Setanta Managed Fund
Q1 2024

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.

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

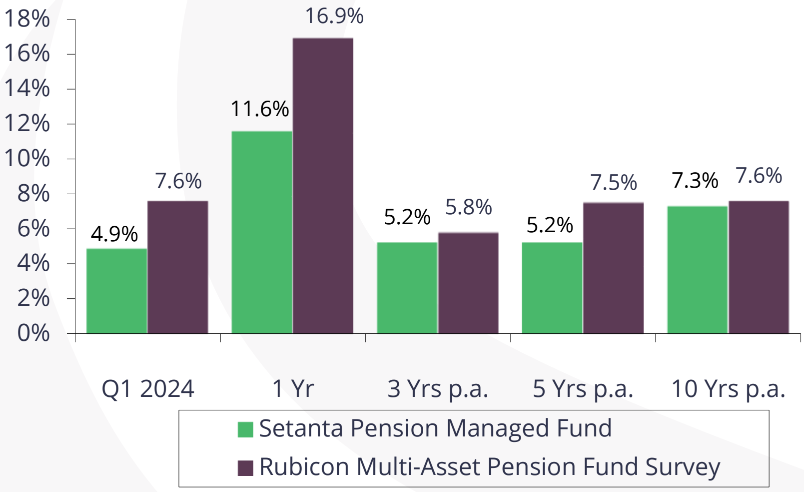
We consider scenarios rather than making forecasts

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 – 31.03.2024 (EUR)

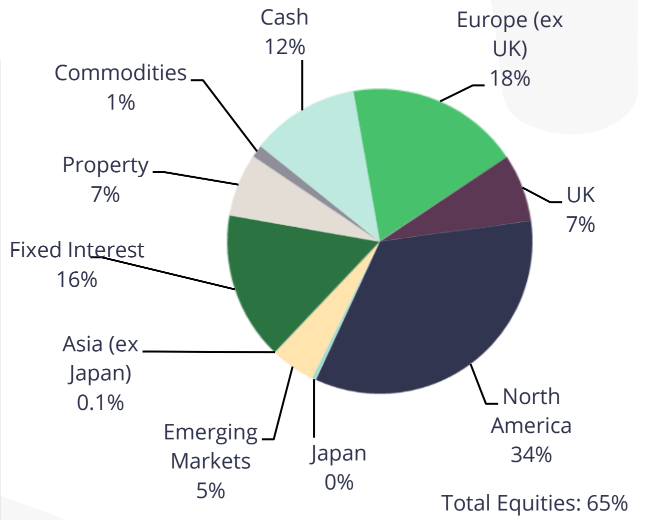


Performance Source: Setanta Asset Management Limited. The actual Fund returns stated are based on the movements in the unit prices of an institutional series of the Fund (ILA/CLI Setanta Managed Fund [H012]) and are net of management fees. Benchmark: Rubicon Multi-Asset Pension Fund Survey. **Holdings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

