Setanta Global Focus Fund
Q1 2019

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

For much of the last 5 years the benchmark European interest rate, the German 10 year bund, has been priced to yield less than 1%. Recently, however, the German 10 year 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

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

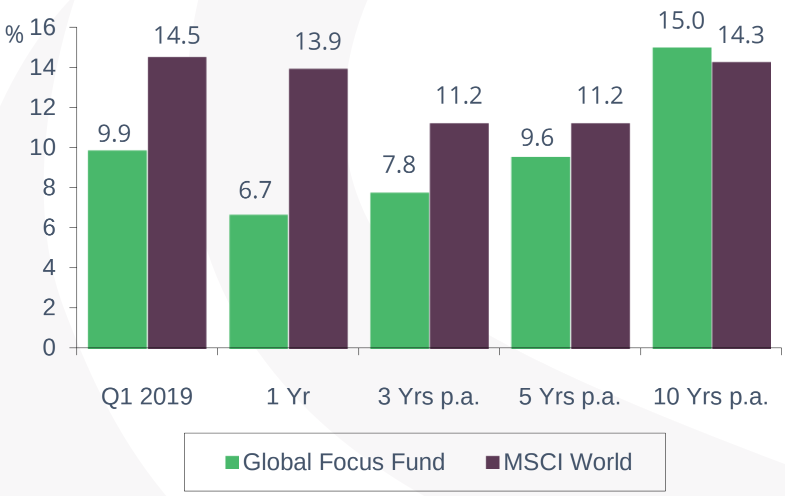
We consider scenarios rather than making forecasts

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 – 31.03.19



Performance Source: Setanta Asset Management Limited. Benchmark: MSCI World. The Fund returns stated are based on the movements in the unit prices of a representative account, based on mid to mid prices, and are gross of management fees. The performance will be reduced by the impact of management fees paid, the amount of which varies. **Fund Statistics Source:** Bloomberg

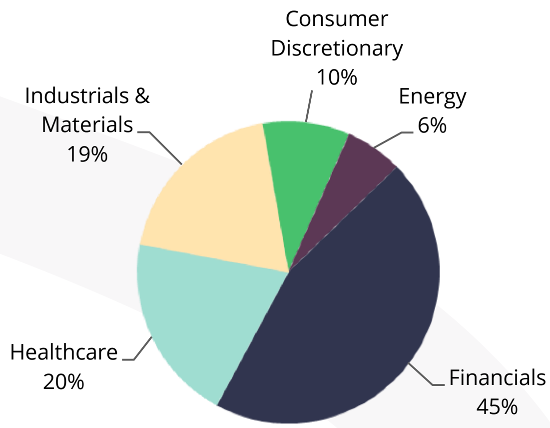
Top 10 Holdings

COMPANY	SECTOR	% OF FUND
STERIS	HEALTH CARE	8.8%
BERKSHIRE HATHAWAY	FINANCIALS	8.1%
LSL PROPERTY SERVICES	FINANCIALS	7.9%
LANCASHIRE HOLDINGS	FINANCIALS	7.7%
MINCON GROUP	INDUSTRIALS & MATERIALS	7.3%
DCC	INDUSTRIALS & MATERIALS	7.1%
FAIRFAX FINANCIAL	FINANCIALS	6.6%
JOHNSON & JOHNSON	HEALTH CARE	6.2%
JEFFERIES FINANCIAL	FINANCIALS	5.7%
RICHEMONT	CONSUMER DISCRETIONARY	4.9%

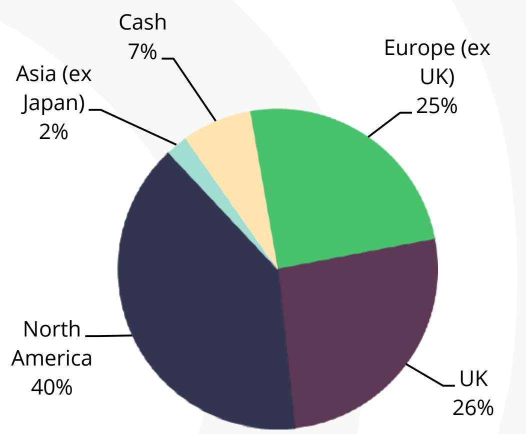
Fund Statistics

PRICE/BOOK	1.5
PRICE/EARNINGS RATIO (FY 1)	16.6
DIVIDEND YIELD %	1.8
AVERAGE MARKET CAP € BN	48.4
NO. OF HOLDINGS	19
DEBT /EQUITY %	39.5
ACTIVE SHARE %	94.9

Sector Distribution



Geographic Distribution



Yearly Performance

Year %	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Fund	17.0	-2.7	-35.2	44.0	28.2	1.5	9.0	20.0	19.1	7.3	11.7	9.7	-6.4
Benchmark	7.4	-1.7	-37.6	25.9	19.5	-2.4	14.1	21.2	19.5	10.4	10.7	7.5	-4.1

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 in 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 cognisant 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 re-emergence of negative rates for the German 10 year has tested the market's 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 capitalise on the inevitable dislocations that occur in the future.

Transactions during the Quarter

There was one new addition in the first quarter. Covetrus Inc, Henry Schein's animal health business, was spun-out to shareholders and the fund has therefore inherited a small position in that company. Covetrus consists of two merged companies: Schein's original distribution business that supplies equipment and consumables to vets in the US and abroad, and a business it merged with, prior to the spin; Vets First Choice. Vets First Choice offers software and services that help veterinarians to promote high rates of prescription compliance i.e. to encourage clients to ensure that the medication prescribed for their pet, is actually purchased, preferably in the prescribing veterinarian's practice. Schein's nationwide breadth, as the market leading distributor in the US, will help Vets First's offering to expand which in turn complements Schein's service offering. We are hopeful that Covetrus is now positioned as the most attractive supply partner for veterinarians in the US and therefore we will retain the position. However we will continue to monitor the company to seek evidence that this thesis is playing out.

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