Setanta Global Focus Fund
Q4 2021

Fund Description

The **Global Focus Fund** ('the Fund') is managed by Setanta Asset Management Limited ("Setanta") and is a representative account of the Global Focus strategy.

The Fund is an actively managed equity portfolio which holds c.20 global stocks. The portfolio is managed in accordance with the Setanta investment philosophy. That is, the managers seek to own good businesses for the long-term at prices below what they think they're worth, carefully considering each investment's risk profile. Stocks are chosen through bottom-up analysis, based on investment merit. Due to the Fund's concentrated nature, investments require an even greater than normal margin of safety. The Fund can hold up to 30% cash where investments of sufficient quality cannot be found. Rather than focusing on the historic level of volatility of an asset, the portfolio managers regard the probability of permanent impairment of capital as the most relevant measure of risk. In doing so, they seek to maximise downside protection by understanding the risks posed by the valuation, financial, and operational characteristics of the asset.

Fund Commentary

The fund returned a strong +20.0% performance in 2021, but this was substantially less than the 31.1% delivered by the MSCI World, which rose a racy 31% in the year.

(Fund Commentary continued on Page 3)

Portfolio Managers

David Coyne & Rowan Smith

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

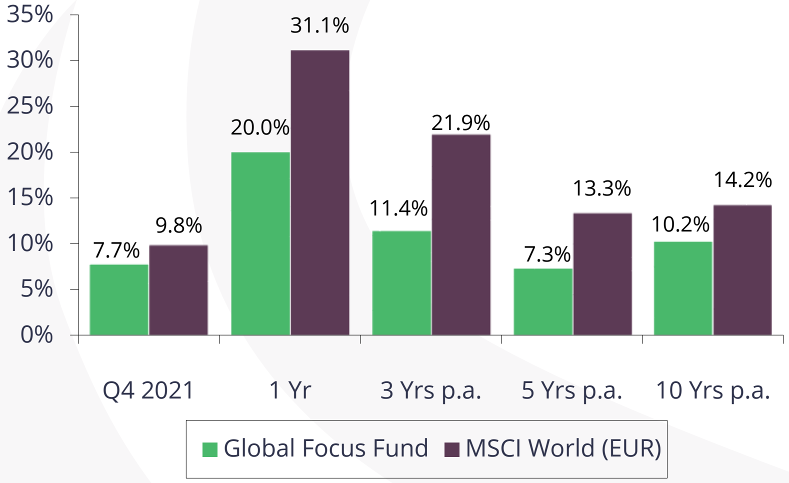
Businesses we own must have strong balance sheets

We make mistakes and always endeavour to learn from them

We will act with integrity in everything we do

SETANTA Asset Management

Fund Performance – 31.12.21 (EUR)



Performance Source: Setanta Asset Management Limited. The Fund returns stated are based on the movements in the unit prices of the ILA/CLI Setanta Global Focus Equity Fund [IEC4001] and are gross of management fees. The performance will be reduced by the impact of management fees paid, the amount of which varies. **Benchmark:** MSCI World (EUR). **Holdings Source:** Setanta. Sector allocations based on invested portfolio only (excludes cash). **Fund Statistics Source:** Bloomberg.

