

Setanta Dividend Fund

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

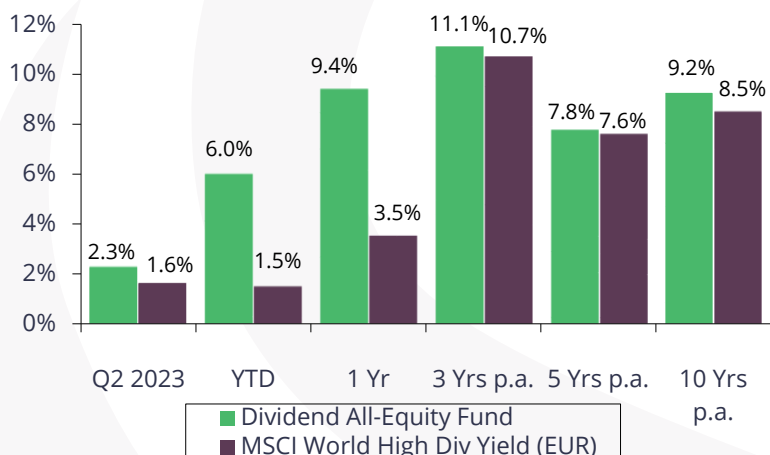
We consider scenarios rather than making forecasts

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 (EUR)



Yearly Performance

Year %	2018	2019	2020	2021	2022
Fund	-2.0	24.0	-4.8	21.3	-1.7
Benchmark	-2.9	25.4	-8.3	24.6	1.5

Performance Source: The Fund returns since 30.09.07 are based on the movements in the unit prices of the ILA/CLI Setanta Dividend Equity Fund [IEC7601] and are gross of management fees. The performance will be reduced by the impact of management fees paid, the amount of which varies. The unit prices prior to this are based on a net of fee price, adjusted for the management charge to replicate a gross of fee performance. **Benchmark:** MSCI High Div Yield Index (100% Euro). **Holdings Source:** Setanta. Sector allocations based on invested portfolio only (excludes cash). **Fund Statistics Source:** Bloomberg (metrics include Financials). *Calculated using Index Method.

