

# Setanta Global Dividend Fund (CAD)

Q2 2023

## 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.

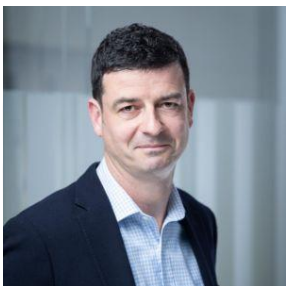
The Fund is an actively managed equity portfolio, which holds 30-50 global high yield stocks. The portfolio is managed in accordance with the Setanta investment philosophy. That is, the managers seek to own good businesses for the long-term at prices below what they think they’re worth, carefully considering 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

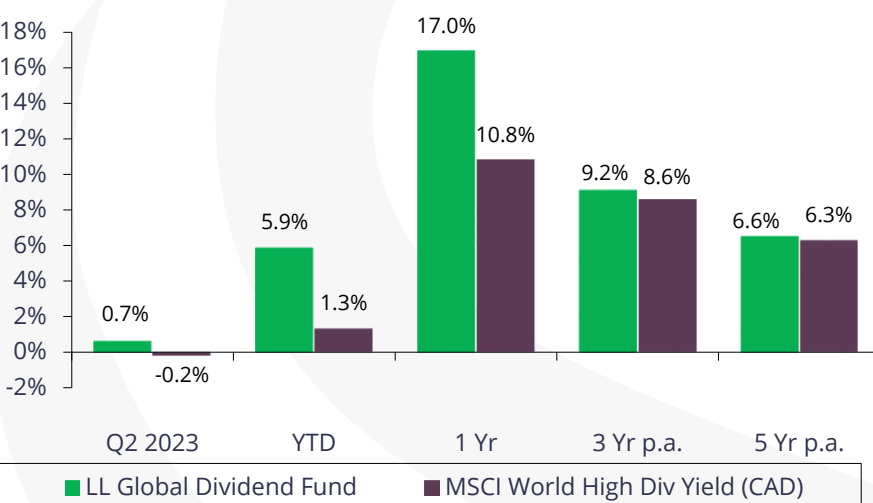
We consider scenarios rather than making forecasts

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

## Fund Performance – 30.06.2023 (CAD)



## Yearly Performance

Year %	2018	2019	2020	2021	2022
<b>Fund</b>	1.2	15.6	2.3	12.0	-1.3
<b>Benchmark</b>	0.8	16.9	-1.8	14.8	2.2

**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.

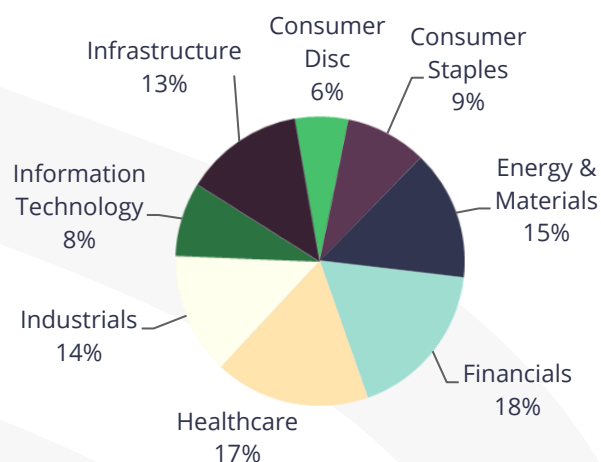
## Top 10 Holdings

COMPANY	SECTOR	% OF FUND
SANOFI	HEALTHCARE	3.8%
PROCTER & GAMBLE	CONSUMER STAPLES	3.7%
JOHNSON & JOHNSON	HEALTHCARE	3.6%
NWS HOLDINGS	INDUSTRIALS	3.5%
NOVARTIS AG	HEALTHCARE	3.4%
CRH ORD	INDUSTRIALS	3.4%
NESTLE SA	CONSUMER STAPLES	3.3%
SAMSUNG ELECTRONIC	INFORMATION TECHNOLOGY	3.3%
AIR LIQUIDE	ENERGY & MATERIALS	3.2%
MEDTRONIC PLC	HEALTHCARE	3.2%

