Setanta Managed Fund
Q2 2023

Fund Description

The **Managed Fund** ("the Fund"), managed by Setanta Asset Management Limited ("Setanta"), is a unit-linked offering of Irish Life Assurance.

The Managed Fund is an actively managed multi-asset portfolio, which holds a combination of equities, fixed income, property, commodities, cash and absolute value. The Fund holds between 50-80% of its assets in equities, reflecting the breadth of the market and Setanta's expertise in the area. The portfolio is managed in accordance with the Setanta investment philosophy. That is, the managers seek to own good assets for the long-term at prices below what they think they're worth, carefully considering each investment's risk profile.

The investment objective of the Fund is to outperform the median of competitor Managed Fund offerings over the long term.

Fund Commentary

The Managed fund was positive +3.6% over the quarter, bringing the year to date performance to +6.5%.

Equities were the main contributors (+3.6%), with bonds (+0.1%) also generating positive albeit low returns. It was nice to see cash contributing again, as we move away from the unnatural negative yielding environment. Property fell (-2.9%), contributing a negative return of -0.1%.

(Fund Commentary continued on Page 3)

Portfolio Managers

Kieran Dempsey & David Ryan CFA, CAIA, FRM

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

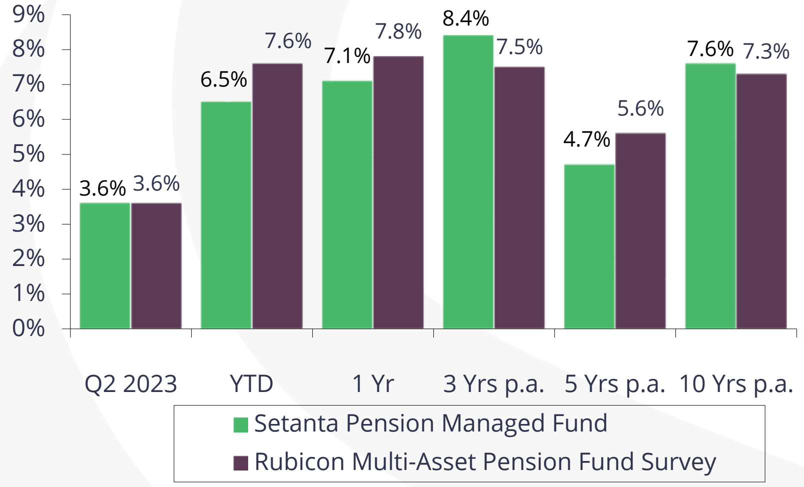
We consider scenarios rather than making forecasts

Businesses we own must have strong balance sheets

We make mistakes and always endeavour to learn from them

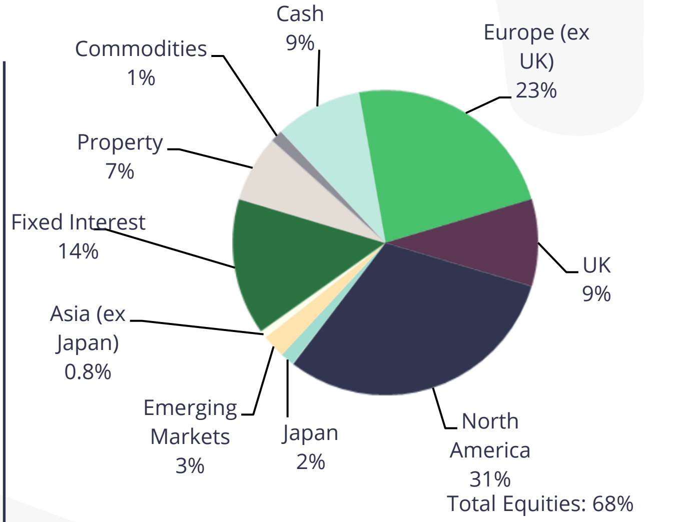
We will act with integrity in everything we do

Fund Performance – 30.06.2023 (EUR)

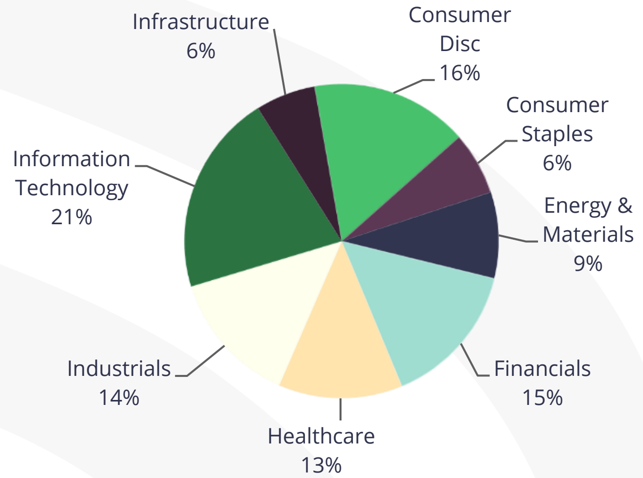


Performance Source: Setanta Asset Management Limited. The actual Fund returns stated are based on the movements in the unit prices of an institutional series of the Fund (ILA/CLI Setanta Managed Fund [H012]) and are net of management fees. Benchmark: Rubicon Multi-Asset Pension Fund Survey. **Holdings Source:** Setanta. Sector allocations based on invested portfolio only (excludes cash). **Credit Rating Source:** S&P.