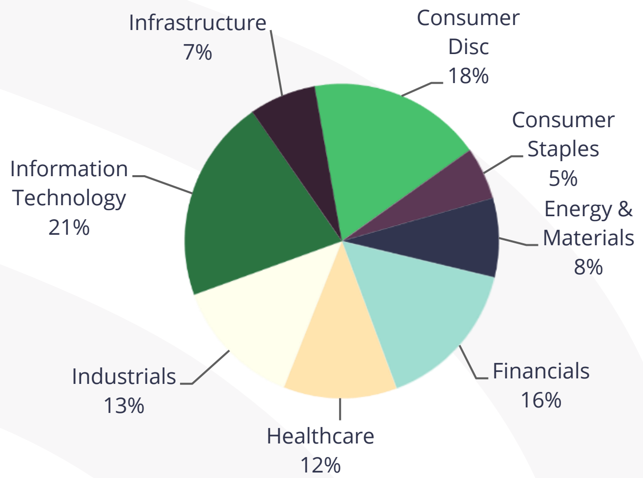
Top 10 Equity Holdings

COMPANY	SECTOR	% OF FUND
MICROSOFT CORP	INFORMATION TECHNOLOGY	3.0%
BERKSHIRE HATHAWAY	FINANCIALS	2.6%
ALPHABET INC	CONSUMER DISCRETIONARY	2.3%
ORACLE CORP	INFORMATION TECHNOLOGY	2.3%
BOOKING HLDGS	CONSUMER DISCRETIONARY	2.1%
SAMSUNG ELECTRONIC	INFORMATION TECHNOLOGY	1.8%
COSTCO WHOLESALE	CONSUMER DISCRETIONARY	1.7%
TAIWAN SEMICON MAN	INFORMATION TECHNOLOGY	1.5%
CRH PLC	INDUSTRIALS	1.4%
DCC	INDUSTRIALS	1.3%

Geographic & Asset Distribution



Equity Sector Distribution



Fixed Interest Portfolio

CREDIT RATING WEIGHTING		
CREDIT RATING TYPE	ASSET TYPE WEIGHTING	BENCHMARK WEIGHTING
AAA	22.3%	22.2%
AA	41.6%	37.5%
A	11.3%	17.9%
BBB	24.8%	22.4%
	100.0%	**100.0%**

Yearly Performance

Year %	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Fund	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	9.3
Benchmark	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	12.9

Commentary

The Fund rose 4.9% over the quarter.

Equities got off to a strong start, with economies continuing to look resilient and shrugging off the higher interest rates. Global (+7.8%) equity rallied strongly in the first quarter with industrials our best absolute performing sector as we begin to see global manufacturing activity pick up.

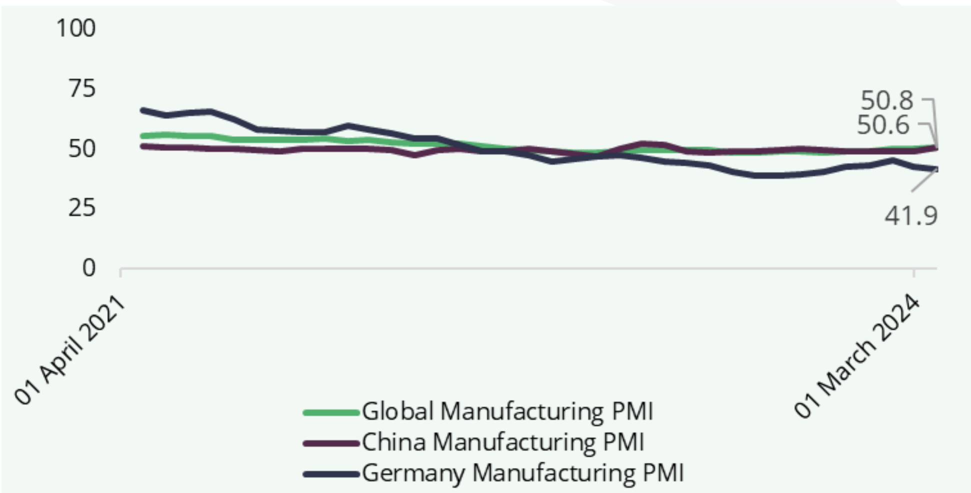
Bonds gave up some of the gains made at year-end as stickier than expected inflation have reduced rate cut expectations from six at year end to three heading into the second quarter. Government bonds fell -0.7% whilst Investment Grade Credit (+1.5%) and Emerging market debt (+0.03%) were able to offset some of the yield increases as spreads tightened.

The Irish property fund continues to struggle falling -2.4% as office vacancy rates remain elevated and office space take up well below the long-term average.

Market Commentary

Financial markets saw a strong start to the year, buoyed by positive investor sentiment. Concerns of a recession were less evident, with most assets priced for a soft landing – equity multiples were above average and credit spreads were below. Economies continued to look reasonably resilient, led by the US, which delivered upgraded fourth-quarter GDP growth of 3.4%. Broad macroeconomic data pointed towards growth, with global purchasing manager (PMI) indexes in expansionary territory – although with some pockets of weakness, as China and Germany remained lacklustre.

