

LL Global Dividend Fund – Q1 2016

Fund Description

The **Dividend All-Equity Fund** ('the Fund') is managed by Setanta Asset Management Limited ("Setanta") and is a representative account of the Dividend strategy.

The Fund is an actively managed portfolio of global high yield equities. The Portfolio Managers embrace Setanta's value investment philosophy, seeking to pick stocks at a price below the managers' assessment of intrinsic value. The Fund further distils this philosophy by targeting stocks where management have both the willingness and ability to distribute meaningful dividends to shareholders. The rationale for the Fund is underpinned by studies* that show dividends have played an important role in the cumulative total return of equities over the past century, while other academic studies support the thesis that a high dividend yield is an excellent indicator of value.

While the Fund does not target specific regional or sector weights, the managers seek to maintain a sensible level of diversification. Risk is minimised by focusing on valuation, financial and operational risk measures and therefore the degree of downside protection, rather than focusing on measures of market volatility or beta. The Fund usually holds between 30 to 50 stocks with expected holding periods of approximately 5 years.

The investment objective of the Fund is to generate a return above the general return of equities over rolling periods of three years or more – this is measured by reference to the total return of the MSCI World High Yield Index (100% CAD).

Portfolio Managers

Richard Doyle CFA & David Pastor CFA



*e.g. Dimson, Marsh and Staunton, 2011

Investment Principles

- We do not believe the market is efficient.
- We aim to make investments at a price below our assessment of intrinsic value.
- We make an investment in a business rather than trade securities.
- We believe risk is the possibility of permanent impairment of value.
- We make investments for the long term.
- We invest where we see value and are not afraid to be contrarian and swim against the tide.
- We don't make forecasts, we consider scenarios.
- We demand financial strength from the companies we invest in.
- We will act with integrity and communicate with our clients in a manner representative of our investment style.
- We have the humility to know we make mistakes and embrace the need to continue learning through both experience and study.



WINNER
Equities Manager of the Year



WINNER
Equities manager of the year

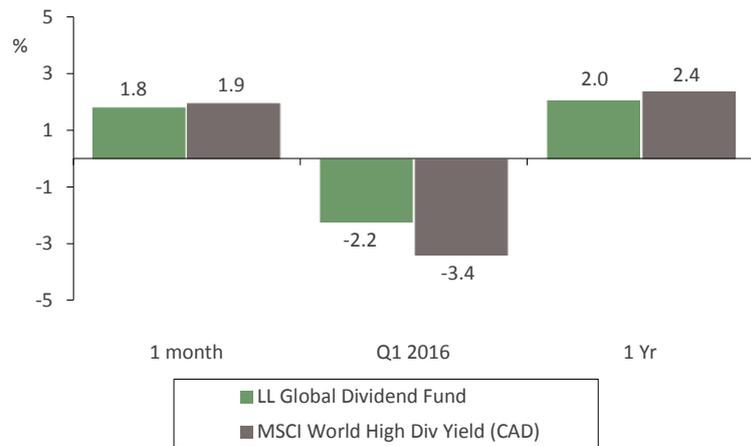


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FUND PERFORMANCE – 31.03.16 (CAD)

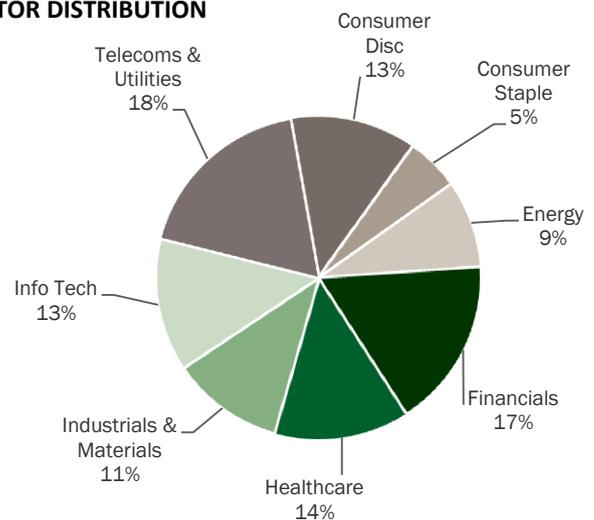


Performance Source: Setanta Asset Management Limited. Benchmark: MSCI High Yield Index (100% Euro) & Bloomberg. The Fund returns since 30.09.07 are based on the movements in the unit prices of a representative account, based on mid to mid prices, and are gross of management fees. The unit prices prior to this are derived from a net of fee price, adjusted for the management charge to be representative of the gross of fee performance. **Fund Statistics Source:** Bloomberg (metrics include Financials)

FUND STATISTICS

PRICE/BOOK	1.8
PRICE/EARNINGS RATIO (FY 1)	14.5
DIVIDEND YIELD %	3.8
AVERAGE MARKET CAP C\$BN	76.2
NO. OF HOLDINGS	35
DEBT/EQUITY %	48.6
ACTIVE SHARE %	81.8

