

Setanta Dividend Fund

Q1 2024

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

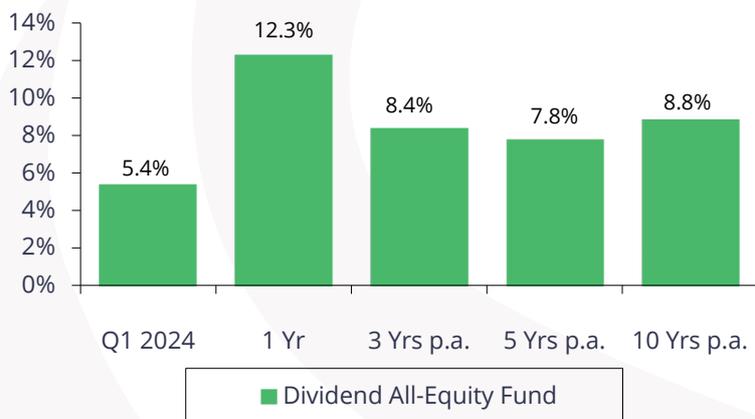
We consider scenarios rather than making forecasts

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 – 31.03.2024 (EUR)



Yearly Performance

Year %	2019	2020	2021	2022	2023
Fund	24.0	-4.8	21.3	-1.7	10.4
Benchmark	25.4	-8.3	24.6	1.5	5.4

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. **Holdings Source:** Setanta. Sector allocations based on invested portfolio only (excludes cash). **Fund Statistics Source:** Bloomberg (metrics include Financials). *Calculated using Index Method.

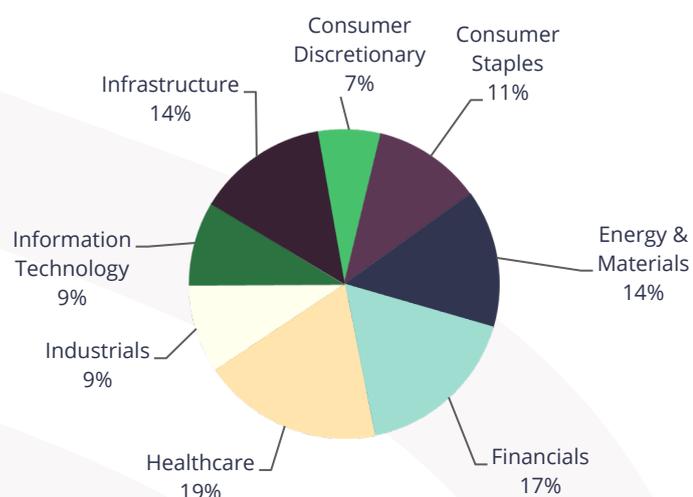
Top 10 Holdings

COMPANY	SECTOR	% OF FUND
CRH PLC	INDUSTRIALS	4.1%
ALLIANZ	FINANCIALS	3.9%
DCC	INDUSTRIALS	3.8%
PROCTER & GAMBLE	CONSUMER STAPLES	3.8%
SANOFI	HEALTH CARE	3.7%
AIR LIQUIDE(L')	ENERGY & MATERIALS	3.6%
SAMSUNG ELECTRONIC	INFORMATION TECHNOLOGY	3.5%
NOVARTIS AG	HEALTH CARE	3.5%
JOHNSON & JOHNSON	HEALTH CARE	3.4%
SK TELEKOM	INFRASTRUCTURE	3.2%

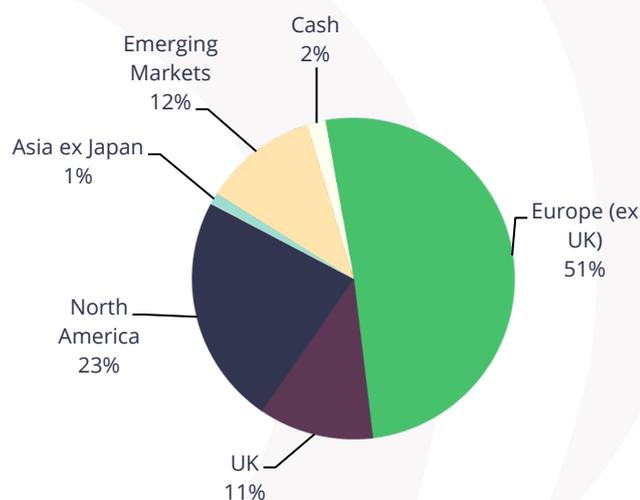
Fund Statistics

PRICE/BOOK	2.7
PRICE/EARNINGS RATIO (FY 1)	15.8
DIVIDEND YIELD %*	3.8
AVERAGE MARKET CAP €BN	111.2
NO. OF HOLDINGS	40
DEBT/EQUITY %	58.3
ACTIVE SHARE %	79.7

Sector Distribution



Geographic Distribution





Q1 2024 Commentary

Dividend Fund Q1 2024

Equity markets started 2024 with a very strong performance. The US consumer remains in rude health, showing no signs of faltering, despite ongoing Federal Reserve efforts to cool the economy with high interest rates. Domestic investment there is a notable contributor to growth, as recent Federal stimulus funding begins to translate into orders. Cyclical stocks performed strongly as banks, energy, and consumer discretionary stocks reflected a favourable picture of resilient employment and an expectation that interest rates have reached their peak. The yield curve remains inverted indicating an expectation of reversion to lower levels of inflation and real interest rates in the longer term. How we'll get there (soft landing or recession) remains to be seen and adds a layer of uncertainty to the macro picture. Separately, the market is beginning to price how Artificial Intelligence (AI) technology may impact industries, markets and societies. Shares of companies operating in the semiconductor ecosystem industry performed strongly in the quarter led by a selection of mega capitalisation stocks.