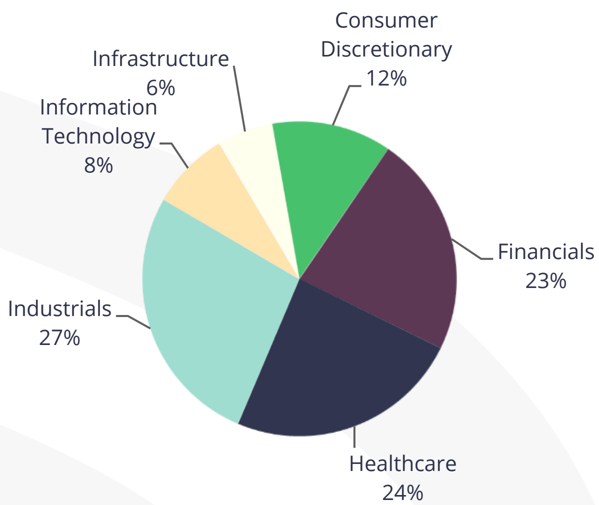
Top 10 Holdings

COMPANY	SECTOR	% OF FUND
STERIS PLC	HEALTHCARE	9.8%
BERKSHIRE HATHAWAY	FINANCIALS	9.8%
RICHEMONT	CONSUMER DISCRETIONARY	9.0%
JOHNSON & JOHNSON	HEALTHCARE	8.0%
RYANAIR DAC	INDUSTRIALS	7.4%
SAMSUNG ELECTRONIC	INFORMATION TECHNOLOGY	7.3%
DCC ORD	INDUSTRIALS	6.8%
MINICON GROUP PLC	INDUSTRIALS	5.5%
MARKEL CORP	FINANCIALS	5.4%
LSL PROPERTY SERVICES	INFRASTRUCTURE	5.2%

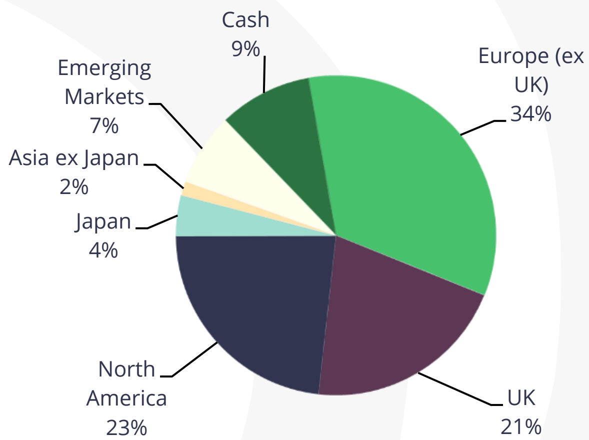
Fund Statistics

PRICE/BOOK	1.5
PRICE/EARNINGS RATIO (FY 1)	17.1
DIVIDEND YIELD %	1.4
AVERAGE MARKET CAP €BN	99.6
NO. OF HOLDINGS	15
DEBT/EQUITY %	30.8
ACTIVE SHARE %	93.7

Sector Distribution



Geographic Distribution



Yearly Performance

Year %	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Fund	-35.2	44.0	28.2	1.5	9.0	20.0	19.1	7.3	11.7	9.7	-6.4	17.8	-2.2	20.0
Benchmark	-37.6	25.9	19.5	-2.4	14.1	21.2	19.5	10.4	10.7	7.5	-4.1	30.0	6.3	31.1

SETANTA Asset Management

Commentary

In many ways 2021 was a notable year in financial markets. Global M&A hit a record $5.8 trillion according to Refinitiv, easily surpassing the previous (ill-fated) record of $4.4bn set in 2007, while Bloomberg reported that a record $600 billion of capital was raised through IPOs, around 40% higher than in 2007. On the economic front, two significant new COVID 'waves' Delta and Omicron held back economies from fully realising their potential output in 2021, although rising high vaccination rates are helping to decouple the link between infection and hospitalisation, which is very positive. Still, ongoing restrictions contributed to significant supply chain bottlenecks across many industries. With demand strong and supply constrained, inflation spiked to around 5% in the US and Europe, the highest inflation levels in decades. The jury remains out on whether the inflation is the result of temporary supply side factors that will naturally correct or a consequence of years of ultra-loose monetary policy. In any case, it would appear that the global interest rate cycle is on an upward path.

Stocks were strong across the board, but there were some key takeaways. While "growth" and "value" indices performed similarly (following an 80% cumulative outperformance of growth over value in the previous four years), the valuation of what we term "super-premium" companies (high quality, strong and predictable growth) continued to rise and some of them look to us to be in over-priced territory. US stocks outperformed handsomely (+37% in Euros), aided by the strong Dollar, while Europe (+27% in Euros) and Asia (+11% in Euros) lagged. This continues a long trend. The weight of US stocks in the MSCI World index has increased from 52% to 67% in the last decade, driven in no small measure by the meteoric rise of FAANGs, tech disruptors etc., which are predominantly quoted in the US.