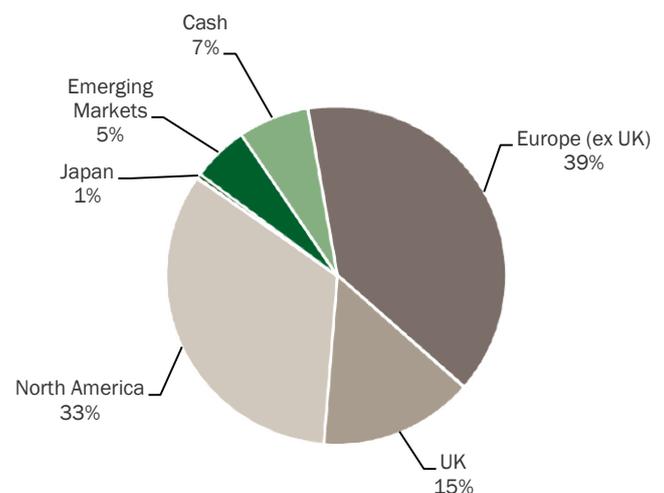
SECTOR DISTRIBUTION



TOP 10 EQUITY HOLDINGS

COMPANY	SECTOR	% OF FUND
MATTEL	CONSUMER DISCRETIONARY	3.5%
SANDVIK	INDUSTRIALS & MATERIALS	3.5%
ENI	ENERGY	3.4%
GLAXOSMITHKLINE	HEALTHCARE	3.4%
GPE BRUXELLES LAMBERT	FINANCIALS	3.3%
WINCOR NIXDORF	INFORMATION TECHNOLOGY	3.3%
INTEL	INFORMATION TECHNOLOGY	3.3%
IRISH RESIDENTIAL	FINANCIALS	3.2%
CISCO SYSTEMS	INFORMATION TECHNOLOGY	3.2%
SANOFI	HEALTHCARE	3.1%

GEOGRAPHIC DISTRIBUTION



The Fund performed solidly during a 'down, then up' quarter in which we were active in adding three stocks, two entirely new, and one from the broader reservoir of Setanta holdings.

We bought shares in Cisco Systems. This is a long term holding of our Global Equity fund, and a company that we've been following for a long time. Once a darling of the market during the IT boom of the late 90's and early 2000's, the company is the leading provider of IT networking equipment with commanding market shares in the switching and routing equipment markets, as well as other related markets. Cisco's proprietary network architecture, built around its switches and routers, has been the global benchmark for chief information officers in organisations large and small around the world. This has been a hugely profitable franchise, with very high returns on invested capital. As more and more aspects of our lives become connected to the global information network, 'the Internet of things', Cisco argues that its prospects have never been better.

However, caveat emptor! This, after all, is the information technology sector, notorious for the continuous threat of disruptive alternative technologies. In the case of networking equipment, the new kid on the block is Software Defined Networking (SDN), effectively an increasingly popular solution that permits a certain degree of "commoditisation" of the highly lucrative switches and routers that Cisco makes. Nonetheless, Cisco is not resting on its laurels. It has its own SDN solution, while it continues to invest heavily in R&D to continue to improve its technology to add value for its customers. It's also expanding in adjacent product/markets such as data centres, and video solutions, while increasing its services offering. The company boasts a very strong balance sheet with around \$30b of net cash. We were able to buy our position at a price implying a Free Cashflow to EV yield of around 10%, which we consider to be very good value. The company uses the vast majority of this cashflow to repurchase shares (some of which are used to meet stock incentivisation requirements) and to distribute a large dividend (equivalent to a 3.8% yield at our purchase price).

We also bought shares in Procter & Gamble. The maker of many household staple brands (Pampers, Bounty and Gillette to name a few), has been through a period of sluggish growth. The company has been taking a hard look at itself and has recently divested some businesses deemed as non-core, while also significantly improving its internal structure through an ongoing restructuring process. After having sold its pet care, coffee, pharmaceutical and snack foods divisions the company is now in the process of selling its batteries and beauty businesses. P&G has limited the scope of its business so that it is now focused on consumer goods that have both a functional purpose and a direct relationship with the consumer. We took the opportunity to buy shares in this company at what we believe are attractive valuation levels. P&G has a dividend yield of 3.4%, backed by a fantastic track record of dividend growth spanning decades.

We initiated a position in Harley-Davidson. We believe we are taking a good opportunity to cheaply buy shares in a business with a very strong franchise, especially in its US home market. The stock has been weak as a strong US dollar has encouraged competition from more keenly priced Japanese, and other overseas, motorcycle makers. Having talked to motorcycle market experts, we have come to the view that Harley's business model is robust. Its brand is very strong, so much so that its customers feel part of a family, something which competitors find hard to overcome. Having said that, Harley faces some well-financed and innovative competitors and it also needs to continue to diversify from its traditional demographic market (middle-aged white male baby boomers). We bought our position at 11.3x next year earnings and a dividend yield of 3.2%.

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IMPORTANT INFORMATION

The strategy is available on a segregated basis. Investors should consider the investment objectives, risks, charges and expenses carefully before investing. See 'WARNING' and IMPORTANT INFORMATION' below.

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