Setanta Managed Fund
Q2 2020

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 +9.8% over the second quarter, bringing year to date returns to -11.3%.

Global equity markets moved higher over the period. With our global equities performing strongly, returning +14.1%, though lagging the benchmark move of +16.6% by -2.5%.

Within global equities, Industrials (+26.0%) and Consumer Discretionary (+21.5%) sectors were the leaders in performance, while Infrastructure (+7.0%) and Financials (+7.3%) while positive, 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

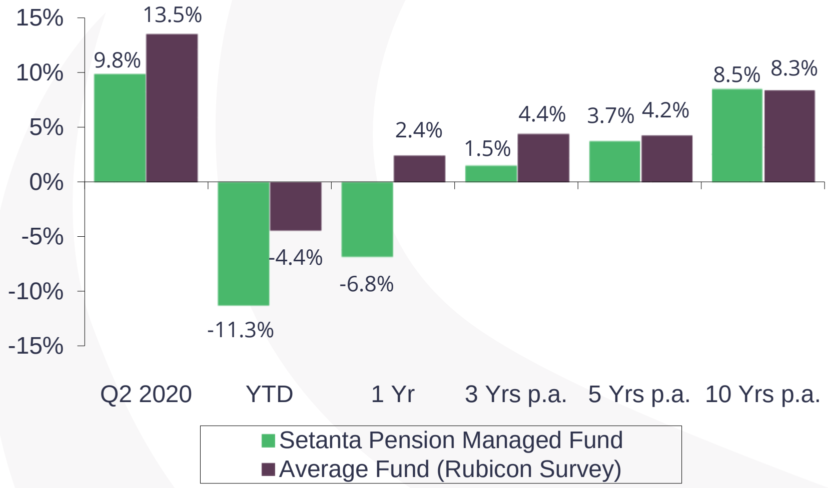
We consider scenarios rather than making forecasts

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 – 30.06.20 (EUR)

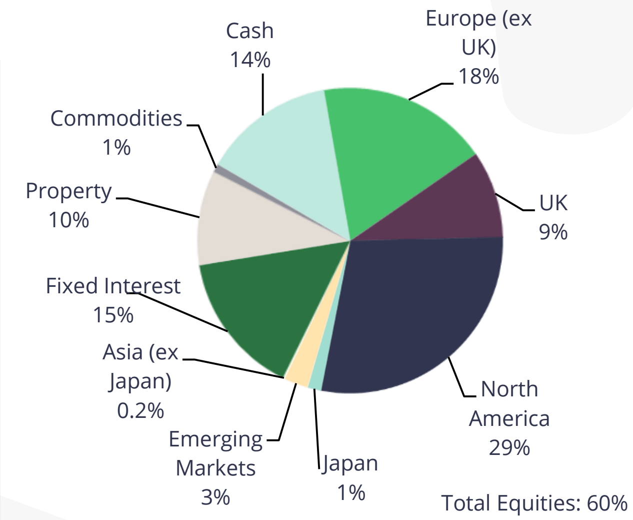


Performance Source: Setanta Asset Management Limited. The actual Fund returns stated are based on the movements in the unit prices of an institutional series of the Fund (ILA/CLI Setanta Managed Fund [H012]) and are net of management fees. Benchmark: Rubicon Pension Managed Fund Survey. **Holdings Source:** Setanta. Sector allocations based on invested portfolio only (excludes cash).
Credit Rating Source: S&P

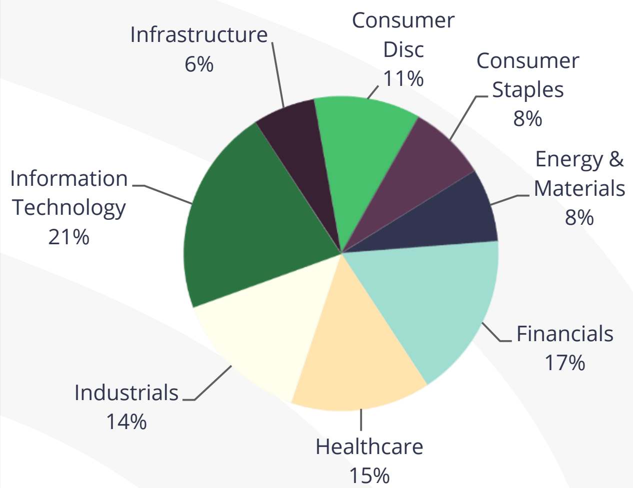
Top 10 Equity Holdings

COMPANY	SECTOR	% OF FUND
MICROSOFT CORP	INFORMATION TECHNOLOGY	2.8%
DCC	INDUSTRIALS	1.9%
BERKSHIRE HATHAWAY	FINANCIALS	1.8%
LANCASHIRE HOLDINGS	FINANCIALS	1.7%
JOHNSON & JOHNSON	HEALTHCARE	1.5%
ORACLE CORP	INFORMATION TECHNOLOGY	1.5%
KEYSIGHT TECHNOLOGIES	INFORMATION TECHNOLOGY	1.5%
CISCO SYSTEMS	INFORMATION TECHNOLOGY	1.4%
JOHNSON CONTROLS	INDUSTRIALS	1.3%
ERICSSON	INFORMATION TECHNOLOGY	1.3%