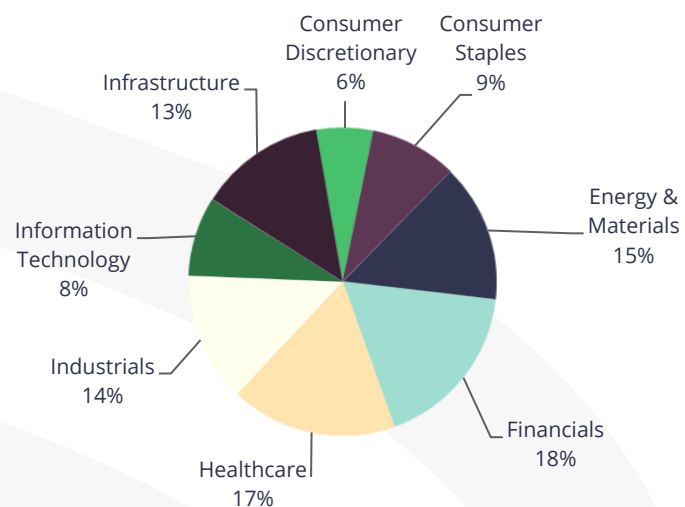
Top 10 Holdings

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

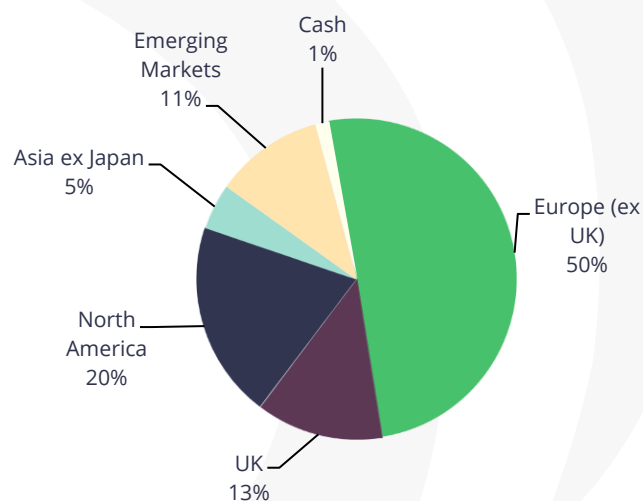
Fund Statistics

PRICE/BOOK	2.0
PRICE/EARNINGS RATIO (FY 1)	15.1
DIVIDEND YIELD %*	3.6
AVERAGE MARKET CAP €BN	97.6
NO. OF HOLDINGS	43
DEBT/EQUITY %	56.4
ACTIVE SHARE %	80.4

Sector Distribution



Geographic Distribution



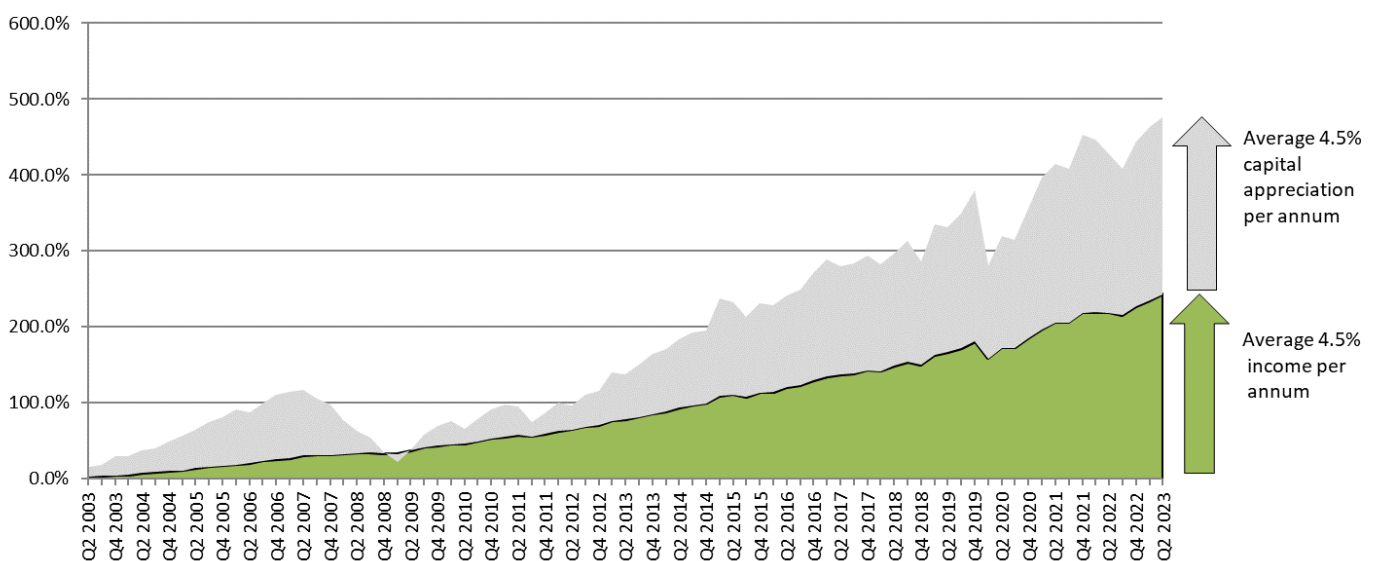
Commentary

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.[^] 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).^{*} 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 to 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.



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 Dividend Equity Fund is managed by Setanta Asset Management Limited and is a representative account of the Dividend Equity strategy. The performance shown is the performance of a representative account (ILA/CLI Setanta Dividend Equity Fund [IEC7601]). 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. 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.