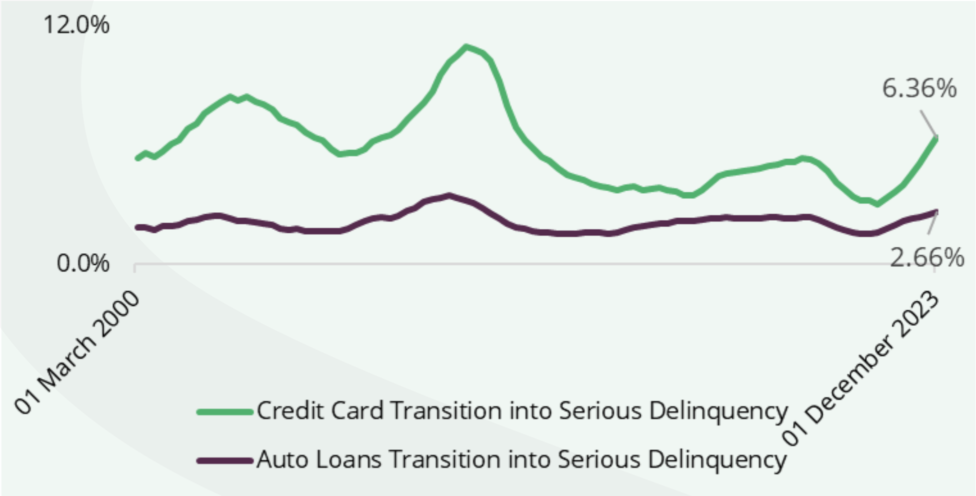
Manufacturing PMI



Source: Bloomberg, a score of 50 indicates economic activity is neither expanding nor contracting, above 50 indicates expansion.

There are some warning signs, however, with a pickup in loan delinquencies in the US, and general concern about commercial property globally and residential property in China particularly.

Loan delinquency pick up



Source: *Bloomberg*

The excess savings that were evident post Covid, especially in the US, have been drawn down. An argument can be made that the wealth effect may mitigate some of this concern as consumers spend their market gains – but this is predominantly a US story; Chinese investors are more leveraged into property, which has continued to fall in price and has curbed domestic demand.

