Setanta Dividend Fund
Q1 2020

Fund Description

The **Dividend 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

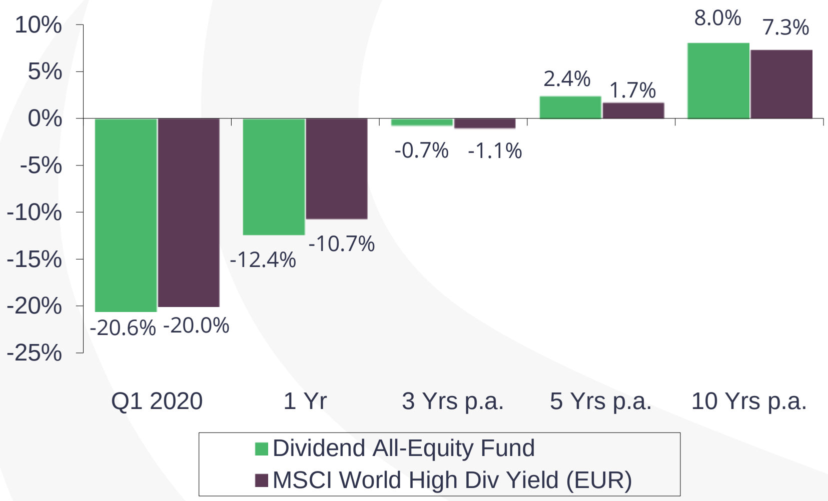
We consider scenarios rather than making forecasts

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 – 31.03.2020 (EUR)



Yearly Performance

Year %	2015	2016	2017	2018	2019
Fund	12.2	11.9	6.3	-2.0	24.0
Benchmark	7.8	12.6	3.8	-2.9	25.4

Performance Source: The Fund returns since 30.09.07 are based on the movements in the unit prices of the ILA/CLI Setanta Dividend Equity Fund [IEC7601] and are gross of management fees. The performance will be reduced by the impact of management fees paid, the amount of which varies. The unit prices prior to this are based on a net of fee price, adjusted for the management charge to replicate a gross of fee performance. **Benchmark:** MSCI High Yield Index (100% Euro). **Holdings Source:** Setanta. Sector allocations based on invested portfolio only (excludes cash). **Fund Statistics Source:** Bloomberg (metrics include Financials). *Calculated using Index Method

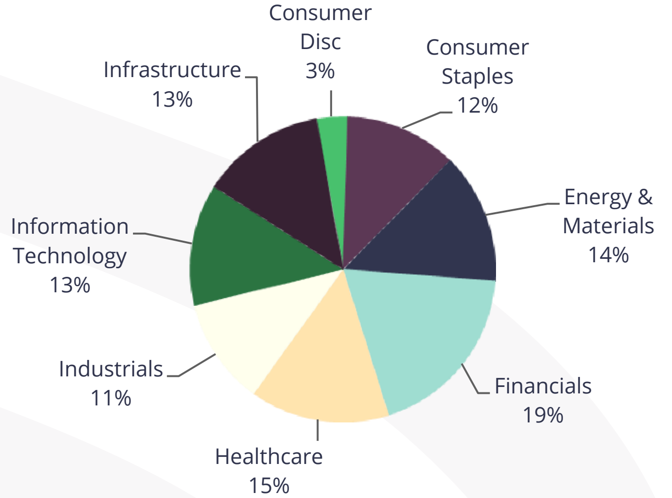
Top 10 Holdings

COMPANY	SECTOR	% OF FUND
GLAXOSMITHKLINE	HEALTHCARE	4.2%
CISCO SYSTEMS	INFORMATION TECHNOLOGY	3.9%
NOVARTIS AG	HEALTHCARE	3.7%
PROCTER & GAMBLE	CONSUMER STAPLES	3.4%
INTEL CORP	INFORMATION TECHNOLOGY	3.3%
SAMPO OYJ	FINANCIALS	3.3%
VISCOFAN SA	ENERGY & MATERIALS	3.2%
JOHNSON & JOHNSON	HEALTHCARE	3.2%
SANOFI	HEALTHCARE	3.2%
SMITHS GROUP	ENERGY & MATERIALS	3.1%

