Setanta European Equity Fund
Q2 2022

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 manager seeks 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

The European Equity Fund returned -6.5% for the second quarter outperforming the relevant benchmark, which returned -9.0%, by 2.5%. The fund is slightly ahead year to date, returning -12.9% versus -13.8% for the benchmark. As the year progressed and the terrible war in Ukraine drags on, we are confronted with a number of economic challenges and a visibly very uncertain world.

(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

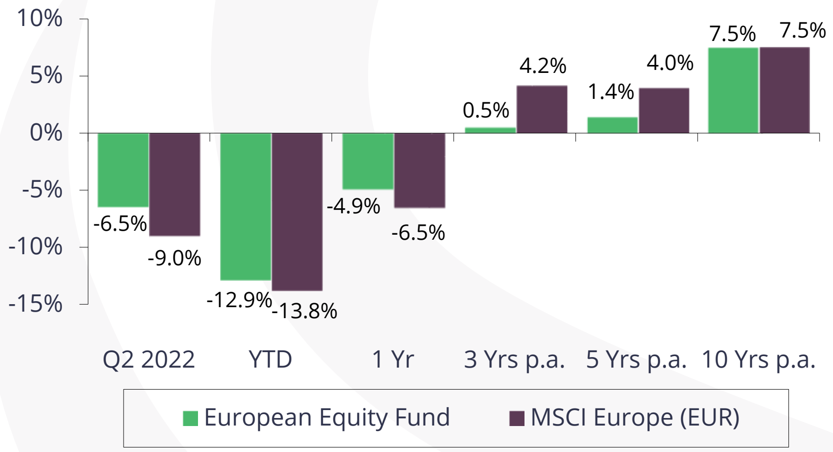
We consider scenarios rather than making forecasts

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 – 30.06.2022 (EUR)



Yearly Performance

Year %	2017	2018	2019	2020	2021
Fund	8.3	-7.3	21.5	-14.0	23.5
Benchmark	10.2	-10.6	26.0	-3.3	25.1

Performance Source: Setanta Asset Management Limited. The Fund returns stated are based on the movements in the unit prices of the ILA/CLI European Equity Fund [IEC7002] 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 (EUR). **Holdings Source:** Setanta. Sector allocations based on invested portfolio only (excludes cash). **Fund Statistics Source:** Bloomberg.

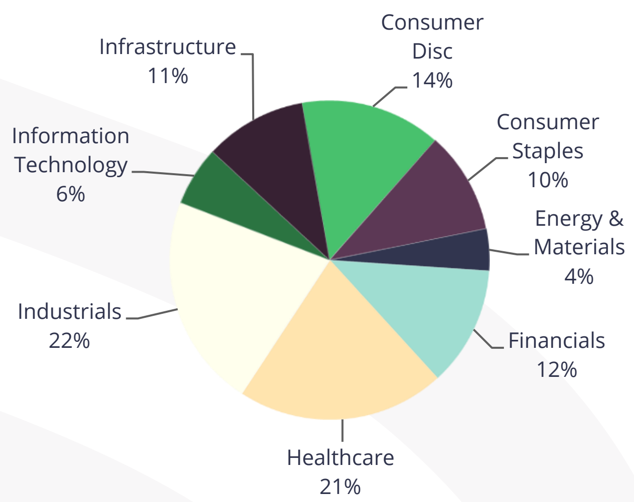
Top 10 Holdings

COMPANY	SECTOR	% OF FUND
GSK PLC	HEALTHCARE	6.4%
DCC	INDUSTRIALS	6.3%
GPE BRUXELLES LAMBERT	FINANCIALS	5.9%
CRH ORD	INDUSTRIALS	5.9%
SANOFI	HEALTHCARE	5.6%
DIAGEO ORD	CONSUMER STAPLES	5.6%
NOVARTIS	HEALTHCARE	5.3%
LIBERTY GLOBAL PLC	CONSUMER DISCRETIONARY	4.4%
GEA GROUP	INDUSTRIALS	4.2%
ERICSSON	INFORMATION TECHNOLOGY	3.9%