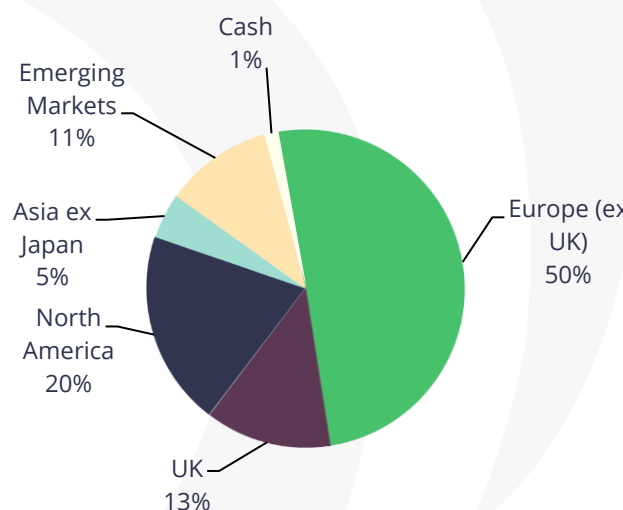
## Fund Statistics

PRICE/BOOK	2.0
PRICE/EARNINGS RATIO (FY 1)	15.1
DIVIDEND YIELD %*	3.6
AVERAGE MARKET CAP C\$BN	141.0
NO. OF HOLDINGS	43
DEBT/EQUITY %	56.4
ACTIVE SHARE %	80.4

