Setanta EAFE Equity Strategy (USD)

Q1 2019

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

For much of the last 5 years the benchmark long dated European interest rate, the German 10 year Bund, has been priced to yield less than 1%. Recently, however, it went negative again having previously spent a short period in 2016 below zero. This set of conditions, we believe, creates serious distortions with capital infusion into real world businesses that make, sell and distribute everything from hairdryers to replacement aircraft parts.

(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

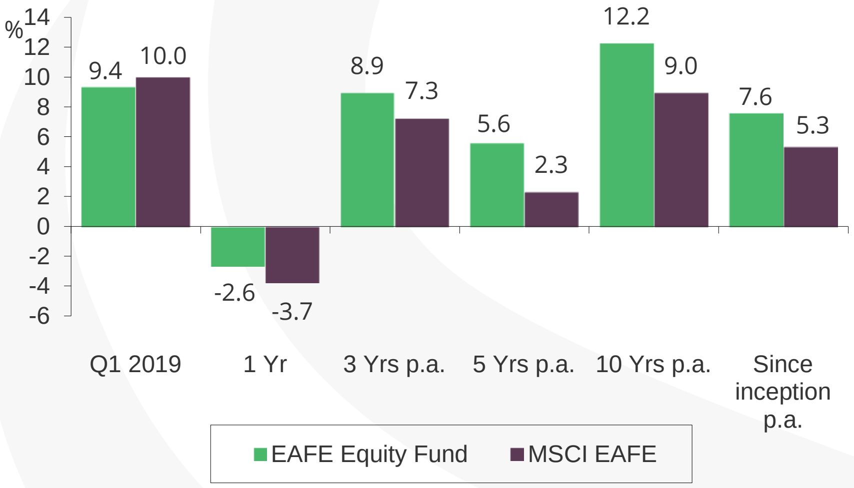
We consider scenarios rather than making forecasts

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 31.03.19



Yearly Performance

Year %	2014	2015	2016	2017	2018
Fund	-4.2	4.4	10.8	24.9	-10.7
Benchmark	-4.9	-0.8	1.0	25.0	-13.8

Performance Source: GWL Unit Prices converted to USD at FX Rate 0.748531; Based on Representative Setanta EAFE Equity Account. Returns are in USD and are gross of management fees. Benchmark is MSCI EAFE. Inception date January 2004. **Fund Statistics Source**: Bloomberg

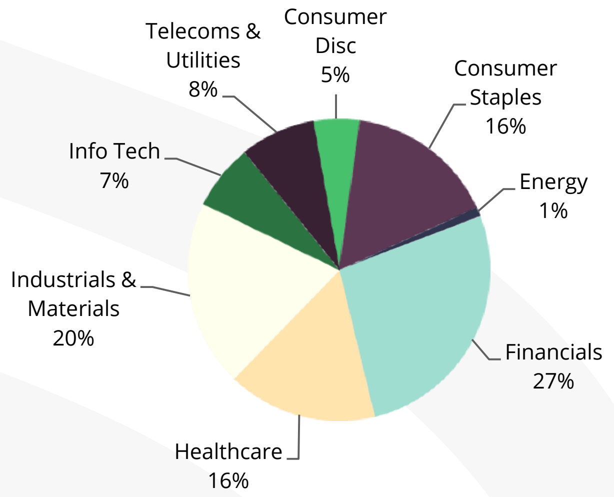
Top 10 Equity Holdings as at 31.03.19

COMPANY	SECTOR	% OF FUND
DCC	INDUSTRIALS & MATERIALS	5.5%
GPE BRUXELLES	FINANCIALS	5.2%
ALFRESA HOLDINGS	HEALTH CARE	4.6%
UNILEVER	CONSUMER STAPLES	3.8%
MELROSE INDUSTRIES	INDUSTRIALS & MATERIALS	3.8%
LANCASHIRE HOLDINGS	FINANCIALS	3.6%
NOVARTIS	HEALTH CARE	3.6%
ERICSSON	INFORMATION TECHNOLOGY	3.5%
SANOFI	HEALTH CARE	3.4%
DIAGEO	CONSUMER STAPLES	3.4%

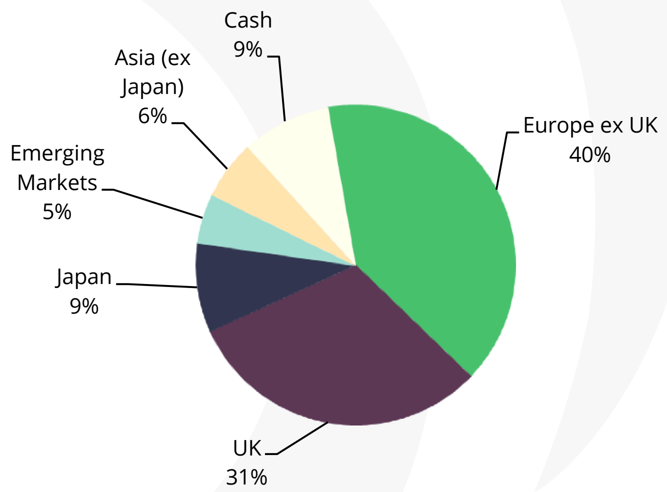
Fund Statistics as at 31.03.19

PRICE/BOOK	1.5
PRICE/EARNINGS RATIO (FY 1)	13.9
DIVIDEND YIELD %	3.4
AVERAGE MARKET CAP $BN	39.8
NO. OF HOLDINGS	34
DEBT/EQUITY %	57.0
ACTIVE SHARE %	89.4

Sector Distribution as at 31.03.19



Geographic Distribution as at 31.03.19



SETANTA Asset Management

Commentary

In the capitalist system, when money is priced to yield zero or even a negative return, capital can get pushed to unproductive resources for longer than initially anticipated. From reading finance textbooks one could assume we know where the excess capital will show up. We can ponder and guess but we can't know for sure. There are too many variables.