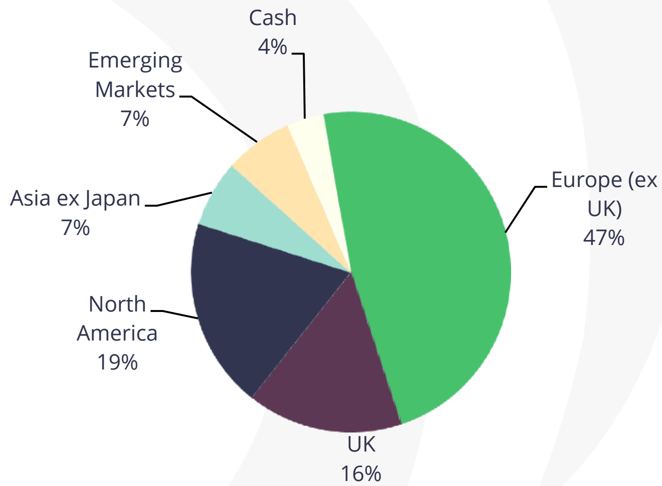
Fund Statistics

PRICE/BOOK	1.7
PRICE/EARNINGS RATIO (FY 1)	13.2
DIVIDEND YIELD %*	4.7
AVERAGE MARKET CAP €BN	54.7
NO. OF HOLDINGS	42
DEBT/EQUITY %	49.0
ACTIVE SHARE %	76.9

Sector Distribution



Geographic Distribution



SETANTA
Asset Management

Overview

As many readers will recall, it seems that we have been concerned about the prospect of a sharp fall in the market for some time. Among other things, we have wondered about the robustness of China's economy, its apparent ability to consistently grow at a rapid pace seemingly without pause, and whether it would be the trigger for the next market collapse. Little did we think that while the genesis of the recent collapse in global equity markets would indeed be China, it would come from a market for live animals in the large, but little known city, of Wuhan. From there into the human world emerged the COVID-19 virus.

Events since then have moved to the point where the world as a whole is, first and foremost, grappling with a virulent threat to life, largely unknown to our generation in the western world. Schools, governments, museums, cafes, pubs and even McDonalds, have pulled their shutters down, while the physical environment of citizens has shrunk in the midst of widespread curfew. In many countries, only those businesses deemed essential have been allowed to remain open. Considerations of profit and loss for other companies are, for now, secondary. As in the Great Financial Crisis of 2008-2009, central banks have reacted by cutting interest rates, albeit from low levels, and providing liquidity to corporations. In contrast to that time, governments have responded with large amounts of fiscal stimulus, rather than austerity. In all this, equity markets buckled, falling 32% peak to trough intra-quarter (as measured by MSCI World High Dividend Yield Index), before recovering into the quarter end. This intra-quarter peak-to-trough fall was steeper than any experienced by that index during the Great Financial Crisis. In this, the Dividend Fund has been similarly affected, falling 21% over the quarter, slightly more than its benchmark. This follows a very strong period last year, in which it increased in value by 24%.

This is a strange time when the foremost focus of many companies is whether they can generate revenues, whatever about profit. The issues of solvency and liquidity are again to the fore. In this context, an ECB instruction to all Eurozone banks to neither pay dividends, nor repurchase shares, doesn't seem that shocking, even if it is unprecedented. An increasing number of companies have suspended, if not cancelled, already-declared dividends. This is entirely understandable, as financial strength in a crisis of indefinite length, must be prioritised. It is also the case that payment of those dividends, alongside workforce reductions for example, could be perceived as insensitive at this time. In such circumstances, we are inclined to be supportive of company managements, albeit on the expectation that dividends will resume in due course.

In assessing the fund, our approach to date has been to robustly re-examine many of our holdings, both with a view to testing their ability to navigate the unique challenges of this crisis and reconsidering the merits of the cases on which we made those investments.

