Setanta Global Dividend Fund (CAD)

Q3 2022

Fund Description

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

The Fund is an actively managed equity portfolio, which holds 30-50 global high yield 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. The Fund further distils this philosophy by targeting stocks where management have both the willingness and ability to distribute meaningful dividends to shareholders.

The Fund is managed by three portfolio managers, who also look to leverage off the experience and knowledge of their colleagues. The aim is to achieve a sensible level of diversification on a sector and geographic basis. Stocks are chosen through bottom-up analysis, based on investment merit. The fund can hold up to 10% 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.

The investment objective of the Fund is to outperform the MSCI High Dividend Yield index over the long term.

Portfolio Managers

Richard Doyle, CFA; David Pastor, CFA; Caroline White, 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

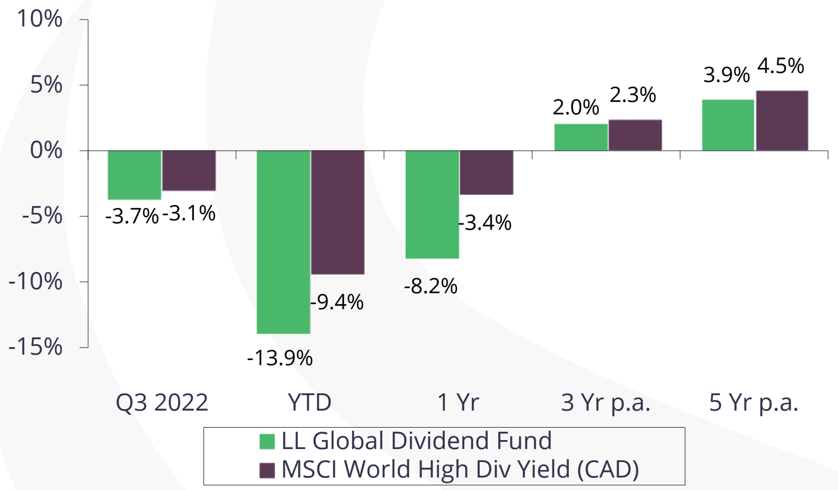
Businesses we own must have strong balance sheets

We make mistakes and always endeavour to learn from them

We will act with integrity in everything we do

SETANTA Asset Management

Fund Performance – 30.09.2022 (CAD)



Yearly Performance

Year %	2017	2018	2019	2020	2021
Fund	12.7	1.2	15.6	2.3	12.0
Benchmark	10.4	0.8	16.9	-1.8	14.8

Performance Source: Setanta Asset Management Limited. The Fund returns stated are based on the movements in the unit prices of the London Life Global Dividend Fund 8.26SAM [IEC15005] 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 High Yield Index (100% CAD). **Holdings Source:** Setanta. Sector allocations based on invested portfolio only (excludes cash). **Fund Statistics Source:** Bloomberg. *Calculated using Index Method.