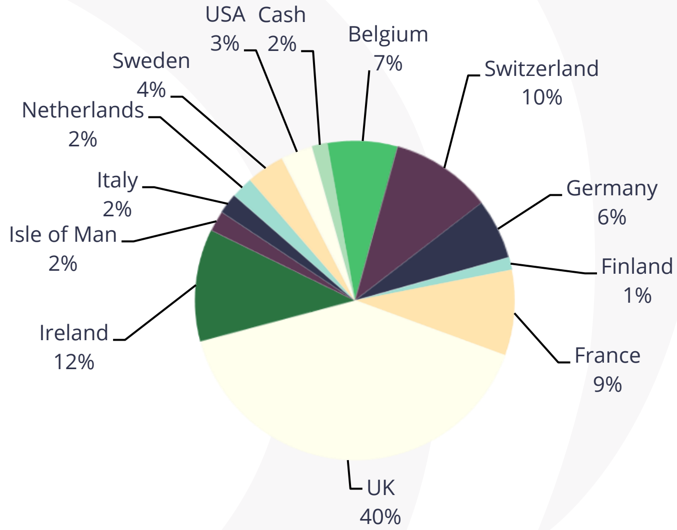
Fund Statistics

PRICE/BOOK	1.7
PRICE/EARNINGS RATIO (FY 1)	13.5
DIVIDEND YIELD %	2.9
AVERAGE MARKET CAP €BN	38.2
NO. OF HOLDINGS	31
ACTIVE SHARE RATIO %	89.3
DEBT/EQUITY %	62.0

Sector Distribution



Geographic Distribution



SETANTA Asset Management

Commentary

With sustained inflation for an extended period across the globe it became ever clearer that central banks would have to raise interest rates. The federal reserve increased interest rates by 75bps to a range of 1.5% to 1.75% and signaled further hikes would be possible with reported inflation at 8.6% in the United States. The European Central Bank has been slower to act even though inflation rates have been seen at double digits in some European countries. Perhaps this is due to the prospect of severe disruption to energy supplies in the coming months across the region. It's likely though that the ECB will be raising rates, at least in the near term, to mitigate inflationary pressures seen across the region.

In the sharp COVID induced market sell off in Q1 of 2020 the fund suffered by having more exposure to travel related names. E.g., Booking holdings and Ryanair. We concluded that the pandemic would pass within a reasonable timeframe, or if not, that people would revert to more normal behaviour, economies would re-open and people would indeed travel again. We are seeing travel demand come surging back this summer, so much so that travel infrastructure is struggling to cope with the volume of returning passengers as staffing shortages at both airports and airlines cause problems. As we look further into the future, we are thinking about a range of scenarios for both Booking holdings and Ryanair but are pleased that they have strong balance sheets and capable management teams that should enable them to emerge stronger over the next few years.

We are monitoring economic developments across the firm on all sectors, reevaluating current holdings and looking for potential new investments. It is the nature of capitalism that money flows to what's new and exciting for a period. After a while as some ventures don't meet the required returns, we see capital exiting and money looking elsewhere. We've seen this happen time and again in modern economies; to railroads, real estate, bicycles, automobiles, telecommunications, media, software to name but a few. Over the last decade we've seen central banks across the globe adopt very loose monetary policy enticing capital into a variety of sectors. Perhaps the most notable being electric vehicles and consumer facing technology businesses. We've seen dramatic share price falls for many of these businesses and we'll be on the look out for potential opportunities. Our criteria for investment doesn't change. We seek businesses with sensible valuation, attractive through the cycle economics, low financial debt and resilience in times of adversity.

Transactions during the Quarter

We initiated a new position in **Ferguson Plc**, the leading North American distributor of plumbing, heating and related products to professional tradesmen. It was formerly known as Wolseley until 2017 and has a dual listing in both the UK and US. Over the past 5 years under the stewardship of CEO, Kevin Murphy, the company underwent a strategic review with the focus now on the structurally attractive US market while exiting less attractive markets across Europe.

We believe Ferguson commands a market leading position in a very fragmented market, and that its scale (3.5m SKUs across 1,600 locations, located within 60 miles of 95% of the US population) coupled with bolt-on acquisitions of smaller competitors should give Ferguson a competitive advantage and facilitate outsized growth relative to its market over the medium to long term.

Commentary

The market itself also presents a nice tailwind with 56% exposure to residential and within that, 60% RMI and 40% new build. Our research has led us to believe that there has been a persistent under-build of homes across the US with current housing starts similar to 1960's levels. On top of this, the housing stock is old, with the median US house now 41 years old. So, in a market which needs more new houses as well as greater refurbishment of the existing ageing stock we believe it presents a very positive picture for demand of plumbing products over the medium to long term.

We are also very impressed with the quality and experience of the management team. Both CEO, Kevin Murphy and CFO, Bill Brundage, while being relatively new to their respective positions are Ferguson veterans, Kevin Murphy is with the company since 1999 and Bill Brundage more than 17 years. They have experienced downturns in the past and know how to navigate them so even if we do see a downturn in the US housing market, we feel comfortable that the management team are well positioned to deal with it as well as taking advantage of opportunities that may present themselves if weaker companies begin to struggle.

We exited our investment in **Smiths Group**. The investment in Smiths Group didn't work out quite as well we'd hoped. Despite seemingly good market positions across a range of industries, business growth was below our expectations, and we had already reduced our position. The board recently appointed a new CEO, but we are worried that the desired improvements might be harder to realise than he hopes.

We would like to thank all of our clients for their continued support.

David Byrne, Portfolio Manager

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