Our task then is to observe, by looking at businesses one by one and hoping to find a level of insight that will give us confidence on the competitive picture. This part of the job is never ending, we are constantly looking to where the excess has shown up, might show up or is in retreat.

Today, restaurants and car manufacturers (to name but a few) seem to have taken the brunt of the capital infusion over the last number of years. One might have guessed that hotels and the housebuilding industry could have seen a significant influx of capital over the last decade, given the conditions. To be sure they have attracted capital but it doesn't look like on today's evidence that they've grown excessively. Perhaps the shortage of skilled labour in construction has been the bottle neck rather than availability of capital. Or perhaps the real estate excesses in the noughties have chastened the bank lending channel to such "risky" real estate projects.

When the economy can take no more stimulus and eventually recedes it's likely that restaurants and car manufacturers are going to be in a difficult spot. Supply will likely need to contract, perhaps significantly. For each and every investment we are wary of the implications for money with no cost. We can't eliminate this risk but are very cognizant of it and the ability of new previously unknown risks to surface and manifest. This type of risk management can steer us into better industries with more favourable outcomes. Furthermore, if we see signs of capital contracting amongst the industries that are currently exhibiting signs of overheating, we may see some opportunities. We are actively thinking about such scenarios today across the team.

The reemergence of negative rates for the Bund has tested the markets resolve and ability to price securities sensibly. At this point we think the pricing continuum is fairly efficient, from what we observe in the market from our analysis of portfolio holdings and potential new holdings. We are seeing excellent businesses trade for greater than 30X our earnings estimates, mediocre businesses trade at and above 20X and poor businesses trade for more than 15X. We are not sitting and waiting. We are actively trying to find new candidates for investment but find that potential new ideas are either too highly valued or we uncover more problems as an investment case evolves. We are, if you wish, busy and waiting. Of course, it would be better if pricing conditions were at least a little keener. In this game, we must play the hand we are dealt. Forward returns will likely be lower in the next ten years than the previous ten. In this environment we must accept lower returns relative to recent history. We will have to maintain our standards for intellectual curiosity and flexibility and be ready to capitalize on the inevitable dislocations that occur in the future.

Commentary

Transactions during the year

We disposed of our small position in Ultra Electronics in January 2019. As long term investors with a typical holding period of 5 years, Ultra was a relatively short-lived investment with our investment lasting slightly less than a year. Ultra is a great example of how we aim to compound our knowledge of each company throughout our holding period and when the facts change or when we think we may have made a mistake at the initial research stage we are not afraid to change our minds.

So what changed with Ultra Electronics?

1) We were always aware that their accounting was complex but the more we dug into it the more uneasy we became with the extent of this complexity and when combined with very weak cash conversion over our holding period it made us increasingly more concerned. Red flag

2) Change in management – a new CEO which brings with it a potential change in strategy. Red flag

3) Brexit – the MoD is a very large customer for Ultra and with the potential fallout from Brexit and the impact it may have on UK budgets unknown it just added to the riskiness of the investment. Red flag

The 3 points above all raised red flags for us which ultimately proved our investment in Ultra became untenable.

Fergal Sarsfield – Portfolio Manager

Contact Details:

Setanta Asset Management Limited,
Beresford Court,
Beresford Place, Dublin 1, Ireland.

Alan Hickey, Tel: + 353 1 612 4903
Email: Alan.Hickey@setanta-asset.com
www.setanta-asset.com

IMPORTANT INFORMATION

The Strategy is managed by Setanta Asset Management Limited. The Strategy is available on a separate account basis to institutional investors. Investors should consider the investment objectives, risks, charges and expenses carefully before investing. See 'WARNING' and IMPORTANT INFORMATION' sections below.
Setanta Asset Management Limited is regulated by the Central Bank of Ireland, New Wapping Street, North Wall Quay, Dublin 1, Ireland and has been granted the International Adviser exemption from registration in Manitoba, Ontario, Quebec, British Columbia and Alberta. This exemption enables it to provide advisory services to clients in these provinces in accordance with the applicable securities legislation of Manitoba, Ontario, Quebec, British Columbia and Alberta. Setanta, who is an investment sub-advisor to a number of Great–West Life Group companies, does not trade on its own account. Units in the Canadian segregated and mutual funds are not offered for sale by Setanta but may be acquired by prospective investors via the relevant Great–West Life Group company. This factsheet, which is for information purposes only, does not form part of any contract. This is a marketing communication that (a) has not been prepared in accordance with legal requirements designed to promote the independence of investment research, and (b) is not subject to any prohibition on dealing ahead of the dissemination investment research. The information contained in this document is based on current legislation and is, therefore subject to change. The contents are intended as a guideline only and should not be construed as an interpretation of the law. You should always seek the advice of an appropriately qualified professional. Performance disclosures are stated above. Setanta Asset Management Limited is registered as an Investment Adviser with the Securities and Exchange Commission (the "SEC") - CRD# 281781 / SEC# 801–107083.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages

WARNING: Past performance is not a reliable indicator of future results. The price of units and the income from them may go down as well as up and investors may not get back the amount invested. The return may increase or decrease as a result of currency fluctuations. Forecasts are not a reliable indicator of future performance