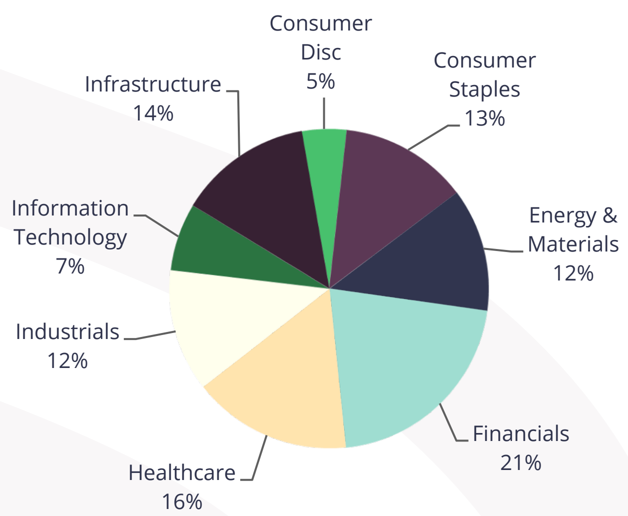
Top 10 Holdings

COMPANY	SECTOR	% OF FUND
JOHNSON & JOHNSON	HEALTHCARE	4.3%
PROCTER & GAMBLE	CONSUMER STAPLES	3.6%
BANGKOK BANK	FINANCIALS	3.6%
NESTLE SA	CONSUMER STAPLES	3.6%
SWEDISH MATCH	CONSUMER STAPLES	3.6%
MEDTRONIC PLC	HEALTHCARE	3.5%
SANOFI	HEALTHCARE	3.4%
NWS HOLDINGS	INDUSTRIALS	3.4%
SAMPO OYJ	FINANCIALS	3.3%
NOVARTIS AG	HEALTHCARE	3.1%

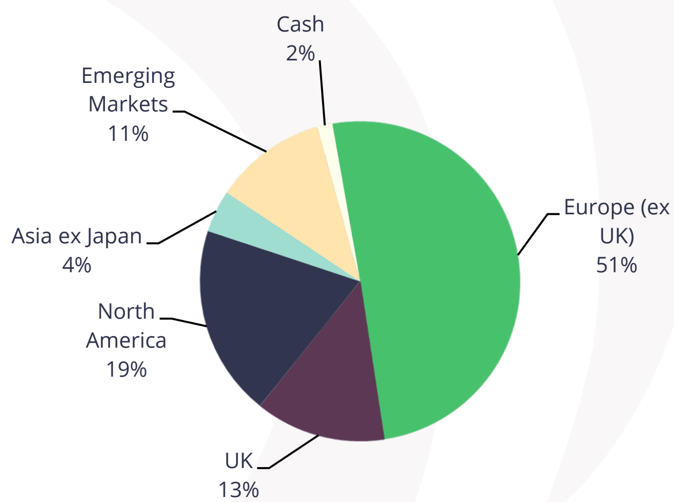
Fund Statistics

PRICE/BOOK	1.6
PRICE/EARNINGS RATIO (FY 1)	12.5
DIVIDEND YIELD %*	4.2
AVERAGE MARKET CAP C$BN	118.6
NO. OF HOLDINGS	40
DEBT/EQUITY %	54.2
ACTIVE SHARE %	80.4

Sector Distribution



Geographic Distribution



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Commentary

Last quarter, we pondered on the appetite of Central Bankers to stay on the path of increased interest rates, given the associated economic pain. Indeed, interest rates feature prominently in the fortunes of some of the Fund's holdings, as described below. During the quarter, central bankers met at the Jackson Hole Economic Symposium in U.S.A. and emphasised that they would do whatever it takes to halt, and reverse, the current course of inflation. Federal Reserve Governor, Jay Powell stated:

"While higher interest rates, slower growth and softer labor market conditions will bring down inflation, they will also bring some pain to households and businesses. These are the unfortunate costs of reducing inflation. But a failure to restore price stability would mean far greater pain……We are taking forceful and rapid steps to moderate demand so that it comes into better alignment with supply, and to keep inflation expectations anchored".

This 'hawkishness' on the part of the Federal Reserve bank caused markets to slump following a rally earlier in the quarter. Share prices began to incorporate the effects of higher interest rates, such as higher mortgage and debt costs and the likelihood of lower economic growth and pressure on corporate profit margins. This development was compounded later in the quarter, due to concerns over the course of U.K. fiscal policy under new Prime Minister, Liz Truss, whose administration unveiled the biggest package of tax cuts there in decades. Market participants took it badly, heavily selling U.K. government bonds, an action amplified by some forced selling on the part of some liability-driven pension funds. This, in turn, sent the British pound down to an all-time low against the US dollar. In this chaotic background, the Bank of England had to make an unexpected intervention in the U.K. government bond market, announcing its intention to buy bonds to ensure market stability. Government bonds weakened across the board, while credit spreads on corporate bonds increased. Elsewhere, there are signs that China's economy is creaking due to a combination of ongoing COVID-related lockdowns as well as a potential residential property slump, as demonstrated by 'striking' house buyers, while political tensions with Taiwan remain elevated. Meanwhile Russia's war on Ukraine continues. Amidst its far-ranging consequences are a substantial increase in energy costs, particularly in Europe, which, along with other inflationary pressures, is expected to squeeze disposable incomes in the region over the coming months. This has given rise to substantial government interventions to alleviate the burden on consumers, as well as industry.