Geographic & Asset Distribution



Equity Sector Distribution



Top 10 Equity Holdings

COMPANY	SECTOR	% OF FUND
MICROSOFT CORP	INFORMATION TECHNOLOGY	3.2%
BERKSHIRE HATHAWAY	FINANCIALS	2.5%
ORACLE CORP	INFORMATION TECHNOLOGY	2.3%
ALPHABET INC COM	Consumer Discretionary	1.8%
MCDONALD'S CORP	CONSUMER DISCRETIONARY	1.8%
COSTCO WHOLESALE	Consumer Discretionary	1.7%
SAMSUNG ELECTRONIC	INFORMATION TECHNOLOGY	1.7%
BOOKING HLDGS	CONSUMER DISCRETIONARY	1.7%
JOHNSON & JOHNSON	HEALTH CARE	1.5%
NIKE INC	CONSUMER DISCRETIONARY	1.4%

Fixed Interest Portfolio

CREDIT RATING WEIGHTING		
CREDIT RATING TYPE	**ASSET TYPE WEIGHTING**	**BENCHMARK WEIGHTING**
AAA	22.4%	23.4%
AA	43.2%	36.9%
A	10.4%	16.0%
BBB	24.0%	23.7%
	100.0%	**100.0%**

Yearly Performance

Year %	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Fund	-29.6	22.9	9.5	0.5	14.2	18.5	17.8	7.9	12.2	6.8	-2.7	16.1	-3.1	20.4	-9.0
Benchmark	-35.6	22.0	11.3	-3.6	14.3	16.6	15.6	9.5	5.9	7.3	-5.2	20.6	6.2	17.6	-12.8

SETANTA Asset Management

Withing equities, I.T. (+10.8%) and Industrial & Materials (+7.7%) were the leading sectors, while Consumer Staples (-4.0%) and Energy (-0.1%) were the laggards..

Real estate has continued to suffer (-2.9%), as Property continued to suffer with the markets ongoing uncertainty around the future of various segments of the market, vacancy rates, and higher yielding competing assets (bonds).

Market Commentary

The previous quarter ended with concerns around a US banking crisis tipping the US and potentially the world into a recession, with echoes of the previous banking crisis of 2007 still front of mind. This quarter saw US markets shake off the regional banking crisis, but headlines quickly switched to the story of a potential US debt default as the debt ceiling loomed and rates continued to be hiked.

Headline inflation has fallen, although sticky core inflation will result in caution on any policy loosening from central banks, as they seem more comfortable with hiking too much rather than too little. Talk of recession in the US is moderating, with many now seeing recession pushed into 2024. However, there are concerns that lagged effects of tightening to date are really yet to be felt, as central banks remain active, reducing the size of rate increases but continuing to increase at an unprecedented pace. Rhetoric remains hawkish, with interest rate guidance higher.

The European Central Bank (ECB) hiked twice over the quarter, bringing its main refinancing rate to 4%. The Federal Reserve (Fed) hiked only once, lifting the federal funds rate to 5.25%, and then pausing in June. Any sign of rate cuts, however, looks some way off, as core inflation remains persistently high. Interest rate markets in both the US and Europe imply close to two more rate hikes by year-end, with one baked in irrespective of upcoming inflation prints early next month. The narrative has switched from likely interest rate cuts this year to rates plateauing at higher levels for longer than many expected.