## Sector Distribution



## Geographic Distribution



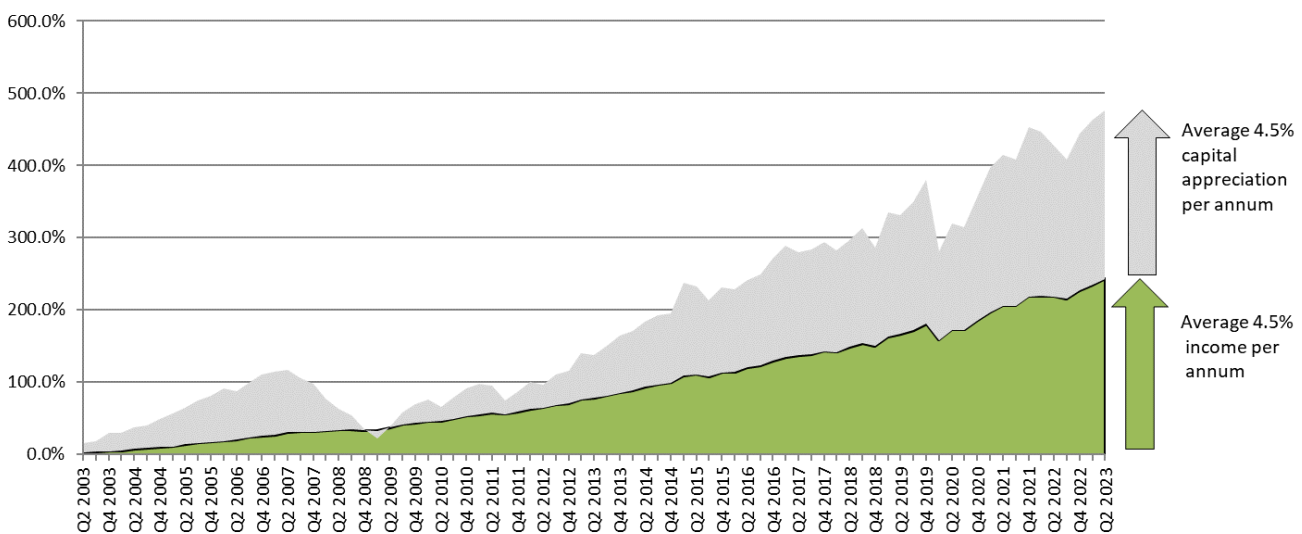
# Commentary

## Dividend Fund – Q2 2023 Commentary

The Dividend Fund strategy recently marked its 20th year, having first been launched in March 2003 in Ireland before later becoming available in Germany and Canada. The Fund's inception occurred shortly after the 'TMT' (Telecoms, Media, and Technology) boom, but long before smartphones and social media, staples of many people's lives today, became mass phenomena.<sup>^</sup> The Euro was in its infancy as the common currency of the Eurozone, China had recently joined the World Trade Organisation, and Vladimir Putin was only three years into his first term as president of Russia. Since then, the Fund has 'lived through' many extraordinary events that had a material impact on global financial markets; in particular, the Great Financial Crisis, the ensuing period of unprecedented easing in monetary policy, the presidency of Donald Trump, and the COVID-19 pandemic.

Over the 20 years to March 2023, the Fund recorded a total return of 480%, equating to a 9.2% annualised return (the Fund's benchmark rose 390% over the same time period).<sup>\*</sup> Among other things, this total return compares to the simple arithmetic return (184%) highlighting the power of compounding that results from the multiplicative effect of remaining invested over the long-term. We estimate that roughly half of the Fund's total return has accrued from compounded dividend income, reflecting the capacity and commitment of the Fund's holdings to pay dividends; the other half has come from capital appreciation, reflecting their ability to grow those dividends over time. The chart below illustrates the decomposition of the Fund's total return over its history, highlighting, in particular, the resilience of income.~ We believe that this combination of dividend income and capital appreciation has been, and remains, a powerful one, showcasing the appeal of income-based investing.

**Setanta Global Dividend Fund - Return Attribution**





# Commentary

Perhaps unsurprisingly then, the Fund today bears many similarities when it was launched. At the time, it was marketed as offering access to an actively-managed “portfolio of quality companies that pay high dividends”. That continues to be the case today, as we continue to invest in companies that generally have sustainable competitive advantages (“moats”), strong Balance Sheets and consistent cashflow generation that all enable the payment of above-average dividends. The Fund reported a gross dividend yield of 4.2% back in 2003; today, the Fund has a gross dividend yield of 4.1%. At launch, the Fund had very high exposure to European-domiciled companies; today that exposure is still relatively high, reflecting the generally higher dividend yields available in European equity markets (According to MSCI data, European equities currently yield 3.8%, compared to 1.6% in North America). The fact that an inflationary environment is value destructive for cash deposits was a key marketing point in 2003 for the Fund as it offered an alternative income source in the wake of Irish inflation hitting 4.6% in the year before launch. Having been dormant for many years, this is again topical today with inflation in Ireland nearing 8% last year.

If we can draw a lesson from the past twenty years, it is that although there will always be challenges in financial markets, there has been scope to find attractively-valued income-yielding investments. In our opinion, the Fund’s investment proposition thus remains relevant for the investment challenges of the next 20 years; we will continue to prioritise companies that we believe have the requisite quality to thrive over that time period.

During the quarter, the Fund increased in value by 2.3%. The largest positive contributor to this performance was NWS, a Hong-Kong listed company with interests in Hong Kong and mainland China. Its main businesses are road concessions, construction, insurance, and logistics. NWS’s ultimate controlling shareholder has made an offer for the entire company, equating to a 20% premium over its undisturbed share price. Boliden, an integrated miner, was the main detractor from the Fund’s performance, its share price falling on the back of operational mishaps as well as weak zinc prices.

**Richard Doyle, CFA, David Pastor, CFA & Caroline White, CFA**  
**Co-Lead Portfolio Managers**

*^ References to ‘The Fund’ specifically relate to the Setanta Global Dividend Fund, as marketed in Ireland.*

*All figures, unless stated otherwise, are in euro terms; all figures relating to performance are gross of fees, unless stated otherwise. Prior to January 2013, most of the Fund’s non-euro currency exposure was hedged back to euro.*

*~ Due to the use of an external attribution measurement platform the figures displayed in the Return Attribution chart are approximations of the actual fund returns over the 20 year time period. For the purpose of this illustration, income returns are assumed to be gross of Dividend Withholding Tax; in practice, Fund returns are net of Dividend Withholding Tax.*



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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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**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.