Setanta Managed Fund
Q4 2020

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 +8.4% over the fourth quarter, bringing year to date returns to -3.1%.

Global equity markets rallied over the period. With our global equities generating a positive +11.4%, outperforming the benchmark move of +9.2% by +2.2%.

Within global equities, the Financials (+19.2%) and Energy (+18.4%) sectors were the leaders in performance, reversing last quarters position. While Healthcare (+0.7%) and Consumer staples (+6.7%), though positive 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

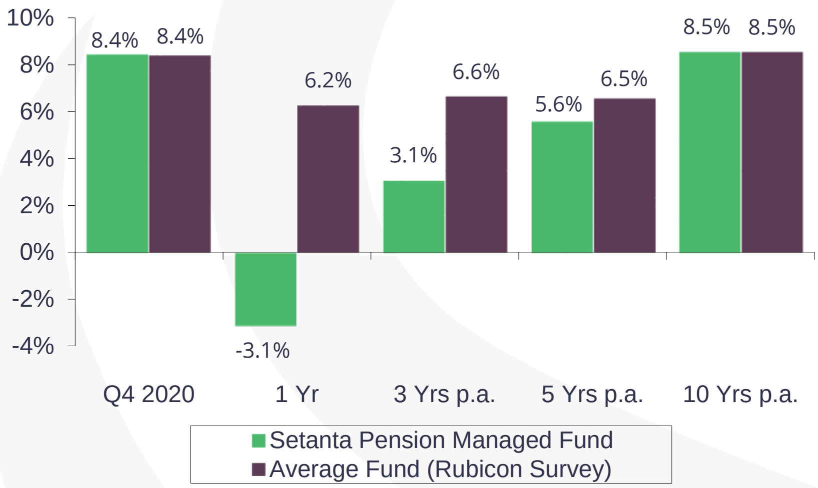
We consider scenarios rather than making forecasts

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

Fund Performance – 31.12.20 (EUR)

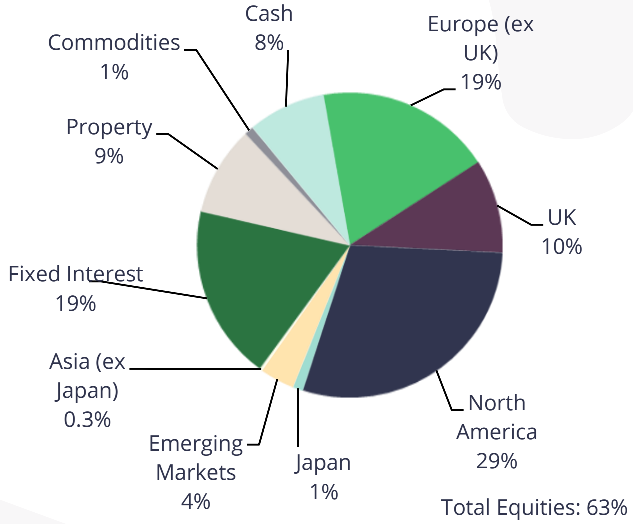


Performance Source: Setanta Asset Management Limited. The actual Fund returns stated are based on the movements in the unit prices of an institutional series of the Fund (ILA/CLI Setanta Managed Fund [H012]) and are net of management fees. Benchmark: Rubicon Pension Managed Fund Survey. **Holdings Source:**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

