

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 Fund is an actively managed multi-asset portfolio, which holds a combination of equities, fixed income, property, commodities and cash. The Fund holds between 50-80% of its assets in equities. The asset exposures of the Fund are achieved primarily via:

- Equities: The Setanta Global Equity Fund; Global Equity UCITS Fund; Asia Fund
- Fixed Income: The Setanta Fixed Income Fund; ILA Fixed Interest Fund
- Property: The Canada Life Property Fund
- Commodities: The ETFS All-Commodities DJ-UBS
- Cash: The Setanta Liquidity Fund
- Absolute Value: Income Opportunities Fund

The investment objective of the Fund is to outperform the median of the domestic Managed Fund peer group.

Fund Commentary

The Managed Fund regained some performance in the third quarter (+1.3%), with the fund now returning 3.8% year to date.

All asset classes generated positive returns, except cash (-0.1%). Global equities (+1.3%) were strong, with both our European government (+0.8%) and absolute return bond fund (+1.5%) contributing. Irish commercial Property (+1.4%) continues on it’s recovery from the lows as capitalization rates move lower.

Within equities, looking at sector performance. Energy (+7.8%) had a strong quarter, no doubt aided by a recovery in Oil prices above \$50, while Healthcare (-3.9%) was our weakest performing sector over the period.

(Fund Commentary continued on Page 3)

Portfolio Managers

Kieran Dempsey & David Ryan CFA, CAIA, FRM

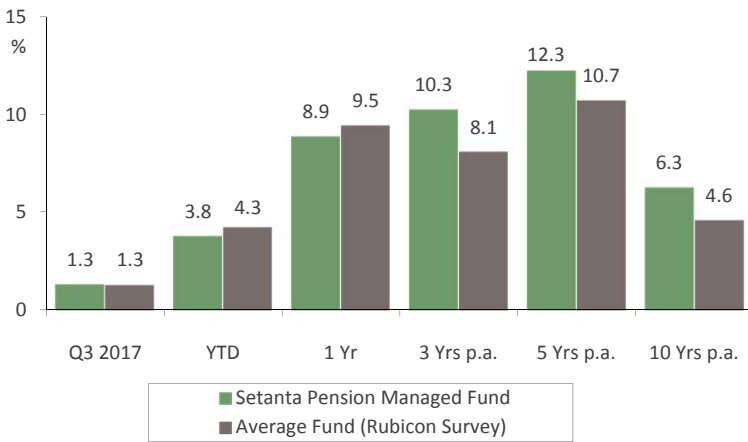


Investment Principles

- 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 – 30.09.17



Performance Source: Setanta Asset Management Limited. Benchmark: Rubicon Pension Managed Fund Survey. The actual Fund returns stated are based on the movements in the unit prices of an institutional series of the Fund and are net of management fees. Credit Rating Source: S&P

FIXED INTEREST PORTFOLIO

CREDIT RATING WEIGHTING		
CREDIT RATING TYPE	ASSET TYPE WEIGHTING	BENCHMARK WEIGHTING
AAA	21.0%	21.6%
AA	35.8%	38.0%
A	2.1%	3.1%
BBB	41.1%	37.3%
	100%	100%

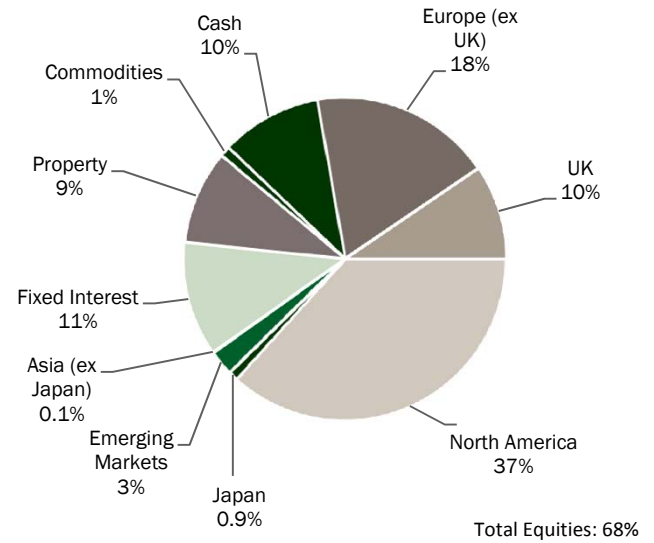
TOP 10 EQUITY HOLDINGS

COMPANY	SECTOR	% OF FUND
OWENS-ILLINOIS	INDUSTRIALS & MATERIALS	2.5%
BERKSHIRE HATHAWAY	FINANCIALS	2.0%
CRH	INDUSTRIALS & MATERIALS	2.0%
DCC	INDUSTRIALS & MATERIALS	2.0%
OSHKOSH	INDUSTRIALS & MATERIALS	1.9%
LEUCADIA NATIONAL	FINANCIALS	1.7%
FEDERATED INVESTORS	FINANCIALS	1.5%
JOHNSON CONTROLS	INDUSTRIALS & MATERIALS	1.5%
FAIRFAX FINANCIAL	FINANCIALS	1.5%
MICROSOFT	INFORMATION TECHNOLOGY	1.5%

