Setanta European Equity Fund (CAD)

Q4 2023

Fund Description

The **European Equity Fund** (‘the Fund’) is managed by Setanta Asset Management Limited (“Setanta”) and is a representative account of the European Equity strategy.

The Fund is an actively managed equity portfolio which holds c.30 stocks which are located in or active in Europe. 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 is managed by the lead portfolio manager, who also looks to leverage off the experience and knowledge of his colleagues. The aim is to achieve a sensible level of diversification on a sector and geographic basis.

The investment objective of the Fund is to outperform the MSCI Europe index over the long term.

Fund Commentary

The European Equity Fund outperformed it’s relevant benchmark, MSCI Europe by 1.04% for the year 2023. The Fund returned 17.71% with the benchmark returning 16.67%. %. The mood of the market could be characterized as one of elevated animal spirits. The traditional safe haven type sectors underperformed and more cyclical sectors outperformed.

(Fund Commentary continued on Page 3)

Portfolio Manager

David Byrne, 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

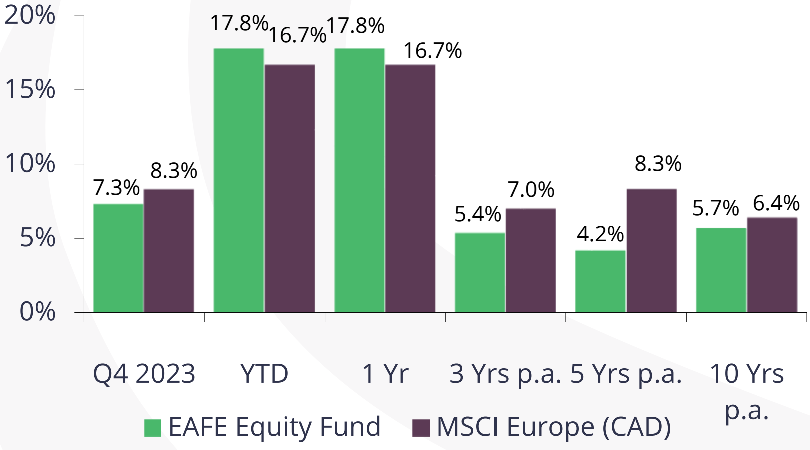
We consider scenarios rather than making forecasts

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

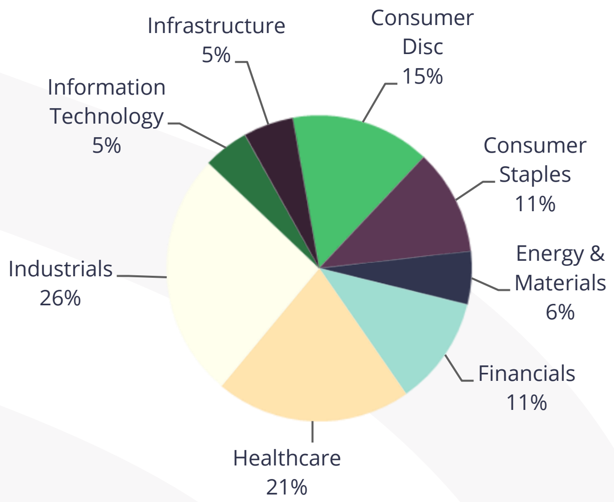
Fund Performance – 31.12.2023 (CAD)



Fund Statistics

PRICE/BOOK	2.1
PRICE/EARNINGS RATIO (FY 1)	17.6
DIVIDEND YIELD %	2.5
AVERAGE MARKET CAP C$BN	77.3
NO. OF HOLDINGS	29
ACTIVE SHARE RATIO %	89.3
DEBT/EQUITY %	58.0

Sector Distribution

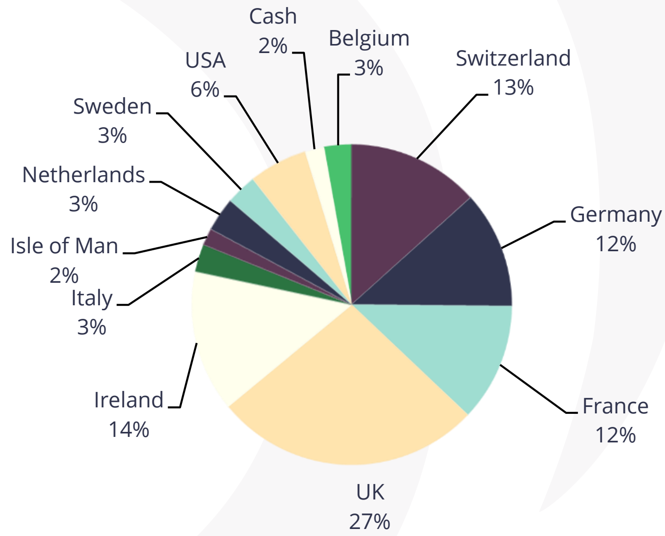


Yearly Performance

Year %	2018	2019	2020	2021	2022	2023
Fund	-4.3	13.8	-7.8	14.1	-12.9	17.8
Benchmark	-7.2	17.5	3.5	15.3	-8.9	16.7

Performance Source: Setanta Asset Management Limited. The Fund returns stated are based on the movements in the unit prices of the CLA European Equity Fund (SF037) [IEC11002] 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 Europe (CAD). **Holdings Source:** Setanta. Sector allocations based on invested portfolio only (excludes cash). **Fund Statistics Source:** Bloomberg.