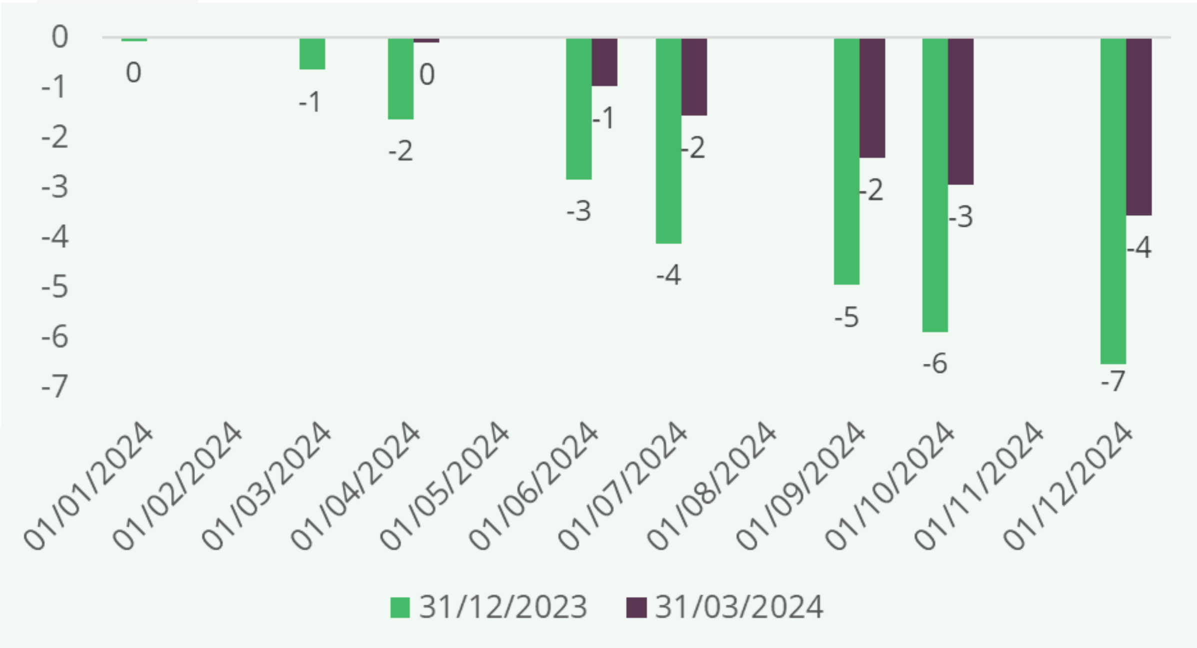
Central bank policy

Consensus a year ago was for a recession, with central banks preparing us for numerous job losses – the price to pay to get inflation under control. So far, however, inflation has been managed lower, while job losses have held steady. The issue now is that inflation is proving sticky at current levels, still above target. The recent move higher in oil, continued generous fiscal spending in the US and wage inflation are potential concerns which will have to be monitored.

Globally, there remains a trend towards easing monetary policy. Switzerland and Mexico cut interest rates in March. Only Turkey and Japan – countries with their own, unique economic issues – are continuing with rate rises.

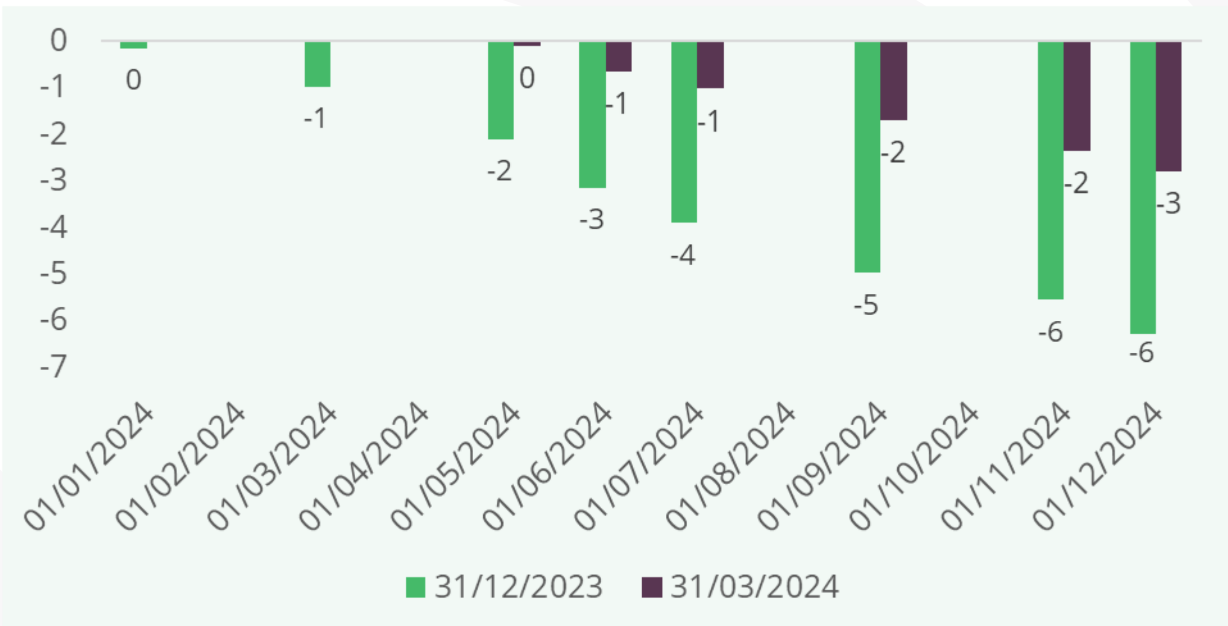
Although interest rate cuts have mostly come in emerging economies so far, the European Central Bank (ECB) and Federal Reserve (Fed) are now expected to move in the second quarter, with at least three cuts expected by year end, as opposed to the six to seven priced in at the end of December.

