Setanta Global Focus Fund
Q1 2020

Fund Description

The **Global Focus Fund** ('the Fund') is managed by Setanta Asset Management Limited ("Setanta") and is a representative account of the Global Focus strategy.

The Fund is an actively managed equity portfolio which holds c.20 global 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. Stocks are chosen through bottom-up analysis, based on investment merit. Due to the Fund's concentrated nature, investments require an even greater than normal margin of safety. The Fund can hold up to 30% 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.

Fund Commentary

The Global Focus Fund returned -24.5% in the quarter to 31st March 2020, around 5.3% behind the MSCI World Index -19.2%.

Readers hardly need reminding of why markets are down. Due to COVID-19, many businesses have been forced to shut and despite government financial assistance, it has utterly destabilised the business world as we know it.

(Fund Commentary continued on Page 3)

Portfolio Managers

David Coyne & Rowan Smith

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

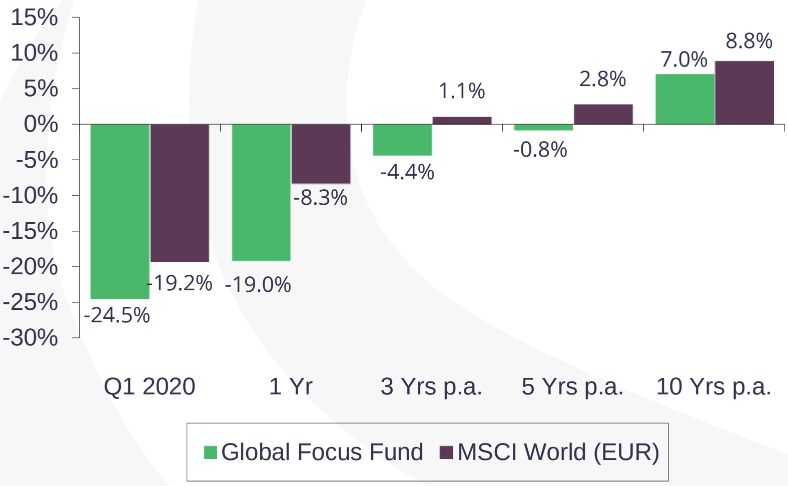
We consider scenarios rather than making forecasts

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)



Performance Source: Setanta Asset Management Limited. The Fund returns stated are based on the movements in the unit prices of the ILA/CLI Setanta Global Focus Equity Fund [IEC4001] and are gross of management fees. The performance will be reduced by the impact of management fees paid, the amount of which varies. **Benchmark:** MSCI World (EUR). **Holdings Source:** Setanta. Sector allocations based on invested portfolio only (excludes cash). **Fund Statistics Source:** Bloomberg

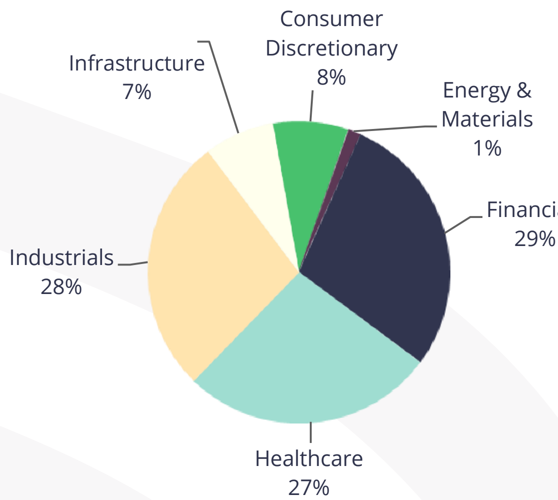
Top 10 Holdings

COMPANY	SECTOR	% OF FUND
DCC	INDUSTRIALS	9.5%
STERIS PLC	HEALTHCARE	9.3%
BERKSHIRE HATHAWAY	FINANCIALS	9.1%
JOHNSON & JOHNSON	HEALTHCARE	7.9%
ALFRESA HOLDINGS	HEALTHCARE	7.5%
MINCON GROUP	INDUSTRIALS	7.2%
LANCASHIRE HOLDINGS	FINANCIALS	6.9%
RICHEMONT	CONSUMER DISCRETIONARY	5.6%
MARKEL CORP	FINANCIALS	5.3%
LSL PROPERTY SERVICES	INFRASTRUCTURE	5.1%