The specifics of financial obligations, cash and liquidity are being re-assessed, while the threats (and in some cases, opportunities) of this particular crisis are being considered. Numerous calls, and correspondences, all from our homes, have taken place. To date, while cognisant of the realities of the pressures above, we are encouraged by the underlying ability of the fund's holdings to pay dividends.

Looking ahead, there is huge uncertainty. We believe that the true quality of many companies has still to be tested. As they publish their financial statements and update the market on the effect of the crisis on their businesses over coming quarters, this quality, or its absence, should be revealed. Due to the extent of the lockdown, some companies find themselves in the unusual position of being unable to compete and, as such, demonstrate the strength of their competitive positioning. This could delay, perhaps even mitigate, discrimination between the strong and weak companies. We believe that the fund will be well served by holdings that are prudently oriented in terms of their financial solvency and liquidity combined with businesses that have strong competitive positions.

Noteworthy Stock Moves, and, Portfolio Changes

Over the quarter the fund benefitted in particular from its holdings in Viscofan, one of few companies to rise in absolute terms. Viscofan, a maker of meat casings, operates in a relatively defensive (less cyclical) industry. Demand for its products likely remained healthy, while Viscofan's ability to produce its products was largely unaffected. Its strong financial and market-leading position has, no doubt, helped too. Swedish Match, produces smokeless tobacco products, which appear to have been available during the crisis, unlike many consumer goods, while being reliable in terms of demand from consumers. On the downside, Saga, the UK insurer and travel company, was very weak, mainly reflecting the U.K. government-imposed suspension of cruise ship travel from there, allied to it being in a turnaround situation (as discussed in recent reports). Harley Davidson, maker of eponymous motorcycles, was also very weak during the quarter (see discussion below). Sampo, a Nordic insurer and a large holding, fell amidst fears, overestimated in our view, that insurers generally will be obliged to cover much of the cost of the crisis. Merlin Properties, a Spanish Real Estate Investment Trust, also declined materially as many of its clients, retail outlets, overnight found themselves without revenues, let alone profits.

Prior to the quarter, BME, the Spanish stock exchange business, received a takeover bid and, as such, behaved largely like cash during the quarter as its stock price anchored around that bid.

As further upside in BME was limited and we feared the possibility, that the takeover offer might be withdrawn in this feverish environment, we sold our position, realising a handsome contribution to the fund. We also sold the fund's holding in Harley Davidson, following a review of the stock. Although we believe that Harley has many favourable attributes, it has faced a number of headwinds (unfavourable demographic trends and tariffs among others) in recent years. When combined with an environment in which finance is not guaranteed and some strategic uncertainly following its CEO's departure in recent times, we concluded that the risk \ reward profile, from our perspective, had become unfavourable.

These sales left us with a material amount of cash, part of which was used to acquire a new position in DCC. Mainly a distributor of fuels, DCC fell heavily during the quarter tarred with the energy brush, which provided a favourable opportunity for investment in this consistently value-creating company. We acquired the fund's position at a yield of just under 3.0% on a dividend that has grown at more than 12% annually over the past five years. Unilever, the consumer products company, became a holding of the fund too. Unilever produces a range of personal care, home care, food and beverage products, owning brands such as 'Dove', 'Persil' and 'Knorr'. We acquired the fund's position in this high-return business at a price equivalent to a historic dividend yield of just under 4%. Prior to the onset of the crisis, the fund acquired a position in Zardoya Otis, a Spanish company. Zardoya Otis is one of a small number of companies that provide elevators mainly in Spain, a country with among the highest ratio of elevators per-capita. Given a high proportion of residential exposure and the attractive and defensible margins that elevator aftermarket services offer, Zardoya should be able to generate attractive free cash-flow for years to come. Our position was acquired at a historic dividend yield of just under 5%.

**All figures are stated in euro, while those specifically relating to fund performance are also stated gross of fees.*

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IMPORTANT INFORMATION

The Dividend Equity Fund is managed by Setanta Asset Management Limited and is a representative account of the Dividend Equity strategy. The performance shown is the performance of a representative account (ILA/CLI Setanta Dividend Equity Fund [IEC7601]). 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 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' below.

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