The Dividend Fund returned 5.4% over the quarter. The largest contributor to performance was **CRH** with continued share price appreciation after having posted an excellent total return performance in 2023 (+75% in FY 2023, +28% in Q1 2024 in EUR total return terms). Its core businesses supplying base construction materials in the US and Europe are performing very well. Good underlying demand, and CRH's value added product slate are supporting its capacity to increase prices, while good cost control drives margin expansion. We believe CRH operates in good markets with substantial pent-up demand for infrastructure, industrial and residential investment (indeed, a beneficiary of some of the fiscal stimulus noted above in the USA), while supply to the market is rational and constrained by the high cost of new capacity. CRH's core businesses have been able to grow revenues organically by mid-single digit over the past decade. In addition, CRH has been actively reshaping its business portfolio with a number of acquisitions and disposals over the years. We believe the quality of the company has improved as a result, while retaining one of the strongest balance sheets in the sector. Dividends have increased over time, while share buybacks have increased the share of profit available to remaining shareholders.

TSM also appreciated strongly in the period. The company is the single largest contract manufacturer of advanced chips in the world, with a dominant position in 'leading edge' technology. We believe TSM is a very well-run company with an obsession for service excellence and a significant technological advantage over its competitors. Having endured a period of weak order growth as the industry digested the post-pandemic build-up of IT equipment inventory, we believe that the ongoing inventory normalisation, and healthy demand (including for AI chips), is helping to extend TSM's track record of value creation and growing dividend distributions.

We were pleased with the consistently good performance of **Allianz**, among the top contributors to the Fund's performance in the quarter. The company reported decent results in a complex environment of elevated claims inflation and cross currents in financial markets. As a quality insurance provider, we believe Allianz benefits from a strong brand and invaluable goodwill with its customers. It also has a very strong balance sheet and the all-important conservative mindset we require from insurers as underwriters of uncertain events. The company announced a modification to its dividend policy, increasing its payout ratio to 60%, while retaining its commitment to long term dividend growth. The dividend declared on account of 2023 results increased by 21% as a result. Allianz shares currently yield 5%.



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As for detractors from performance, **Bangkok Bank's** shares drifted down, as cyclical worries weighed on the stock. Net interest margin, a metric akin to "revenue" in industry parlance is expected to be weak on account of lacklustre economic growth in the region. This is a very profitable bank, with a very conservative funding policy, and operations in a region with plenty of economic opportunity. The stock trades on very low multiples of its earnings and a 5% dividend yield.

CME Group – New Holding

According to established economic theory, buyers and sellers of goods and services incur transaction costs which can be divided into "search and information costs", "bargaining and decision costs", and "policing and enforcement costs". A well-functioning market seeks to address all of these, serving as an efficient, transparent, and secure venue to transact. By providing the setting for these transactions to happen, markets create great value for society, producing one key piece of information, a market price. Large and liquid markets attract other market participants, contributing to the ecosystem's continued success in a form of network effect. Financial exchanges have historically been interesting businesses with high quality of earnings. These are the companies that administer and manage financial markets. As businesses, financial exchanges create significant customer value while the economics of growth are highly attractive generating high incremental cash flows at a low marginal cost. A number of these exchanges have posted very strong shareholder returns over time.

During the quarter, we acquired for the Fund Chicago Mercantile Exchange (**CME**) shares. This company has a rich history going back to the 1800s and the commodity futures industry based in Chicago. This is where the Chicago Board of Trade (CBOT – today part of CME) created one of the world's foremost futures exchanges and its central clearing house operating to this day. CME has a history of innovation and experience, of growth coupled with prudence, of understanding the importance of aligning stakeholder interests and the role of incentives in markets. Since the company's IPO in 2002 and after a period of industry consolidation in the following two decades, CME is today the largest operator of pure-play financial exchanges in the world. We believe the CME portfolio of businesses is high quality and very diversified, owning some of the main venues for trading benchmark futures on US interest rates (from SOFR to long term T-Bills), equity indices (S&P500 E-minis, Nasdaq 100), energy (Natural Gas, West Texas oil), and agricultural and metal products. The company has a long track record of high and growing cash generation, smart capital allocation and a strong discipline of dividend distributions. It also boasts a pristine balance sheet with no net debt to speak of and an "AA" credit rating (S&P Long term credit rating). We acquired CME shares at a dividend yield of 4.5%.

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



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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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