Setanta Dividend Fund
Q3 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

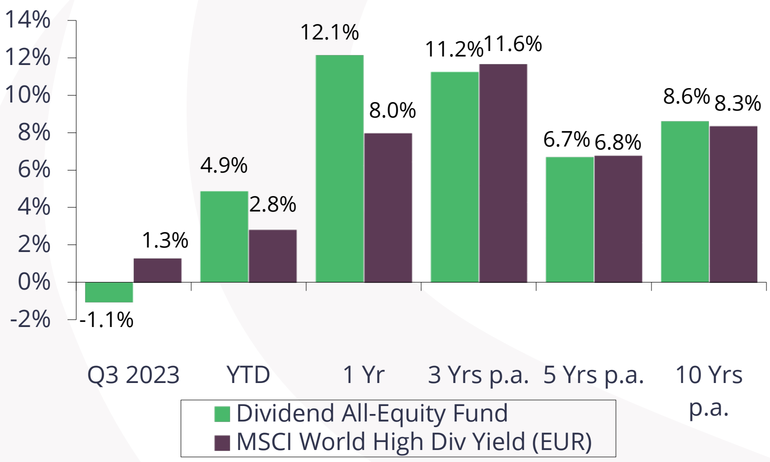
We consider scenarios rather than making forecasts

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 – 30.09.2023 (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.

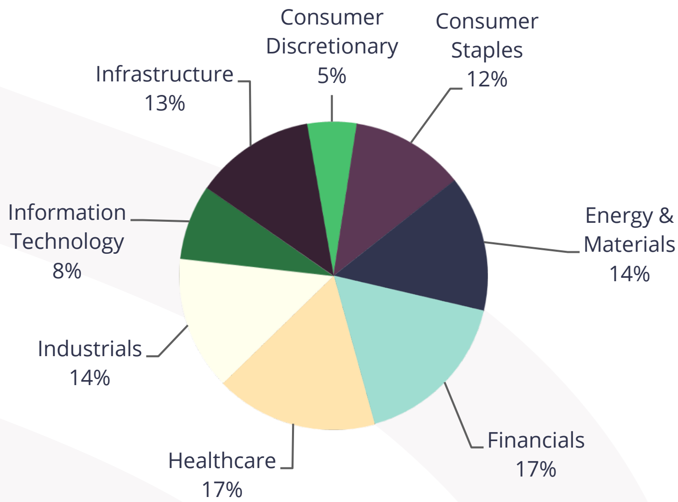
Top 10 Holdings

COMPANY	SECTOR	% OF FUND
SANOFI	HEALTH CARE	4.0%
PROCTER & GAMBLE	CONSUMER STAPLES	3.7%
NOVARTIS	HEALTH CARE	3.7%
CRH	INDUSTRIALS	3.6%
JOHNSON & JOHNSON	HEALTHCARE	3.3%
NESTLE SA	CONSUMER STAPLES	3.3%
NWS HOLDINGS	INDUSTRIALS	3.2%
AIR LIQUIDE(L')	ENERGY & MATERIALS	3.1%
SAMSUNG ELECTRONIC	INFORMATION TECHNOLOGY	3.1%
MEDTRONIC PLC	HEALTH CARE	3.0%

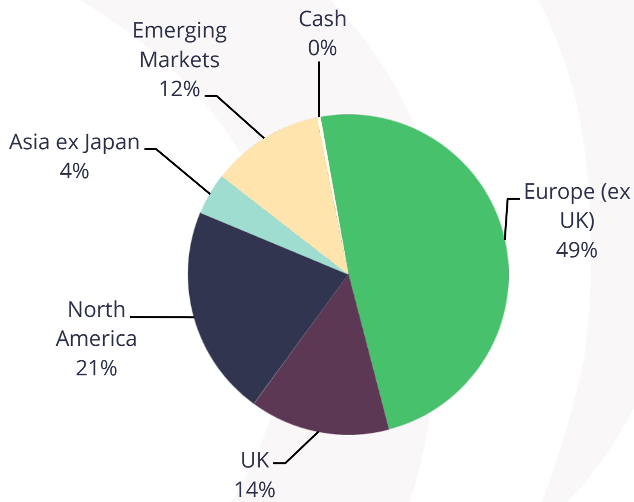
Fund Statistics

PRICE/BOOK	2.2
PRICE/EARNINGS RATIO (FY 1)	14.6
DIVIDEND YIELD %*	3.6
AVERAGE MARKET CAP €BN	94.2
NO. OF HOLDINGS	45
DEBT/EQUITY %	57.7
ACTIVE SHARE %	80.6