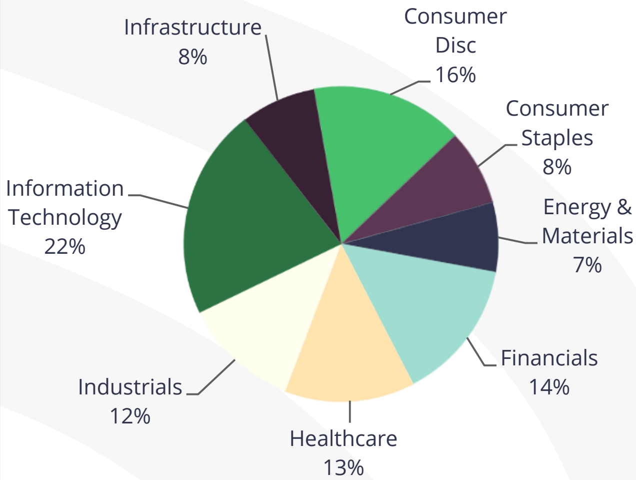
Top 10 Equity Holdings

COMPANY	SECTOR	% OF FUND
MICROSOFT CORP	INFORMATION TECHNOLOGY	2.5%
BERKSHIRE HATHAWAY	FINANCIALS	1.6%
SAMSUNG ELECTRONIC	INFORMATION TECHNOLOGY	1.6%
MCDONALD'S CORP	CONSUMER DISCRETIONARY	1.6%
ERICSSON	INFORMATION TECHNOLOGY	1.4%
NIKE INC	CONSUMER DISCRETIONARY	1.4%
BOOKING HOLDING	CONSUMER DISCRETIONARY	1.4%
ALPHABET INC	CONSUMER DISCRETIONARY	1.4%
JOHNSON & JOHNSON	HEALTHCARE	1.4%
ORACLE CORP	INFORMATION TECHNOLOGY	1.4%

Geographic & Asset Distribution



Sector Distribution



Fixed Interest Portfolio

CREDIT RATING WEIGHTING		
CREDIT RATING TYPE	ASSET TYPE WEIGHTING	BENCHMARK WEIGHTING
AAA	15.0%	21.5%
AA	40.5%	37.1%
A	11.8%	18.0%
BBB	32.7%	23.4%
	100.0%	100.0%

Yearly Performance

Year %	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
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	-3.1
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	6.2

SETANTA Asset Management

Commentary

Global equities, our largest asset position at approximately 63% of the fund, performed well over the quarter, though had a steep hill to climb. Our holdings finished the year -3.1% versus a benchmark return of +6.2%, lagging by around 9%. They have underperformed considerably over the last two years, prompting the previous quarterly commentary about its heralded demise. While we clearly don't believe the doom mongering in the long term (our horizon), it may however need some catalysts for a revival in the short term.

Most recently, our bias towards value has suffered, mainly due to an underweight in some of the larger technology stocks in the US. In general, our sector neutral process of holding other value like sectors, financials, oil and other cyclicals have suffered in the low-growth and yield environment relatively and absolutely. Q4 shows however that market preferences can turn very quickly. News of various vaccines brought hope for a pickup in global economic growth, reflation, and bond yields driving value outperformance. It remains to be seen how vaccine efficacy feeds into effectiveness.

Value's strong quarter saw a rotation away from recent growth winners (Tech & Social distancing winners) into pandemic hit cyclical industries that tend to recover as the economy crawls out of recession. We saw this across some of the more beaten down energy (benefitting from stronger demand), and financial holdings (higher interest rates and steepening yield curves improving net interest margins). Also, there is a growing clamour of big tech names and antitrust actions, as they have been likened to monopolies of the oil barons and railroad tycoons of old. It will be interesting how this plays out.

Value in general performs best when the economy is strong and bond yields are rising. This offers some protection in a balanced portfolio if we are to see a normalization of monetary policy due to a pickup in growth (appreciate contrarian but there are some hawkish noises recently from the FED). The vaccine should change the market outlook for 2021, though how much good news is already priced remains to be seen.

Recent low inflation and inflationary expectations, shifting (aging) demographics, and seemingly widespread disruptive technology has served to undermine traditional value businesses while underpinning lofty growth sector valuations. The dispersion of valuations between value and growth like stocks are at extremes across numerous metrics. Performance will tell if there has been a structural breakdown in our style of investing. We shall carry on as we always have, mindful of asset valuations, patient and disciplined.

Across our bond holdings, they performed in line with a rallying risk market, led by ongoing central bank support. European government bonds were positive (+2.1%), probably taking solace from further buying from the ECB and debt mutualisation of sorts through the recovery fund. Emerging market debt (+4.9%) took comfort from the vaccine news, a Biden win and increased likelihood of further dollar debasement. Our credit holdings (+6.4%) rallied on reduced default probabilities and higher recovery rates, as GDP growth and a build-up of increased lines of liquidity give companies time to reset to a post-covid world.

Over the period we have added to our recent allocation in emerging market local debt. There are both long term technical and fundamental reasons for this. Foreign ownership remains close to historical lows in many markets, as flows have lagged. While historically cheap currencies in some and a more positive backdrop for pro-cyclical and higher-yielding assets favours others. The global backdrop of liquidity and likely reduction in trade-related uncertainty (change in US administration, coupled with the rising likelihood of greater fiscal stimulus in the US), should help in boosting returns.

David Ryan – Head of Multi Asset Funds

Contact Details:

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

Brendan Moran, Tel: + 353 1 612 4962
Email: brendan.moran@setanta-asset.com
www.setanta-asset.com

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.

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