Market implied number of 0.25% ECB cuts



Source: Bloomberg

Market implied number of 0.25% Fed cuts



Source: Bloomberg

Commentary

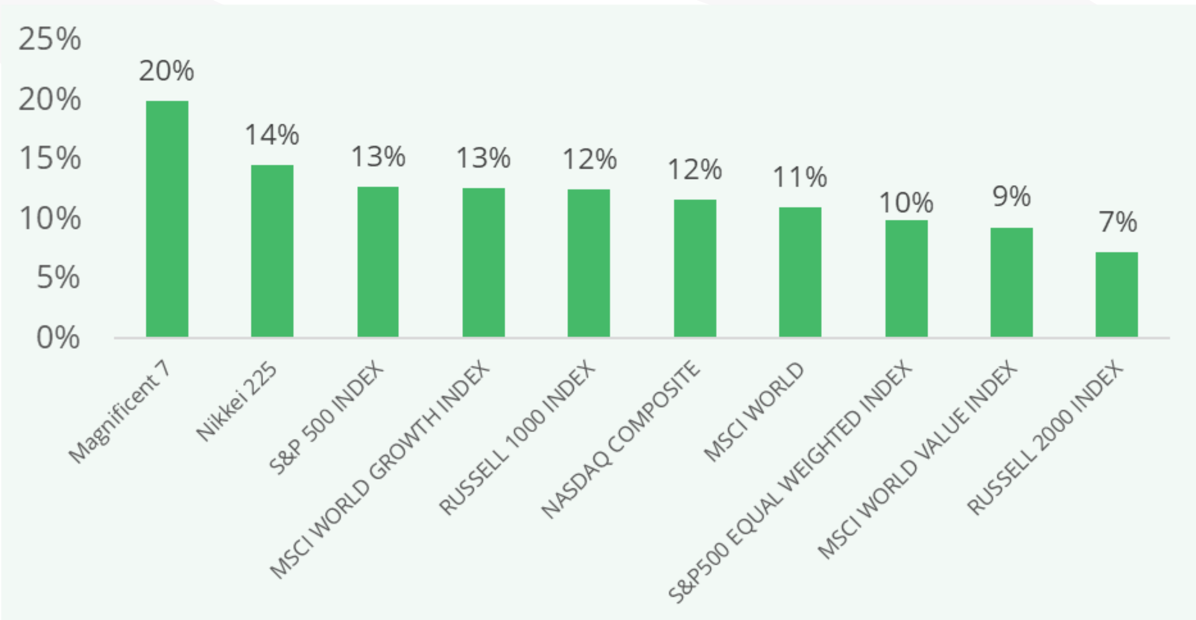
Equities

Equities have shrugged off higher rates so far, rallying into quarter end, with growth stocks and developed market equities performing strongly. Following on from last year, major tech companies continue to lead. Equities are supported by earnings growth, high margins and the hope that generative artificial intelligence (AI) business models expand, with investors expecting a pickup in capital expenditure initially, with a productivity boom to follow.

Interestingly, it was the Japanese Nikkei and not the Nasdaq that posted the best returns. Investor confidence in Japan has grown as the country has moved towards interest-rate normalisation and more shareholder-friendly governance has taken hold.

