

Setanta European Equity Fund (CAD)

Q3 2021

Fund Description

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

The Fund is an actively managed equity portfolio which holds c.30 stocks which are located in or active in Europe. 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.

The Fund is managed by the lead portfolio manager, who also looks to leverage off the experience and knowledge of his colleagues. The aim is to achieve a sensible level of diversification on a sector and geographic basis.

The investment objective of the Fund is to outperform the MSCI Europe index over the long term.

Fund Commentary

Inflation today is pervasive, in almost every category of goods and services we can think of; energy, materials, foodstuffs, computer chips, cars to name but a few. Short term effects such as acute supply demand imbalances can be magnified by aggressive bidding for commodities overlaid with financial speculators looking for a quick profit from the volatility.

(Fund Commentary continued on Page 3)

Portfolio Manager

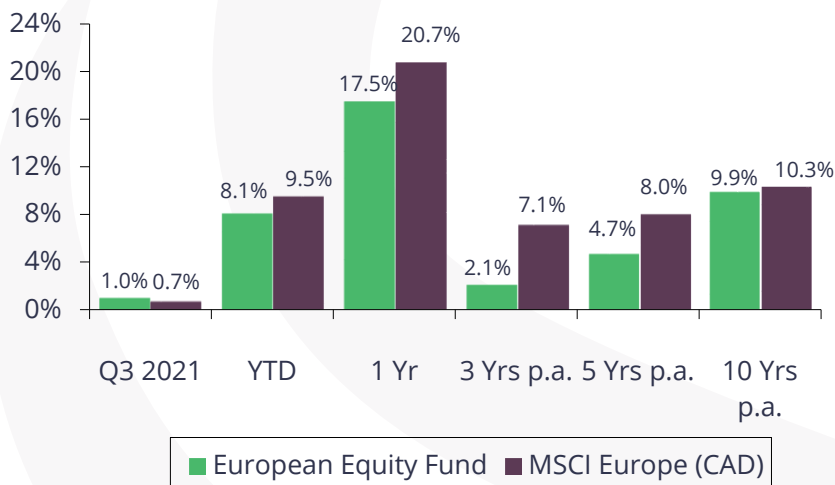
David Byrne, CFA



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 – 30.09.2021 (CAD)



Yearly Performance

Year %	2016	2017	2018	2019	2020
Fund	-0.8	15.3	-4.3	13.8	-7.8
Benchmark	-3.9	17.3	-7.2	17.5	3.5

Performance Source: Setanta Asset Management Limited. The Fund returns stated are based on the movements in the unit prices of the CLA European Equity Fund (SF037) [IEC11002] 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 Europe (CAD). **Holdings Source:** Setanta. Sector allocations based on invested portfolio only (excludes cash). **Fund Statistics Source:** Bloomberg.

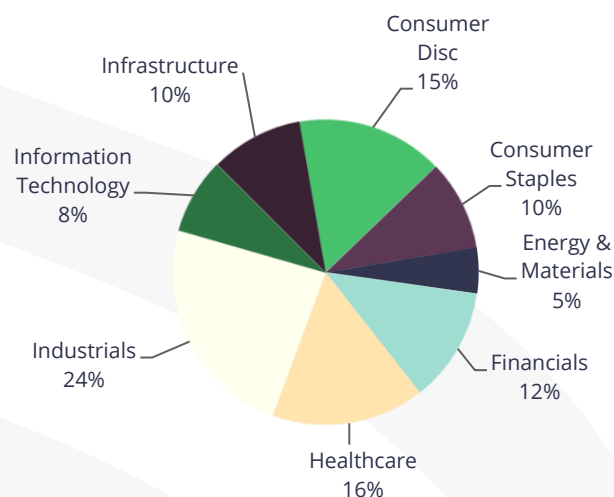
Top 10 Holdings

COMPANY	SECTOR	% OF FUND
DCC	INDUSTRIALS	6.9%
CRH	INDUSTRIALS	6.4%
GPE BRUXELLES LAMBERT	FINANCIALS	6.3%
DIAGEO	CONSUMER STAPLES	5.1%
ERICSSON(LM)TEL	INFORMATION TECHNOLOGY	4.7%
LIBERTY GLOBAL PLC	CONSUMER DISCRETIONARY	4.6%
GLAXOSMITHKLINE	HEALTHCARE	4.5%
GEA GROUP	INDUSTRIALS	4.5%
SANOFI	HEALTHCARE	4.2%
NOVARTIS	HEALTHCARE	4.1%

