

Setanta Global Dividend Fund – Q2 2017 (CAD)

Fund Description

The **Global Dividend 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% Euro).

Portfolio Managers

Richard Doyle CFA & David Pastor CFA



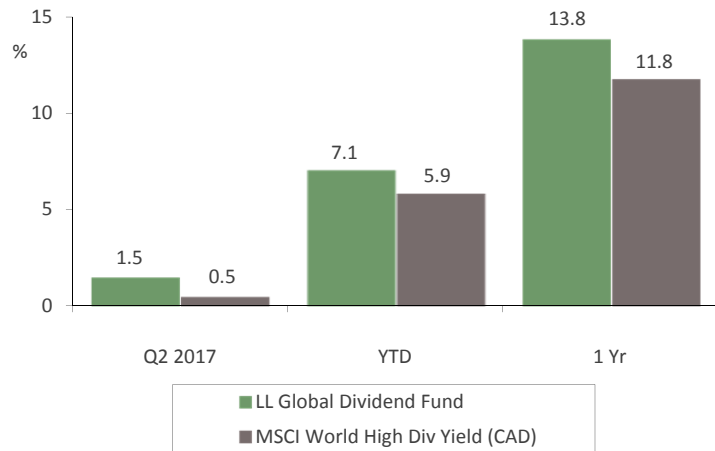
*e.g. Dimson, Marsh and Staunton, 2011

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.



FUND PERFORMANCE – 30.06.17



Performance Source: Unit prices: GWL. Returns are based on LL - Global Dividend Fund 8.26SAM Account. Benchmark: MSCI High Yield Index (100% CAD). Returns are in CAD 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

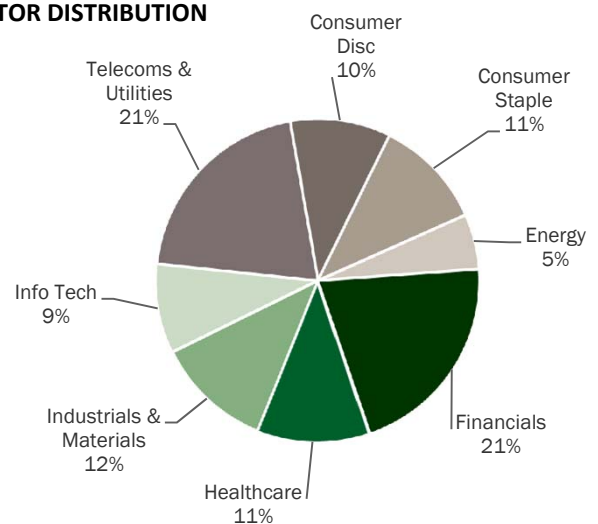
TOP 10 EQUITY HOLDINGS

COMPANY	SECTOR	% OF FUND
LANCASHIRE HOLDINGS	FINANCIALS	3.8%
GLAXOSMITHKLINE	HEALTHCARE	3.6%
GPE BRUXELLES LAMBERT	FINANCIALS	3.6%
SK TELECOM	TELECOMS & UTILITIES	3.5%
YARA INTERNATIONAL	INDUSTRIALS & MATERIALS	3.3%
SWEDISH MATCH	CONSUMER STAPLES	3.2%
PROCTER & GAMBLE COM	CONSUMER STAPLES	3.2%
TELIA COMPANY	TELECOMS & UTILITIES	3.1%
CISCO SYSTEMS COM	INFORMATION TECHNOLOGY	3.1%
PROXIMUS SA	TELECOMS & UTILITIES	3.0%