Sector Distribution



Geographic Distribution



SETANTA
Asset Management

Investor Letter Q3 2023

During the quarter financial markets have encountered volatility as oil prices spiked over $90 per barrel and interest rates continued to rise against a backdrop of inflation. As we meet with management teams and financial analysts, we are sensing uneasiness and uncertainty towards the near-term macroenvironment, underpinned by dampened industrial activity, a semiconductor slowdown and a likely deceleration in residential construction. While the outlook for financial markets and industrial activity over the short to medium-term remains mixed, we continue to manage the fund in a consistent and conservative manner, focusing not on predicting the macroeconomic picture but on understanding the fundamental credentials of businesses. We take a long-term approach and prefer companies with strong balance sheets, believing that a solid financial foundation is a great starting point in withstanding whatever situation presents itself. We also tend to seek companies with a proven capacity and commitment to pay dividends as this tends to encourage a disciplined approach to cash and balance sheet management.

To illustrate, Fund holding TSM is the world's most successful and sizeable semiconductor chip manufacturer with a net cash balance sheet to the tune of over €15b. TSM can afford to spend more on capex than its competitors in normal times and in doing so it continually extends its technological lead over others, resulting in high returns and cash generation which fund its dividend; this advantage is heightened at times of economic weakness, as competitors conserve cash. Silicon photonics is one area in which it has been focusing, and it recently commented that this technology could bring about 'a new paradigm shift'[1] for the industry. We cannot predict the outcome of Research and Development ventures, but due to its superior expertise in chip manufacturing, proven ability to innovate and sizeable budget we expect that TSM should be well positioned to adapt this technology to generate, and benefit from, efficiencies in chip manufacturing should it turn out to be transformative. While TSM was one of the main detractors from Fund performance over the quarter, due largely to the semiconductor downturn but likely also in part to geopolitical tensions, we are confident that TSM's bullet proof balance sheet will carry it through this stormy period.

Oil major Exxon was one of the top performers over the period, buoyed by high oil prices and further supported by a substantial uplift in the medium-term outlook for its downstream operations. Following strong industry growth in recent years Exxon is generating substantial free cash flow, has reduced debt significantly and is returning cash to shareholders through a dividend which is more than 200% covered by earnings, in addition to a 3-year $50b share buyback programme. Exxon boasts a rock-solid balance sheet, although we may see a temporary increase in leverage from current low levels if the recent rumours of a potential deal with Permian oil-producer Pioneer are confirmed.

During the quarter we acquired a position in Kone, an elevator manufacturer, based in Finland. We were already familiar with, and positively predisposed to, both Kone and the oligopolistic elevator industry in which it operates, through holding Zardoya Otis until it was acquired, and through prior knowledge within Setanta on Kone. In addition to equipment sales, where it enjoys negative working capital, Kone derives a substantial portion of revenues from lucrative maintenance contracts, and it has net cash on its balance sheet.

[1] TSMC bets on silicon photonics to enable more powerful ChatGPT | Financial Times (ft.com)

Combined with its global scale these attributes enable Kone to be resilient regardless of the macroenvironment, to have good growth prospects and to deliver attractive returns on capital employed (exceeding 20%). We took advantage of some weakness in the price to buy at an ordinary dividend yield of over 4%. Since its demerger from Cargotec in 2005 Kone has not cut its dividend, and it has frequently also paid special dividends.

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

**All figures, unless stated otherwise, are in euro terms; all figures relating to performance are gross of fees, unless stated otherwise.*

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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.

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