Setanta Managed Fund
Q4 2019

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 Managed Fund is an actively managed multi-asset portfolio, which holds a combination of equities, fixed income, property, commodities, cash and absolute value. The Fund holds between 50-80% of its assets in equities, reflecting the breadth of the market and Setanta's expertise in the area. The portfolio is managed in accordance with the Setanta investment philosophy. That is, the managers seek to own good assets for the long-term at prices below what they think they're worth, carefully considering each investment's risk profile.

The investment objective of the Fund is to outperform the median of competitor Managed Fund offerings over the long term.

Fund Commentary

The Setanta Managed Fund gained +2.5% over the fourth quarter, bringing year to date returns to +16.1%.

Global equity markets moved higher over the period. With our global equities performing strongly, returning +3.9%, though lagging the benchmark move of +5.4% by -1.5%.

Within global equities, Industrials & Materials (+9.1%) and Healthcare (+5.7%) sectors were the leaders in performance, while Consumer Staples (-0.5%) and Consumer Discretionary (+0.5%) were the laggards.

(Fund Commentary continued on Page 3)

Portfolio Managers

Kieran Dempsey & David Ryan CFA, CAIA, FRM

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

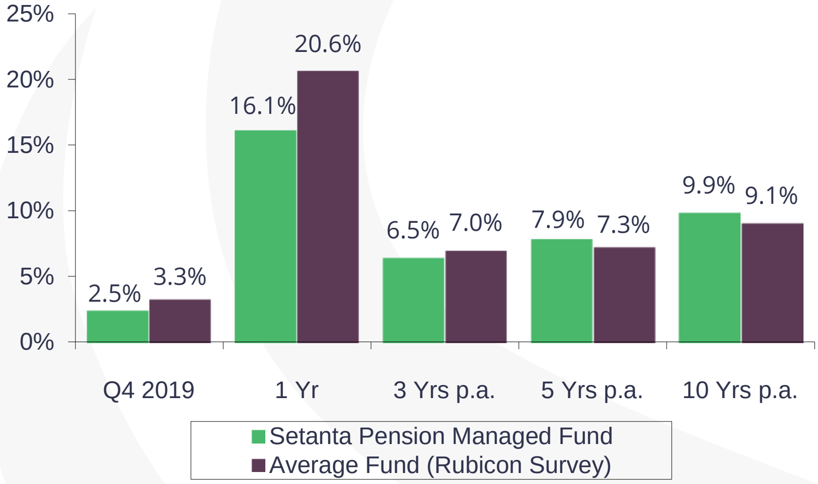
Businesses we own must have strong balance sheets

We make mistakes and always endeavour to learn from them

We will act with integrity in everything we do

SETANTA Asset Management

Fund Performance – 31.12.19 (EUR)

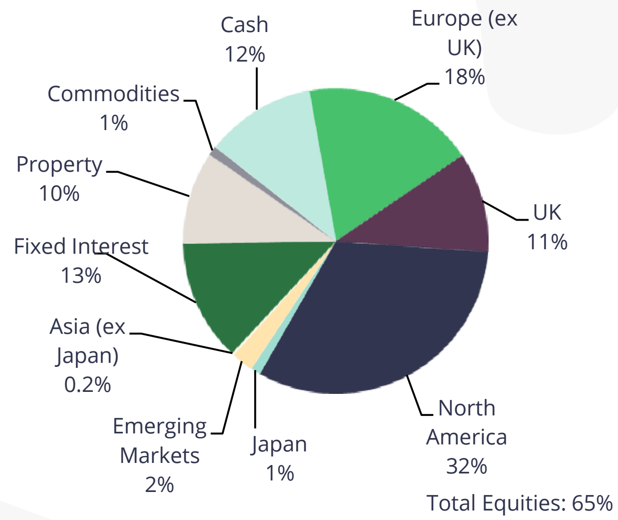


Performance Source: Setanta Asset Management Limited. The actual Fund returns stated are based on the movements in the unit prices of an institutional series of the Fund (ILA/CLI Setanta Managed Fund [H012]) and are net of management fees. Benchmark: Rubicon Pension Managed Fund Survey. **Holdings Source:** Setanta. Sector allocations based on invested portfolio only (excludes cash).
Credit Rating Source: S&P

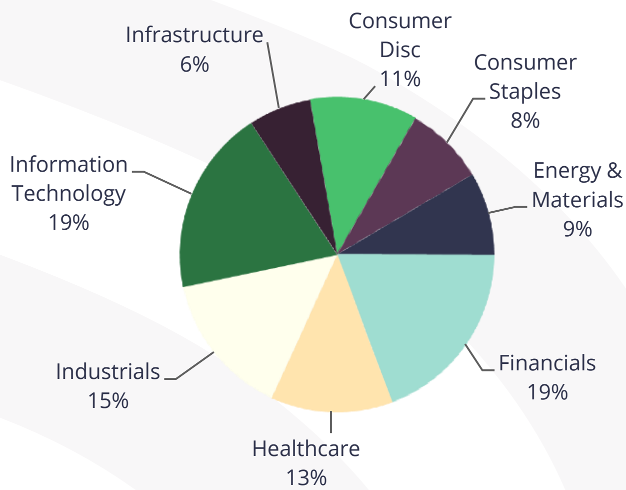
Top 10 Equity Holdings

COMPANY	SECTOR	% OF FUND
MICROSOFT CORP	INFORMATION TECHNOLOGY	2.2%
BERKSHIRE HATHAWAY	FINANCIALS	2.1%
MELROSE INDUSTRIES	INDUSTRIALS	1.9%
LANCASHIRE HOLDINGS	FINANCIALS	1.8%
DCC	INDUSTRIALS	1.7%
FEDERATED INVESTORS	FINANCIALS	1.6%
OSHKOSH CORP	INDUSTRIALS	1.5%
KEYSIGHT TECHNOLOGIES	INFORMATION TECHNOLOGY	1.4%
GPE BRUXELLES LAMBERT	FINANCIALS	1.4%
JOHNSON CONTROLS	INDUSTRIALS	1.4%