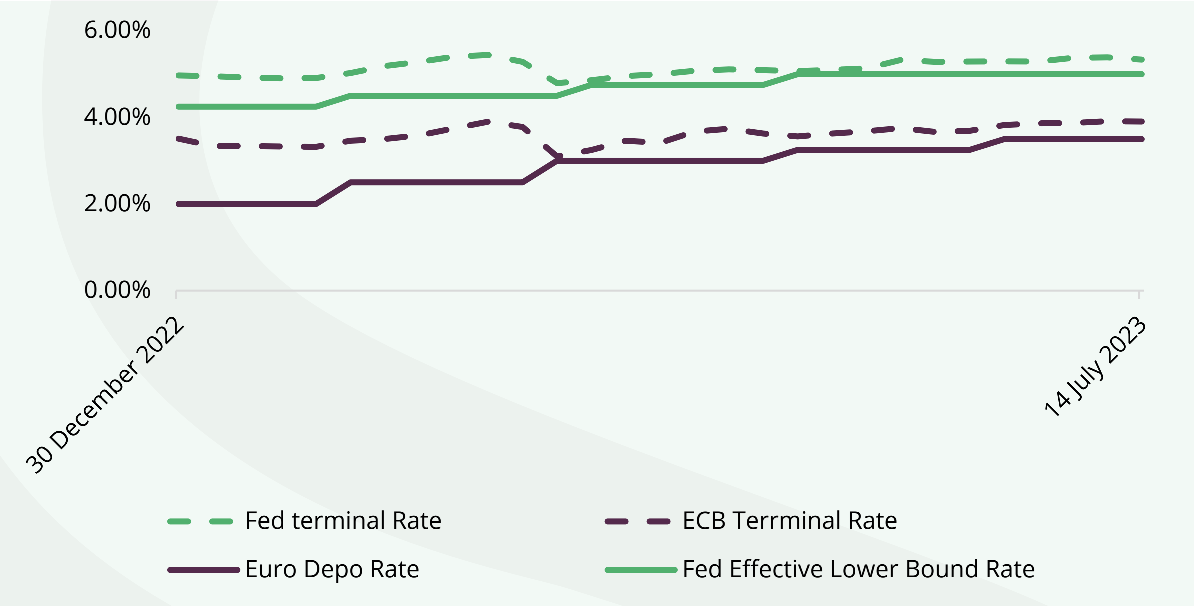
The main asset classes were broadly positive, in low-to-mid-single digits, supported by a strong US labour market with unemployment at historic lows.

" I don't have a recession in my forecast. I have pretty slow growth."

"Some of the tightening of monetary policy and some effects of credit tightening will weigh on demand in 2024"

The Financial Times, 11 July 2023, interview with New York Fed President John Williams

Terminal Rates for Fed and ECB



Source: Bloomberg/Setanta

"The ECB's Governing Council has responded by increasing interest rates substantially and has so far raised the policy rates by 400 basis points since July last year – the fastest tightening on record. But our job is not yet done."

Keynote speech by Luis de Guindos, Vice-President of the ECB, at King's College London, 7 July 2023

Bonds

European government bonds were steady, as higher starting yields helped bond returns, while surprisingly resilient growth and low defaults boosted credit returns. Even the ECB's announcement that its Asset Purchase Programme (APP) reinvestments were stopping – a large buyer leaving the market – did not widen yield spreads.

Ten-year bonds drifted higher by 10 basis points (bps) from 2.29% to 2.39% at the end of June, while Greek bonds rallied on the hope of an upgrade to investment grade rating, as they yielded less than Italian bonds – some recovery from the heady days of 2012.

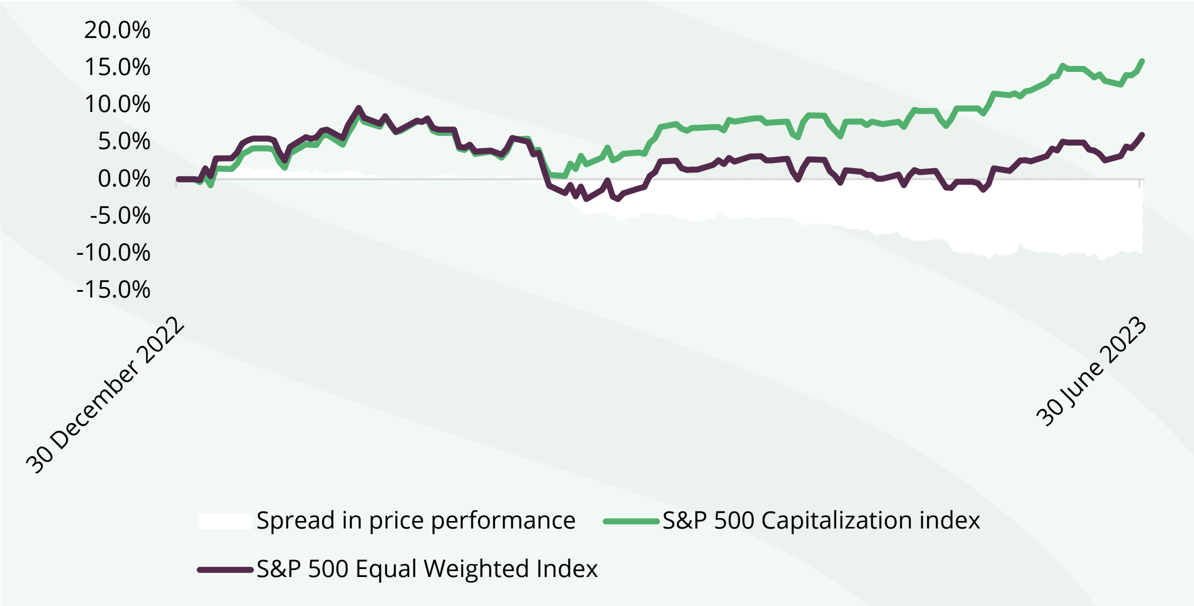
Corporate bond spreads narrowed on improved risk sentiment. Spreads on high-yield and investment-grade corporate bonds narrowed by 77bps and 13bps respectively, reversing the widening around the US regional banking sector turmoil.