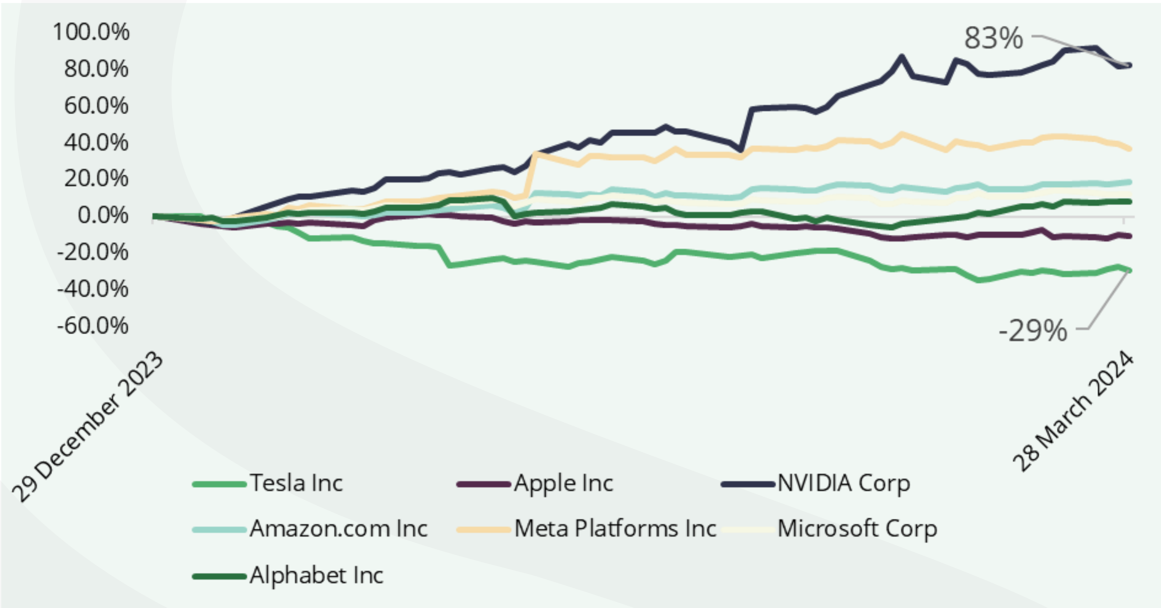
Growth outperformed value in style, and large caps continued to outperform small caps. Broadening intra-market participation is continuing, as the equal-weighted S&P held its own against the market-cap weighted index. Elements of weakness – like Tesla (-29%) and Apple (-11%) – are apparent within the 'Magnificent Seven', with performance becoming more concentrated in fewer names.