Geographic Distribution



Top 10 Holdings

COMPANY	SECTOR	% OF FUND
CRH	INDUSTRIALS	6.8%
DCC	INDUSTRIALS	6.6%
BOOKING HLDGS	CONSUMER DISCRETIONARY	5.5%
NOVARTIS	HEALTH CARE	5.5%
SANOFI	HEALTH CARE	4.7%
GEA GROUP	INDUSTRIALS	4.4%
DIAGEO	CONSUMER STAPLES	4.1%
GSK	HEALTH CARE	3.8%
FERGUSON	INDUSTRIALS	3.7%
ESSILORLUXOTTICA	CONSUMER DISCRETIONARY	3.7%

Commentary

The strongest performing sectors were information technology and industrials. Energy, healthcare and consumer staples posted the lowest returns. Economic activity broadly held up, probably better than expected as central banks raised rates in an attempt to tame persistently high inflation. Early indications are that they've won the first battle and inflation is dropping to a more palatable level. For now economic activity hasn't been impacted too much although time will tell if there are any skeletons in the closet. Bond markets are anticipating that the Federal Reserve and ECB will start implementing cuts to interest rates in 2024. At an aggregate level, from what we can see, equity markets seem broadly to be pricing in a stable environment for the next year.

Most of our time is spent on the micro economic analysis of our holdings. We assess the individual business and economic characteristics of each holding and their position within their respective industries. We examine the financial statements; income statement, cash flow and balance sheets to come up with a range of estimates for a range of scenarios for each holding. Combining these 2 elements we think we can come up with forward return estimates for each holding keeping in mind their financial position and the various pathways that an economy/industry can take over the short, medium and long term. The aggregate sum of this analysis, we think, gives us the ability to assess where expectations are at and what the market may be "pricing in". The last 3 years have shown us that in markets, anything really can happen. This recent volatility has arguably thrown up some dislocation in asset prices and is forcing us to consider new opportunities to improve our expected forward returns of our collective holdings. We made some improvements in 2023 and expect to continue and perhaps accelerate activity for 2024.

2023 Performance review

Booking Holdings, the parent of Booking.com, was strong, as the stock rose 14% in Q3 and over 50% in the year to end September. The company takes a percentage of the spend on hotel room nights booked on its platform and has particular strength in Europe. Consumers are choosing "experiences over things", which is good for the travel sector. The strong US dollar has also helped, boosting inbound tourism from the US into Europe. Booking expects to make record profits in 2023. We really like the business longer term, but there is a question mark over whether current demand will be sustained into 2024 because we have seen dampened demand across a number of consumer companies, as highlighted by a couple of the fund's consumer staples holdings below. In light of this we are keeping an eye on Booking's valuation.

Diageo was down circa 10% during Q3 despite informing the market that they are well positioned to deliver their medium term sales guidance in the range of 5-7%. This was likely due to peer Pernod Richard's cautious tone when they reported results. Although Pernod and Diageo have different geographic footprints and product categories they could be described as very similar businesses. There has been a general slowdown in the US spirits market where Diageo has a strong market presence (making just over half of their operating income in 2022). We could say there was some irrational exuberance in the spirts (and broad alcohol) category throughout the pandemic and that is "normalizing" somewhat. As happens in the course of business there are ebbs and flows. Diageo's end markets are in somewhat of a destocking phase but we think the long term outlook for them is positive.

Transactions during the Quarter

The position in **United Utilities** was sold during the quarter. Our decision followed reports of financial difficulties at Thames Water which serves 15 million people in and around London. The problems arose due to a highly leveraged balance sheet, exposure to inflation linked debt and rising operating costs.

Commentary

While acknowledging United Utilities' balance sheet is in a relatively healthier condition, the negative headlines around Thames Water prompted concerns about 1) potential sector requirements for equity injections or dividend payment restrictions 2) greater scrutiny of allowed returns given there is already talk of bills increasing by 40% to address investment requirements and inflation amid public anger over sewage flooding into rivers and leakage rates 3) a potential financial “air pocket” as inflation linked debt hurts before being recaptured in water bills 4) upside looks more limited given lower dividend yield appeal in a higher interest rate environment and private equity takeover interest in the sector is likely lower 5) the risk of renationalisation, while unlikely, rises and 6) the leveraged nature of the business.

David Byrne, CFA, Portfolio Manager

Contact Details:

Suite S8-17,
Eight Floor,
190 Simcoe Street,
Toronto,
Ontario,
M5T 2W5.

Rocco Vessio, (T) 416-552-5061 , (M) 647-823-4813
E-mail: rocco.vessio@setanta-asset.com
www.setanta-asset.com

IMPORTANT INFORMATION

The European Equity Fund is managed by Setanta Asset Management Limited and is a representative account of the European Equity strategy. The performance shown is the performance of a representative account (CLA CA European Equity Fund [IEC11002]). 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.

Setanta Asset Management Limited ("Setanta") is regulated by the Central Bank of Ireland, New Wapping Street, North Wall Quay, Dublin 1, Ireland and is relying on the "International Adviser" exemption from registration in Manitoba, Ontario, Quebec, British Columbia and Alberta. This exemption, subject to certain requirements, allows Setanta to provide advisory services to clients in these provinces who are "permitted clients" in accordance with the applicable securities legislation of Manitoba, Ontario, Quebec, British Columbia and Alberta, as applicable. Setanta, who is an investment sub-advisor to a number of Great–West Life Group companies, does not trade on its own account. Units in the Canadian segregated and mutual funds are not offered for sale by Setanta but may be acquired by prospective investors in accordance with regulatory requirements in the particular province through registered dealers including the applicable Great–West Life Group company. This factsheet, which is for information purposes only, does not form part of any contract. This document (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.. Setanta Asset Management Limited is registered as an Investment Adviser with the Securities and Exchange Commission (the "SEC") - CRD# 281781 / SEC# 801–107083.

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.

SETANTA
Asset Management