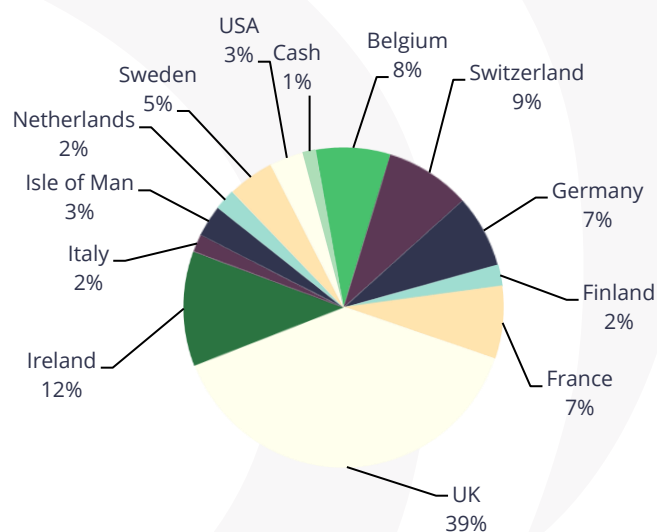
Fund Statistics

PRICE/BOOK	2.1
PRICE/EARNINGS RATIO (FY 1)	17.2
DIVIDEND YIELD %	2.0
AVERAGE MARKET CAP C\$BN	58.9
NO. OF HOLDINGS	30
ACTIVE SHARE RATIO %	90.3
DEBT/EQUITY %	64.6

Sector Distribution



Geographic Distribution





Commentary

Supply is struggling to catch up with surging demand in many categories. Long term causes of inflation are likely to stem from excessive “quantitative easing” policies by central banks around the world, led by the Federal reserve and copied by other central banks.

A lot of economic “truisms” have been tested over the last few years. We’ve seen negative interest rates in markets around the world and Oil at a negative price. These two events suggest that for economic variables many more outcomes are possible than most people think. We always try to keep an open mind at Setanta for a wide range of potential outcomes. We still believe the main long term culprit of “inflation” to be money creation. The greater supply of money, all else equal, the lower it’s value. At the business level, we’ve been observing labour demand more pay for a number of years (e.g. Restaurants and retail workers).

Although it’s hard to be definitive, countries that produce essential commodities now look like they are demanding more paper money for their wares. Energy costs, which are an input into almost everything, have been rising in recent weeks. Oil prices are now rocketing, a complete reverse of the situation in 2020 that caused the negative oil price. Extreme markets tend to correct and revert to some sort of equilibrium after a while. We don’t know what’s going to happen in energy markets over the coming year and beyond but suspect producers will be demanding more currency for their commodities in the medium to long term.

We don’t know if the inflation we are experiencing is here to stay. Our primary concern is thinking about how a range of scenarios will affect each of our individual businesses. With regard to inflation, we consider if our individual issues are capable of increasing prices enough to offset increases in inputs.

If we examine two of our investments in the eyecare industry we think they demonstrate a certain resilience to inflationary pressures. We currently have investments in Alcon and EssilorLuxottica. Both occupy very strong positions within their respective niches in the eyecare industry. Alcon in contact lenses and eye surgery products, EssilorLuxottica in prescription glasses, lenses and sunglasses. Both have been increasing investments in research and development strengthening their product offering for customers. Eye surgery, Eyeglasses, contact lenses and sunglasses are very high up on most people’s priority lists. Good vision is so important to people’s wellbeing customers are willing to invest in vision products, whether it’s contact lenses or glasses. Due to their scale and well invested products, both Alcon and EssilorLuxottica have high gross margins. They also have relatively low input costs which should enable them to weather the inflation storm, if it persists, better than most.

Transactions

There were no transactions during the third quarter

David Byrne – Portfolio Manager



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IMPORTANT INFORMATION

The European Equity Fund is managed by Setanta Asset Management Limited and is a representative account of the European Equity strategy. The performance shown is the performance of a representative account (CLA CA European Equity Fund [IEC11002]). 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' sections below.

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