Equity market performance over the quarter



Source: Bloomberg

Magnificent Seven performance divergence

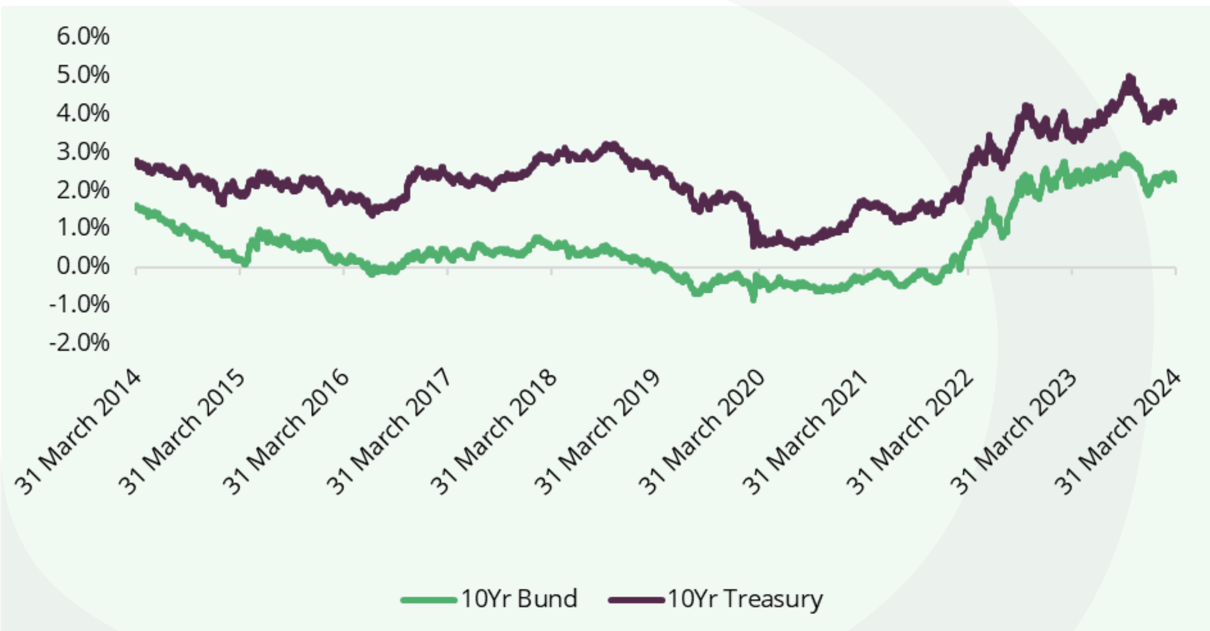


Source: Bloomberg

Bonds

Government bonds, along with rate-sensitive assets like property and REITs, struggled. Government bond yields drifted higher as central banks failed to deliver on expected rate cuts and inflation remained stickier than expected.

Higher yields in Q1

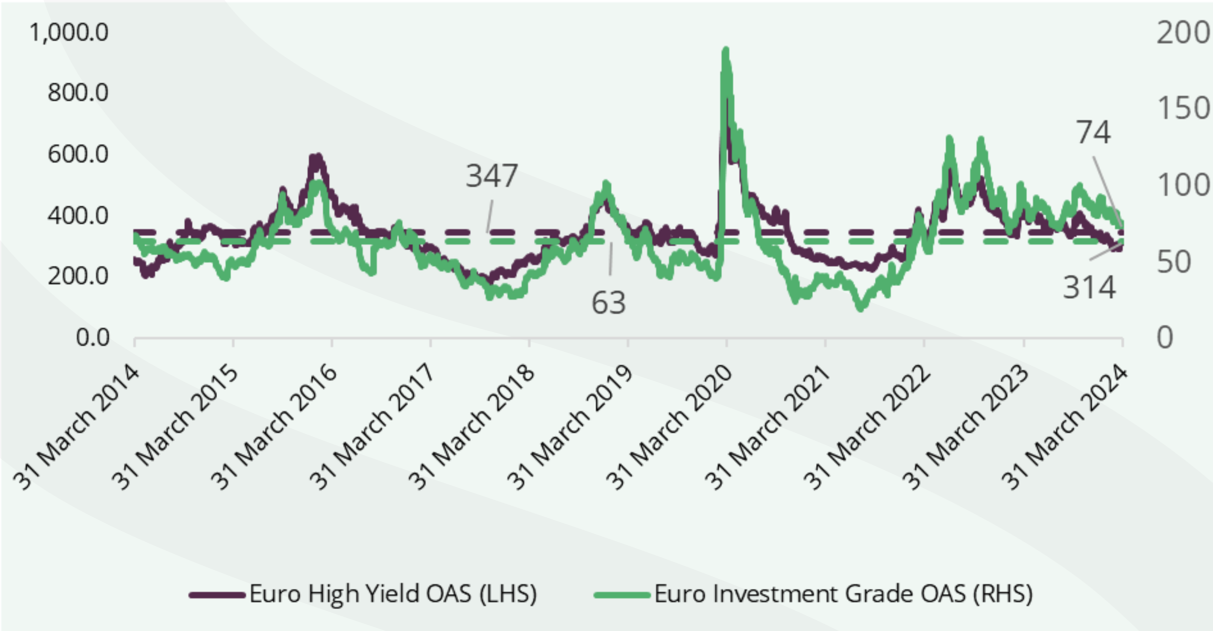


Source: Bloomberg

[illegible] investment grade and high yield outperformed as spread-tightening helped offset some of the yield increases. Levels are, however, expensive, with premiums paid above government yields (spreads) close to historic lows.

In credit, both investment grade and high yield outperformed as spread-tightening helped offset some of the yield increases. Levels are, however, expensive, with premiums paid above government yields (spreads) close to historic lows.

