Setanta European Equity Fund

Q1 2024

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 manager seeks 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.

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

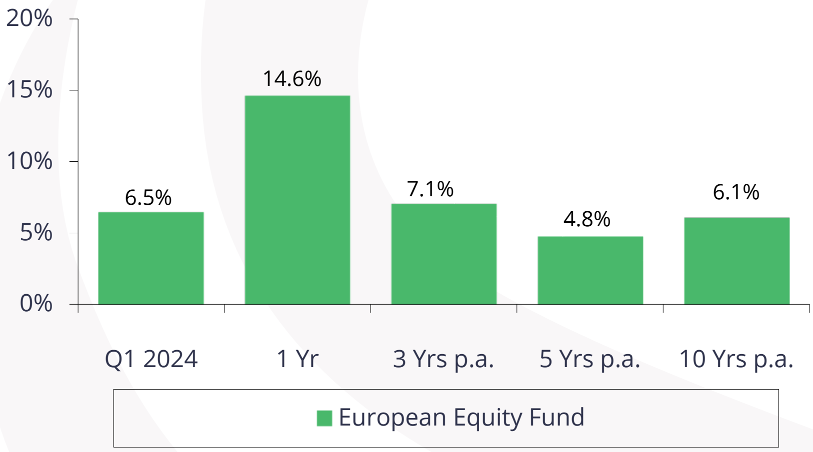
We consider scenarios rather than making forecasts

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 – 31.03.2024 (EUR)



Yearly Performance

Year %	2019	2020	2021	2022	2023
Fund	21.5	-14.0	23.5	-12.8	16.8
Benchmark	26.0	-3.3	25.1	-9.5	15.8

Performance Source: Setanta Asset Management Limited. The Fund returns stated are based on the movements in the unit prices of the ILA/CLI European Equity Fund [IEC7002] and are gross of management fees. The performance will be reduced by the impact of management fees paid, the amount of which varies. **Holdings Source:** Setanta. Sector allocations based on invested portfolio only (excludes cash). **Fund Statistics Source:** Bloomberg.

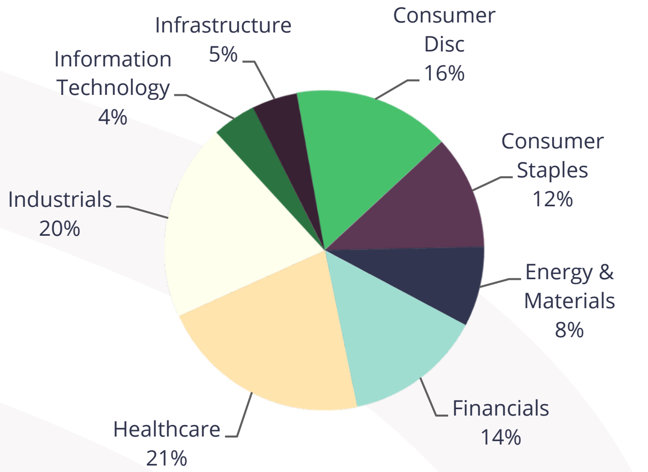
Top 10 Holdings

COMPANY	SECTOR	% OF FUND
CRH	INDUSTRIALS	8.1%
DCC	INDUSTRIALS	6.2%
BOOKING HLDGS	CONSUMER DISCRETIONARY	5.5%
NOVARTIS	HEALTH CARE	5.0%
SANOFI	HEALTH CARE	4.4%
GSK PLC	HEALTH CARE	4.3%
GEA GROUP	INDUSTRIALS	4.2%
DIAGEO	CONSUMER STAPLES	4.0%
FERGUSON	INDUSTRIALS	3.9%
ESSILORLUXOTTICA	CONSUMER DISCRETIONARY	3.9%

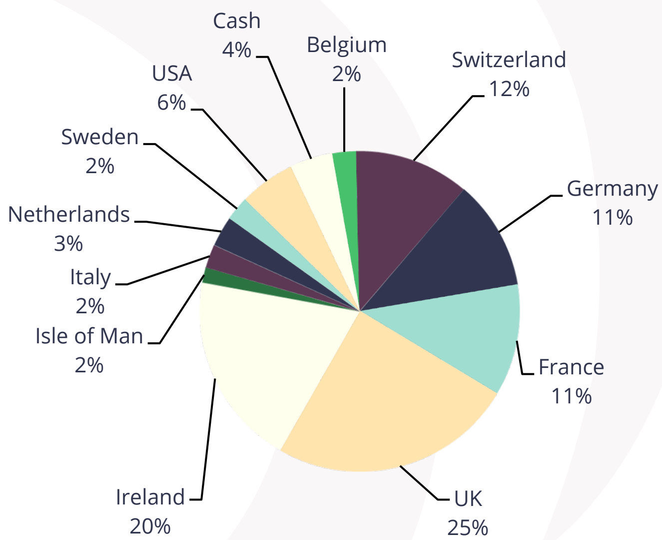
Fund Statistics

PRICE/BOOK	2.0
PRICE/EARNINGS RATIO (FY 1)	15.2
DIVIDEND YIELD %	2.4
AVERAGE MARKET CAP €BN	49.3
NO. OF HOLDINGS	29
ACTIVE SHARE RATIO %	88.2
DEBT/EQUITY %	60.7