Toronto Dominion, ('TD'), one of Canada's major banks, is very much an interested party in the central bank developments mentioned above. As a traditional bank, it typically benefits from rising interest rates as its ability to raise its lending margin increases, albeit while navigating through the currents of a slowing economy, such as lower growth and a weaker property market. TD operates mainly in Canada and U.S.A.; indeed, it is the fifth largest bank in North America, as measured both by assets and deposits. The Canadian banking market is an attractive one, in which five major banks cater to the needs of nearly 40m people in a stable, wealthy, and open, economy that has both abundant natural resources and a huge market on its doorstep. In USA, TD's assets are mainly on the eastern seaboard, and in some of wealthiest areas there. Its CET1 ratio, a regulatory measure of capital strength, is the highest among the major Canadian banks. Its Canadian residential loan book has an average loan-to-value of less than 50%, affording a sizeable buffer in troubled times; likewise, the group as a whole has a low dependence on interbank funding (which tends to be less reliable in times of strife), due to its huge deposit base. Over the past five years, TD has been able to achieve an impressive Return on Equity of 15%. TD's share price weakness during the quarter afforded us an opportunity to take a position for the Fund at what we regard as favourable valuation, namely a Price \ Book of 1.6x and a 4.0% Dividend Yield.

Commentary

The fund fell 3.7% in value over the quarter. **GSK** (formerly Glaxosmithkline) and **Sanofi**, two pharmaceutical companies, were material contributors to this fall having been among the strongest performers in the prior quarter. This reflected concerns about their involvement in the sale of Zantac, a heartburn drug, which some scientific studies have linked to an increased risk of cancer. Although this is arguably not 'news', its mention in a recent research report resulted in both stocks falling sharply, implying substantial losses. We believe that the scientific evidence, and similar cases in the past, do not support this implication. **Terna**, **National Grid**, and **REN**, three utility holdings that are principally oriented to the transmission of electricity in Italy, U.K., and Portugal respectively also performed weakly. This was to a backdrop of sharply rising interest rates, traditionally a headwind for utilities, due to the relatively fixed nature of their returns as well as concerns over new administrations in Italy and the UK that want (see above!), or are expected, to change political direction.

In contrast, **Lancashire Holdings**, a global specialist insurer and **Federated Hermes**, a US-based asset manager, both had good quarters. Lancashire benefitted from a relatively benign North American hurricane season to the quarter end (the season typically runs from mid-summer to end autumn) in addition to greater confidence that any losses relating to Russia's war on Ukraine will be lower than previously expected. Federated, which has a substantial money market fund business, is benefitting from rising interest rates, enabling it to substantially increase margins on products, which had previously been constrained by the very low interest rate environment. Lancashire should also benefit from increased interest rates, as they tend to 'harden' the insurance market, due to a reduction in capital available to more speculative competitors. Both companies had relatively low valuations at the start of the quarter, allowing scope for good performance, while Federated has also been repurchasing its own shares.

All figures are in euro, unless otherwise stated; performance figures are gross of fees, unless otherwise stated.

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IMPORTANT INFORMATION

The Global Dividend Fund is managed by Setanta Asset Management Limited and is a representative account of the Global Dividend strategy. The performance shown is the performance of a representative account (London Life Global Dividend Fund 8.26SAM [IEC15005]). 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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