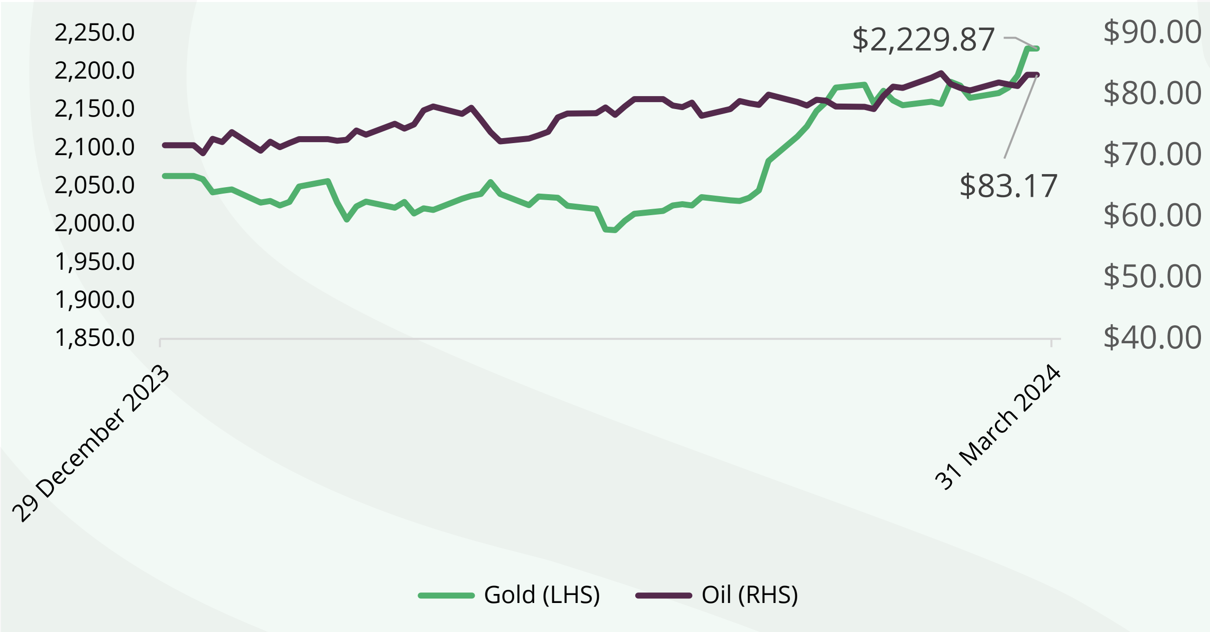
Tightening credit spreads



Commodities

Commodities performed strongly as oil and gold rallied, with gold rising to all-time highs. Oil was bolstered by supply and demand issues, leading to a tight market. Supply was further constrained by OPEC+ extending its curtailment of production (roughly 5% of global output), while strong economic growth has boosted demand. A continued move higher in energy, stoking inflation, could force central banks to stay put, with both equities and bonds likely to suffer. Gold rose to over $2,200 per ounce at the end of March, with geopolitics flaring in the Middle East and real yields expected to move lower (interest rates adjusted for inflation). Gold, historically, has been a reliable store of value in times of economic and political uncertainty, although it is less effective against inflation. With the lagged effects of rate rises yet to be felt and geopolitical risk broadening, some exposure is warranted in a diversified portfolio.

Rallying gold and oil prices



Source: Bloomberg

Final thoughts

This year is a heavy election year, with seven of the 10 most populous nations in the world going to the polls. The potential re-election of Donald Trump is the most debated. Concerns remain around his spat with the Fed (he prefers looser monetary policy), his tariff policy and his potential to use executive orders to achieve his policy goals. However, it is worth remembering that there are branches of government in place to keep Trump within the guardrails. Nevertheless, markets are likely to be volatile in and around the election, but the result should have little effect on broad economic trends and may offer some opportunities.

The fund remains well diversified, with government bonds more likely to act as a diversifier in weak environments given higher starting yields and central banks with ample room to cut rates into weakness.

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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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