Geographic & Asset Distribution



Sector Distribution



Fixed Interest Portfolio

CREDIT RATING WEIGHTING		
CREDIT RATING TYPE	ASSET TYPE WEIGHTING	BENCHMARK WEIGHTING
AAA	12.5%	19.2%
AA	43.7%	38.1%
A	20.1%	18.6%
BBB	23.7%	24.0%
	100%	100%

Yearly Performance

Year %	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Fund	-1.8	-29.6	22.9	9.5	0.5	14.2	18.5	17.8	7.9	12.2	6.8	-2.7	16.1
Benchmark	-3.9	-35.6	22.0	11.3	-3.6	14.3	16.6	15.6	9.5	5.9	7.3	-5.2	20.6

Commentary

Across our other main asset classes, with the pivot on growth concerns, we saw Government bonds (-4.0%) fall, while Property (+2.1%), & Corporate Debt (+3.9%) posted positive returns.

Q4 saw accommodative monetary policy, with central banks cutting rates, supporting global growth and financial markets. Equity prices weathered higher risk-free rates and lower longer-term earnings expectations through a relaxation of global trade tensions and a stabilisation of the macroeconomic outlook.

The ongoing downturn in worldwide manufacturing was largely ignored, with emphasis put on developed economies being less manufacturing and more services led than historically, this confidence could prove somewhat myopic over time. The increased likelihood of a US-China phase one trade agreement had a strong positive effect on risk appetite, overshadowing impeachment to a certain extent. Initial headlines would need to be followed up by further progress if recent gains are not to fade.

Closer to home, there was no "Hard Brexit" and the UK Parliament approved a withdrawal agreement, which included a clause prohibiting an extension of the transition period beyond December 31, 2020. So markets were appeased for now, though we may see a volatility spike this time next year!

Valuations across capital markets already reflect ongoing monetary largesse and improved sentiment, with stock multiples, bond yields and credit spreads at respective historical highs and lows. Finishing 2019 with such a strong move makes further gains harder to achieve. Fundamentals will have to improve to underwrite the recent surge higher in risk assets, and the upcoming earnings season will need to deliver.

Bond yields moved higher (10Yr Bund +0.38bps), with the shift in sentiment as bonds and bond proxies (REITs) gave up some of their year to date gains. Given where growth & inflation are, the ECB decided to keep the key ECB interest rates unchanged and to reiterate its forward guidance on policy rates (keep low), net asset purchases (ongoing until just prior to rate hikes) and reinvestments (even after rate hikes begin).

Financial conditions thus eased over the quarter. Developed economies benefited from the surging stock markets and tightening corporate spreads, while emerging economies saw falling government bond yields and a compression of spreads. In China, economic activity remains on a gradually slowing trajectory, reflecting past deleveraging efforts aimed at containing financial risks, and a focus on rebalancing the economy away from investment and the impact of the ongoing trade tensions with the United States.

US trade policy will continue to provide mixed signals with hopes of a trade deal boosting markets & triggering hopes of a de-escalation of strife and vice versa. This is very much a movable feast, with a shift from US-China on one day to US-France (unfair Digital Tax) or US-Brazil (unfair currency policies) on another.

Escalation of disputes (by even more) would be detrimental to global growth and particularly global supply chains. While a "no deal" Brexit would have negative spill-over effects particularly in Europe with a sharper slowdown in China likely tricky to manage given the attempts to rebalance the economy.

So lots of potential good news all round (not)! the irony of which is that markets seem predisposed to pick up on the good and largely discount the bad currently. This will change at some point, be it through a growth or, potentially more damaging, a rate shock. That's when our allocation to assets with reasonable valuations should come to the fore.

David Ryan – Portfolio Manager

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IMPORTANT INFORMATION

The Managed Fund is managed by Setanta Asset Management Limited and is a representative account of the Managed strategy. The performance shown is the performance of a representative account (ILA/CLI Setanta Managed Fund [H012]). For this life assurance product, investors should refer to the relevant policy conditions available through Irish Life and via www.irishlife.ie. The strategy is available on a separate account basis to institutional investors however current and prospective clients should not assume identical performance results to those shown would have been achieved for their account if it was invested in the strategy during the period. Clients of the firm may receive different performance than the representative account. Client performance may differ due to factors such as timing of investment(s), timing of withdrawal(s), client-mandated investment restrictions and the portfolio not being fully replicated for new accounts or new flows. Investors should consider the investment objectives, risks, charges and expenses carefully before investing. See 'WARNING' and IMPORTANT INFORMATION' below.

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