Geographic & Asset Distribution



Sector Distribution



Fixed Interest Portfolio

CREDIT RATING WEIGHTING		
CREDIT RATING TYPE	ASSET TYPE WEIGHTING	BENCHMARK WEIGHTING
AAA	15.3%	21.6%
AA	42.0%	37.3%
A	15.9%	18.6%
BBB	26.8%	22.5%
	100.0%	100.0%

Yearly Performance

Year %	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Fund	-1.8	-29.6	22.9	9.5	0.5	14.2	18.5	17.8	7.9	12.2	6.8	-2.7	16.1
Benchmark	-3.9	-35.6	22.0	11.3	-3.6	14.3	16.6	15.6	9.5	5.9	7.3	-5.2	20.6

SETANTA Asset Management

Commentary

Our bias towards value stocks continued to hurt in Q2. Market recoveries are normally associated with outperformance by value but not this time. The rally wasn't due to the normal (if anything is normal these days) economic cycle recovery. Value tends to do well when interest rates and yield curves are rising and steepening due to increased growth expectations. This post-COVID market rally feels more stimulus led, with yields pushed lower again, favouring growth stocks long duration nature, as they get a disproportionate boost to the value of expectant earnings in the future by lower real yields today.

With the near term shift in sentiment and economic data (too early to call a "V" recovery), there were no big surprises in how other asset classes performed. Our absolute return bond fund (+13.0%), benefitted from a fall in volatility and proactive government and central bank policies, driving yields and spreads lower and prices higher in the high yield space. These polices would also have helped Income Opportunities (+6.3%) with its targeted income goal, as yields are forced lower as far as the eye can see.

Government debt (+3.0%), saw positive noises from Europe on the possibility of a form of debt mutualisation though the issuance of bonds for grants and loans. Some of which would not end up on the balance sheets of over-indebted sovereigns, helping peripheral bond spreads tighten back in.

The one laggard along with cash (-0.1%) was Irish property (-3.7%). Not surprisingly property prices took a hit as generally stable cash flows became more uncertain as tenants looked to deferments or outright forgiveness on rental payments.

Over the quarter we reduced equities by around 3%, with a view towards allocating to alternative assets where value has manifested. Allocations to listed private equity and infrastructure, emerging market government and corporate debt are under consideration. This will be to try and improve diversification within the fund, while maintaining positive expected returns.

The quarter saw a reversal in economic and financial market fortunes, compared to the tumultuous start to the year. Economic activity data has picked up, with global PMIs turning back towards expansionary readings. With a relaxation of lockdowns, metrics tracking activity, such as mobility and traffic data have improved considerably. While price based indicators also show positive signs, industrial metals, the Baltic Exchange Dry index, EU carbon emissions prices and electricity prices, all real activity indicators, point towards a return to normalcy, although still below previous highs.

While it remains difficult to forecast where the general economy will end this year, the positive momentum from very depressed levels is encouraging. It remains to be seen whether output and earnings lost are fully recouped, or indeed will a second wave of closure and shutdowns occur. For now, economies would seem to be reopening, some faster than others, with the inevitable pick up in COVID-19 cases. While financial markets, generally a leading indicator of activity, have retraced a bulk of the previous losses inflicted, there may be more to go, as evidence of nervousness remains in both options pricing and general retail flows.

The longer term consequences of COVID-19 remain to be seen, from all aspects, economic, geopolitical or social, and from a markets perspective the beneficiaries to a change in supply chains and consumer behaviour. Turning to the third quarter, news around a second wave of infections, rhetoric around trade deals stalling as we get closer the US presidential elections, and increased scrutiny of potential policy mistakes, be they monetary of fiscal, should keep the markets guessing. As always we will endeavour to allocate capital, where we see value, for positive expected returns over the long term.

David Ryan – Portfolio Manager

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IMPORTANT INFORMATION

The Managed Fund is managed by Setanta Asset Management Limited and is a representative account of the Managed strategy. The performance shown is the performance of a representative account (ILA/CLI Setanta Managed Fund [H012]). 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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