Sector Distribution



Geographic Distribution



SETANTA Asset Management

Q1 2024 Commentary

The economies of the Eurozone and wider European geographic region were relatively stable for the first quarter of 2024. The US, it seems, is still in a slightly better shape with unemployment rates well below long term averages driving the consumption machine in that area. Equity investments in the Americas (as represented by the major indices) fared marginally better than their European counterparts. Many headline commentators have written of the valuation premium of the US market in general over European markets. However, when you did deeper the nuances of this type of analysis start to show. Adjusted for sector composition some more thoughtful analyses has shown that the valuation premium of US over Europe is much smaller. In addition, It's very hard to verify these supposed valuation discrepancies because true valuation measures include components for earnings yield, future growth prospects, competitive position, management & culture as well as an assessment for the sustainability of these individual components. We evaluate businesses and investments individually to include all components of valuation. On the whole, in as much as we can, we don't see marked differences between similar businesses in both geographies.

As written in our other commentaries over the last couple of quarters global, US and European equity markets have exhibited a trait of "narrowness" where a small number of investments have driven the performance of the indices. The US had technology heavy indices contributing large amounts to their performance. European indices had luxury, healthcare and technology narrowness driving their returns. This has continued into 2024 with 2 strong themes of Artificial intelligence (AI) related investments (in a European context mainly ASML) and blockbuster healthcare breakthroughs in the GLP-1 class of drugs continuing to power ahead Novo Nordisk which is a large index weight. We don't own either of these names in the European equity fund which has detracted from performance for Q1. The MSCI Europe Index was up x.x% while the Setanta European Equity fund was up xx%.

The largest contributor to performance over the quarter was CRH with continued share price appreciation after having posted a sterling total return performance in 2023 (+75% in FY 2023, +28% in FQ1 2024 in EUR 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, 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 on an organic basis over the past decade. In addition, CRH has been active 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, with additional shareholder remuneration by way of share buy-backs. Despite the strong recent share price appreciation, CRH remains an attractive investment in our view. Construction products sales volume in the US is expected to ramp up in the medium term to fulfil the needs of already passed and funded infrastructure bills.

Detractors were Swatch, Ericsson and Sonova. Swatch has lagged European luxury peers for the last several years as it has failed to capture the imagination of luxury consumers with it's primary brands, Omega & Longines. They've continued to invest in their ultra luxury jewellery brand, Harry Winston with little payback. Sales growth has remained sluggish and returns on invested capital have been declining. The Hayek family, who control the company, have been poor stewards of this business over the medium term. The business has valuable assets in Omega and Longines and is hugely out of favour and could be an attractive takeover candidate. We doubt that the Hayek family would like to sell the asset but a hostile takeover is very much a possibility and there is a possibility of the Hayek family taking the business private. Its frustrating as this has been the story for a number of years although no catalyst has emerged to realise this value.

Ericsson operates in the cyclical telecommunications equipment market. The last year to 18months has seen a dramatic fall off in sales as the initial build out of 5G networks stalled. Mobile network operators have been reluctant to spend to increase capacity as they have difficulty pricing up for 5G services. There is potential upside in new 5G deployment in new markets. AT&T have awarded a big contract to Ericsson which hopefully will start to ramp up in late 2024 and could drive profitability and returns.

Sonova has had a bumpy few quarters, probably related to a large contract loss and product cycle. The hearing aid industry exhibits an oligopolistic structure with 3-4 main players. The product cycle ebbs and flows between these players. The long-term demand drivers for the industry look to be solid with ageing populations with more disposable income in most western markets. The contract loss in question was to Costco, primarily in the United States. Costco have been taking share in the hearing aid channel and tend to put their supply contracts out to tender every few years. It's possible that Sonova will re-engage with Costco at some point which could help drive sales. To sum up on Sonova we think there are some near term headwinds that they should overcome and the long-term picture for this business looks quite favourable.

Portfolio activity

There were no new buys or sells during the quarter.

Closing remarks

We are grateful to all our investors for your continued support. We continue to believe that sticking to our principles, investing in robust businesses at attractive valuations should deliver solid medium to long term performance.

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