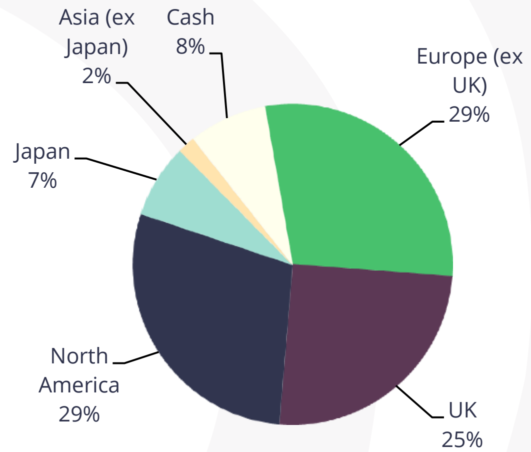
Fund Statistics

PRICE/BOOK	1.1
PRICE/EARNINGS RATIO (FY 1)	14.6
DIVIDEND YIELD %	2.5
AVERAGE MARKET CAP € BN	48.2
NO. OF HOLDINGS	17
DEBT /EQUITY %	36.8
ACTIVE SHARE %	94.3

Sector Distribution



Geographic Distribution



Yearly Performance

Year %	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Fund	-2.7	-35.2	44.0	28.2	1.5	9.0	20.0	19.1	7.3	11.7	9.7	-6.4	17.8
Benchmark	-1.7	-37.6	25.9	19.5	-2.4	14.1	21.2	19.5	10.4	10.7	7.5	-4.1	30.0

SETANTA Asset Management

One future scenario is that the current lockdown essentially remains in place until a vaccine is found, produced and administered, in which case there will be major economic damage and a large number of businesses throughout the world will go bust. A second scenario is that governments will soon gradually reopen economies, allowing businesses to get back on their feet. There are multiple scenarios of course, but these probably encompass the extremes. We are not smart enough to know which scenario is going to play out, but a gradual reopening would seem the more likely path and it is on this basis that we are analysing whether and how each of the fund's holdings can survive the next 6-12 months

Performance

Our approach to managing the fund has always been to own a collection of attractively-priced resilient businesses, ones that don't require a certain set of economic conditions, interest rates or government support in order to make money. However, the truth is that not many businesses are set up to deal with sales down 50%, or in some cases down 100%.

During Q1 there was an enormous spread between the best and worst performers in the fund. Our three healthcare stocks held in relatively well, down 6-7%, reflecting the essential products and services that they are providing during the pandemic. At the other end of the performance table were our industrial and consumer-exposed holdings, such as Melrose, National Oilwell Varco, Ryanair and LSL, which got hit exceptionally hard (share prices down 40-70%). These businesses are in a very challenging situation, though in all cases we think they have sufficient financial resources to get through 6-12 months of lockdown.

If the lockdown is prolonged, it is likely that the portfolio would suffer a further significant loss of value – with certain of our holdings at risk of going bust. However this would also apply to vast swathes of the economy – we would be into a 1930s style depression at that stage and there would be very few places to escape the economic carnage. There will be a huge political effort to prevent this dire scenario occurring and we think it is unlikely to materialise. In the second scenario described above, one we feel is more likely, we think that a number of the fund's holdings will prove to be exceptionally cheap and could see a strong rebound in their profits and their share prices out the far side of COVID-19.

A prime example of this is LSL Property Services, by some distance the UK's best run and most profitable bricks-and-mortar estate agency. In the current lockdown, essentially no housing transactions can take place. The company has taken action by furloughing staff and cutting back all other costs to keep cash burn to a minimum.

Commentary

LSL's share price fell over 50% between mid-February and end-March, ending the period with a market cap of £170m. That's a multiple of just 4.5x average profits earned during the period 2015-17, a level we feel they can eventually get back to when the UK emerges form COVID-19.

Another blow for portfolio performance was the two-thirds fall in the price of crude oil in Q1 – a combination of a COVID-related drop in the demand for oil, as well as a breakdown in relations between two of the world's top oil producers, Saudi Arabia and Russia. The future for many energy companies looks grim indeed and we took the view that offshore driller Diamond Offshore is unlikely to survive and sold out of our remaining holding in the stock. This was a very costly mistake for the fund since first purchased over 5 years ago, a position we have discussed in a number of previous fund reports.

However, not all energy exposed companies are equally at risk. To illustrate, fund holding DCC has 75% of earnings related to energy. DCC fell 41% into St. Patrick's Day, a similar order of magnitude to pure play energy companies. The nuance is DCC has *no exposure* to the price of energy, rather takes a fixed distribution margin on volumes sold. Coupled with minimal net debt, ample liquidity and the aforementioned insensitivity to energy prices, the market woke up to DCC's merits into the end of the month as the stock rallied 32% (but still down 22% overall in Q1). This is a good example of how the value of the business and its share price can diverge materially at times. We think there are other examples of this at play in the portfolio and are confident that relative performance can be recouped over time. We thank you for your patience.

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IMPORTANT INFORMATION

The Global Focus Equity Fund is managed by Setanta Asset Management Limited and is a representative account of the Global Focus Equity strategy. The performance shown is the performance of a representative account (ILA/CLI Setanta Global Focus Equity Fund [IEC4001]). 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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