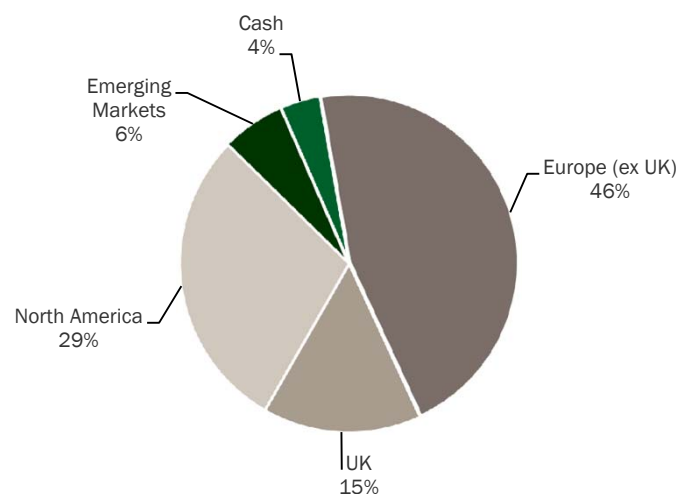
FUND STATISTICS

PRICE/BOOK	1.8
PRICE/EARNINGS RATIO (FY 1)	16.5
DIVIDEND YIELD %	3.5
AVERAGE MARKET CAP C\$BN	72.5
NO. OF HOLDINGS	38
DEBT/EQUITY %	51.4
ACTIVE SHARE %	81.9

SECTOR DISTRIBUTION



GEOGRAPHIC DISTRIBUTION



We frequently talk about the importance of staying faithful to the investment case of a stock. In this, we place trust both in the quality of our research, but also in our ability to make the initial investment decision in a dispassionate fashion, staying aloof from the emotions stirred by the frequent euphoria and occasional panics of financial markets. In truth, the latter is arguably the hardest part. We are not robots (at least, not yet), but humans, and as such, heavily influenced by our environment.

There has been some interesting research on this very subject, relating to the world of wine tasting. Writing in the Sunday Times, Martin Moran, a wine critic, commented on recent research by Charles Spence, professor of psychology at Oxford University. This has demonstrated that the environment in which wine is tasted affects the taster's perception of it, as our brains tend to associate particular environments with particular outcomes. Martin Moran himself was involved in such an experiment and found that the same wines served at the same temperature in black glasses conveyed very different tastes in different light conditions. Indeed, some fellow oenophiles (wine lovers) struggled to distinguish red wines from white wines. On the face of it, the idea that we perceive wines differently in different places is not radical, (compare a glass of Merlot on the French coast in June to one on a dirty winter evening in Ireland), but the scale of the distortion is¹.

As investment managers, this reminds us to always be aware of the influences under which we work, and where possible, avoid making decisions when unduly under them. Indeed, committing this message to paper re-enforces it. One such example would be to avoid buying additional stock in the immediate aftermath of an announcement by a portfolio holding. After all, such news is through the prism of one agent only, and generally speaking, a biased one at that. Nevertheless, it would be foolish to think that we are immune to this effect. We thus should acknowledge that errors can and do occur. It is crucial that whatever errors occur are outnumbered by successes and are not allowed to substantially impair the fund's overall value.

In recently acquiring a position in Origin Enterprises, let's hope that the light conditions at the time were suitably neutral. Origin Enterprises is a provider of agronomy services and a producer of fertiliser. Its principal business is the provision of advice to farmers, particularly in relation to crop protection, in the UK, but also in markets of high potential, such as Poland and Ukraine. In all these countries, it has an established and entrenched position, in which the relationship with the customer through qualified agricultural experts (agronomists), is a key ingredient to success. In a world in which the required yields from agriculture are rising, Origin's services are likely to be in demand. Origin also has a strong and profitable position in the re-selling of fertiliser to agricultural agents in Ireland. We acquired our position in Origin at a five-year P/E of 15x and a dividend yield of 3.0%.

Richard Doyle & David Pastor – Portfolio Managers

¹As an aside, the article also refers to work by Gordon Shepherd, a neuroscientist, who contends that swallowing a wine is a crucial element to the act of tasting it. So, the next time you are at a wine tasting, gulping all the samples offered, be comforted not only in the increasing haze, but your superiority over those sniffy wine spitters; not only are they missing out, they are also wrong!

Contact Details:

Suite S8-02,
Eight Floor ,
190 Simcoe Street,
Toronto ,
Ontario,
M5T 2W5.

Rocco Vessio, (T) 416-552-5061 , (M) 647-823-4813

[E-mail: rocco.vessio@setanta-asset.com](mailto:rocco.vessio@setanta-asset.com)

www.setanta-asset.com

IMPORTANT INFORMATION

The Setanta Global Dividend Fund is managed by Setanta Asset Management Limited and is a representative account of the Setanta Dividend strategy. The Fund 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.

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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