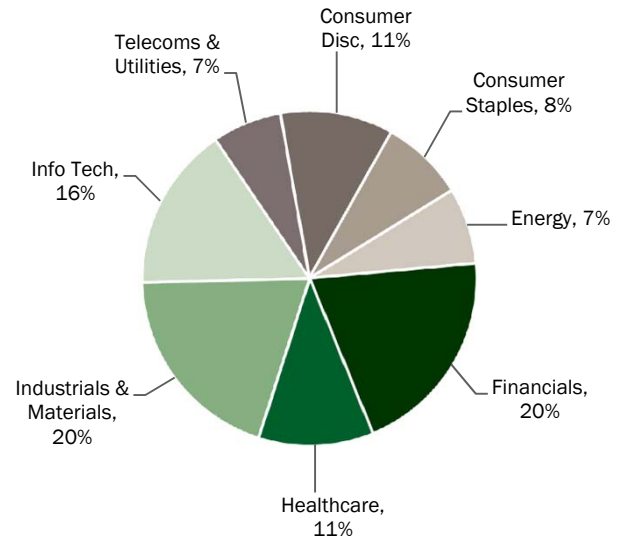
YEARLY PERFORMANCE

Year %	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Fund	-20.4	12.2	9.8	21.7	9.1	-1.8	-29.6	22.9	9.5	0.5	14.2	18.5	17.8	8.3	12.2
Benchmark	-19.0	12.2	10.2	21.7	13.3	-3.9	-35.6	22.0	11.3	-3.6	14.3	16.6	15.6	9.5	5.9

GEOGRAPHIC DISTRIBUTION



SECTOR DISTRIBUTION



Quarter three economic prints (hard data) continued to point towards solid global growth, with sentiment surveys (soft data) remaining elevated. European economic releases also confirmed strong and above trend growth.

Inflation remains behaved at low absolute levels, though there are some signs of pressures building. European inflation accelerated in the quarter to 1.5% from 1.3% in June, still remaining below the ECB target of close to but below 2%.

This backdrop of strong growth and low inflation (Goldilocks like!) allowed risk assets to outperform. Underlying inflation is expected to rise over the medium term, supported by monetary policy, economic expansion, reduction of economic slack and rising wages.

In Europe, real GDP growth was supported by domestic demand, with private consumption underpinned by employment gains and increasing household wealth.

Global equities rallied during the period, with economic growth feeding through to earnings and solid business confidence, with investment capex projected to increase. There remains some uncertainty about the impact of hurricane Harvey on affected areas and this could skew data for a period going forward.

Government debt was resilient, with ten year Bund yields unchanged at 0.46%, although masking a relatively volatile quarter. Geopolitical (North Korea) and local (Catalonia) political concerns supported a bid for duration until early September.

This was followed by a sell-off as data releases printed higher than expected inflation, with the US having one of the strongest prints in five years. Central banks rhetoric has also recently turned more hawkish, as some shifted guidance from quantitative easing (QE) to quantitative tightening (QT).

In the US, the Federal Reserve announced balance sheet normalization operations would begin in October, coupled with expectations of a hike in Q4 and possibly three hikes in 2018. The Bank of England was also hawkish, calling for the removal of stimulus, should economic data continue to surprise strongly. While the Bank of Canada went all out and raised rates twice over the period, citing an absorption of economic slack in recent quarters. The European Central Bank, was more subdued, but remains open to tapering its asset purchasing heading into next year. All told this could be quite a move, as it would effectively remove price insensitive buyers of ~€100bn a month, from the bond markets.

While monetary policy may become a bit of a headwind, fiscal policy may end up being a tailwind. US fiscal policy took a surprise positive turn, with the President working with Democrats to pass a spending bill to fund government operations, lowering risks of a government shutdown. While, increasing hopes of further bipartisan cooperation, with equity markets beginning to price in some chance of fiscal stimulus, contributed to the re-emergence of a Trump reflation trade.

We maintain a large position in equities, amid positive economic developments, while reducing duration risk within the managed fund. Government bond valuations remain expensive, with the risk of market participants mispricing imminent tightening by central banks, while short dated investment grade credit is relatively better, spreads are at historically tight levels. On this basis, we have been allocating to the absolute return bond fund, which has a markedly lower duration, which looks to pickup credit and illiquidity premiums in markets where there are distressed sellers or near term negative perceptions. Recently, it has allocated to emerging market local debt and both US and European high yield names.

A key risk confronting markets is to ensure that the increase of financial vulnerabilities is contained when central bank liquidity starts to be removed. Otherwise, rising debt loads and full asset valuations could have negative feedback loops that put growth and financial markets at risk. In that environment, hopefully we will continue to be in a position to pick up assets at cheap valuations.

Contact Details:

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

Brendan Moran, Tel: + 353 1 704 2028
Email: brendan.moran@setanta-asset.com
www.setanta-asset.com

IMPORTANT INFORMATION

For this life assurance product, investors should refer to the relevant policy conditions available now through Irish Life. The strategy is also available on a segregated basis or via the Setanta UCITS mutual fund via Setanta Asset Management Funds plc. Investors should consider the investment objectives, risks, charges and expenses carefully before investing. See 'WARNING' and IMPORTANT INFORMATION' below.

Setanta Asset Management Limited is regulated by the Central Bank of Ireland, New Wapping Street, North Wall Quay, Dublin 1, Ireland. 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.

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