Sectors where demand is outstripping supply rose sharply in 2021, for example semiconductors (+64% in Euros) and autos (+45% in Euros). Banks were strong (+42% in Euros) due to reduced risk of loan losses as economies reopened, as well as expectations of margin improvement when interest rates rise. Also energy stocks rebounded (+53%), following a number of years of revenue and profit pressures. Among the laggards in 2021 were telecoms (+3% in Euros), utilities (19% in Euros) and consumer staples stocks (+20% in Euros).

Performance review

Below is a table and discussion of the top / bottom three contributors to fund performance over the course of the year.

2021 Top and Bottom 3 Contributors to Performance	Sector	Contribution, Euro	Performance, Euro
Richemont	Discretionary	5.7%	82%
Berkshire Hathaway	Financials	3.3%	39%
Steris	Healthcare	3.1%	39%
Melrose Industries	Industrials	-0.2%	4%
Alfresa Holdings	Healthcare	-1.1%	-19%
Lancashire Holdings	Financials	-1.1%	-21%

Commentary

Richemont makes and sells luxury jewellery, watches and leather goods; among its best-known brands are Cartier and Mont Blanc. It was added to the fund in 2016 and has nearly tripled in value since. The company was impacted by travel restrictions imposed as a result of COVID, but more recently management has highlighted strong demand for its products, particularly from Asia buyers. We think that trend has a lot more to run over the coming decade and beyond, albeit Richemont is an economically sensitive and operationally leveraged business, so shareholders may endure profit volatility along the way.

Berkshire Hathaway has been an excellent performer for the fund since purchased in 2012. Warren Buffett and Charlie Munger won't be around to oversee the company forever, but the group is a collection of good-to-great businesses that – by design – operate in a decentralised way so they can continue to thrive almost regardless of who's the boss. The reopening of the US economy caused profits to rebound strongly in 2021. The group's cash pile continues to grow but with its own shares trading at an attractive valuation, they have stepped up stock repurchases in the last 18 months. This is adding to Berkshire's per share value and hope to see even more such moves in the future.

Medical sterilisation company **Steris** has also been a hugely valuable contributor to fund performance since it was bought in 2010. 2021 saw this continue, underpinned by a robust business performance. Steris is in a very strong position to continue to grow future sales and profits as a result of structural growth in demand, while the threat from increased competition or disruptive technologies is low.

The main detractor from fund performance in 2021 was UK-based specialty insurer **Lancashire**, which insures property, aviation, energy and marine risks. Unfortunately industry losses have been well above normal in four of the last five years, mainly due to natural catastrophe losses. Swiss Re believes 2021 insured losses were U$112bn, the 4th costliest year on record (2017 was the costliest at ~U$160bn). Lancashire has not been immune to these loss trends. Global warming is at the centre of the debate over whether current insurance pricing is adequate. Are weather-related events more frequent, more powerful? Or is it simply an unlucky clustering of losses? Although we think it's the latter, no one can tell conclusively.

In recent years Lancashire has been growing and diversifying into less commoditised, less capital-intensive lines of business. This not only reduces its exposure to large natural catastrophe losses but should increase the group's RoE. We think this strategy is sound and are excited at the prospect of a large uplift in profits and returns if industry losses normalise. However, management will need to deliver following what is a likely to be another loss year in 2021, along with a low share price. As the largest shareholder in the company, Setanta will continue to engage with management and the Board for ways to best realise value.

Portfolio Activity

There was no significant portfolio activity in Q4.

David Coyne, Co-lead Portfolio Manager

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 Global Focus Equity Fund is managed by Setanta Asset Management Limited and is a representative account of the Global Focus Equity strategy. The performance shown is the performance of a representative account (ILA/CLI Setanta Global Focus Equity Fund [IEC4001]). 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. The investments underlying this financial product do not take into account the EU criteria for environmentally sustainable economic activities. 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.

SETANTA
Asset Management