Equities

Equity markets continued to push past concerns around slow growth, falling earnings expectations and higher interest rates, and the US fared well, boosted by the technology sector, which carries a higher weight in the US than elsewhere.

Positive sentiment around artificial intelligence (AI) development and adoption catapulted some stocks higher – raising concerns of a potential mini bubble as much of the market leadership is a narrow group of stocks, with participation in the rally only broadened towards quarter end. The difference in returns between the S&P 500 capital weighted index versus the S&P 500 equal weighted index shows the large dispersion in returns, of around 10%.

'Heavyweights rule': S&P 500 Index, capitalisation weighted vs. equal weighted



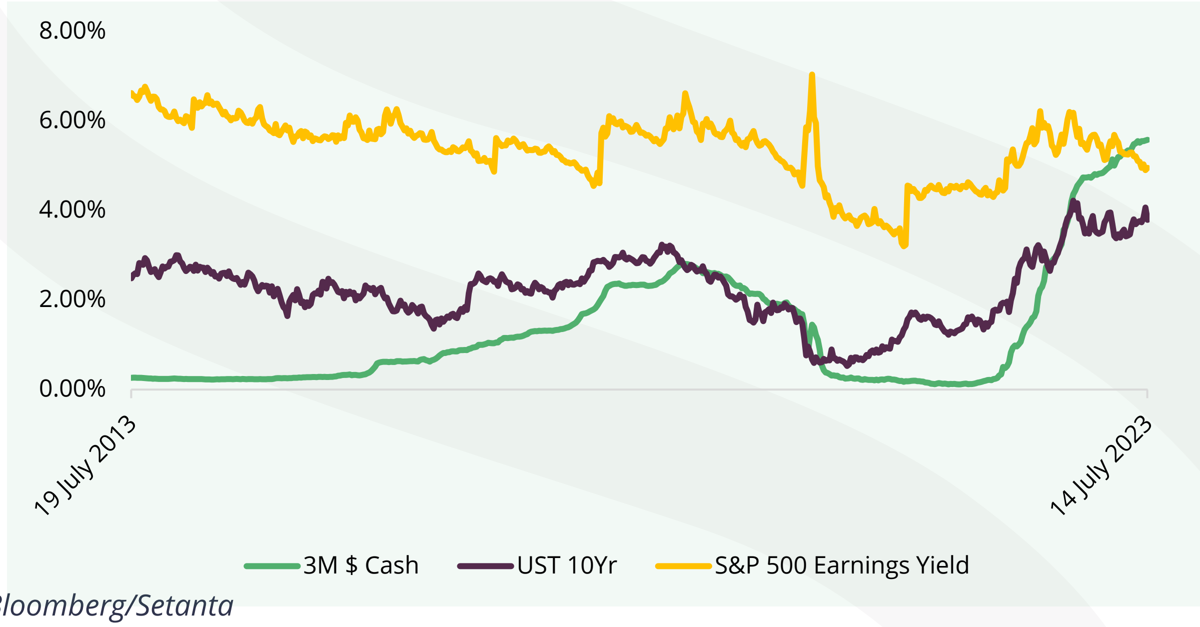
Source: Bloomberg/Setanta

It is interesting to note equities moving higher despite lofty valuations and such high cash rates – the last time cash offered such tantalising levels was just prior to the global financial crisis. The recent move higher in real yields could create some headwinds, leading to lower price multiples.

Outlook

Macroeconomic data remains mixed. In Europe, manufacturing was lacklustre with services holding up marginally better. The global economy remains vulnerable, with the lagged effects of policy tightening yet to be fully felt, and valuations look full – with bonds reflecting more concern than equities, given the inverted yield curves. A recession, evident in Europe, is yet to occur in the US as its economy is showing a surprising degree of strength. Recession in the US may, therefore, be pushed out to next year – or may not happen at all. Most assets seem priced for this kind of benign outcome; time will tell. If we continue to see slower growth and stubborn central banks, valuations start to look stretched as earnings are expected to recede.

'Cash is king': 3M cash, 10Yr Treasury and S&P 500 earnings yield



Source: Bloomberg/Setanta

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IMPORTANT INFORMATION

The Managed Fund is managed by Setanta Asset Management Limited and is a representative account of the Managed strategy. The performance shown is the performance of a representative account (ILA/CLI Setanta Managed Fund [H012]). 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.

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