]). The strategy is available on a separate account basis to institutional investors however current and prospective clients should not assume identical performance results to those shown would have been achieved for their account if it was invested in the strategy during the period. Clients of the firm may receive different performance than the representative account. Client performance may differ due to factors such as timing of investment(s), timing of withdrawal(s), client-mandated investment restrictions and the portfolio not being fully replicated for new accounts or new flows. Investors should consider the investment objectives, risks, charges and expenses carefully before investing. See 'WARNING' and IMPORTANT INFORMATION' sections below.

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