

Setanta Income Opportunities Fund

Q2 2024

Fund Description

The **Income Opportunities Fund** ('the Fund') is an actively managed portfolio primarily comprising global equities but with the flexibility to invest in assets which offer attractive income and reasonable value. These assets include fixed income, property (including REITs) and cash. The Fund is not constrained by limitations on the level of any given asset. In practice, the Fund has had its greatest weight in equities, reflecting the breadth of that market, Setanta's expertise in that area, and the option writing strategy employed by the Fund. Nevertheless, property, fixed income and cash have all played meaningful roles in past returns of the Fund, at times, comprising up to 50% of the Fund's assets. 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 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.

The Fund employs an option writing strategy. This entails the sale of both call and put options in return for a cash premium, representing an income stream that boosts the underlying income yield of the Fund. This strategy is employed in a conservative fashion, as all options written are fully covered.

The Income Opportunities Fund has two investment objectives:

1. To generate an annual income yield at a target rate. This is declared at the start of each financial year.
2. To achieve capital appreciation 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

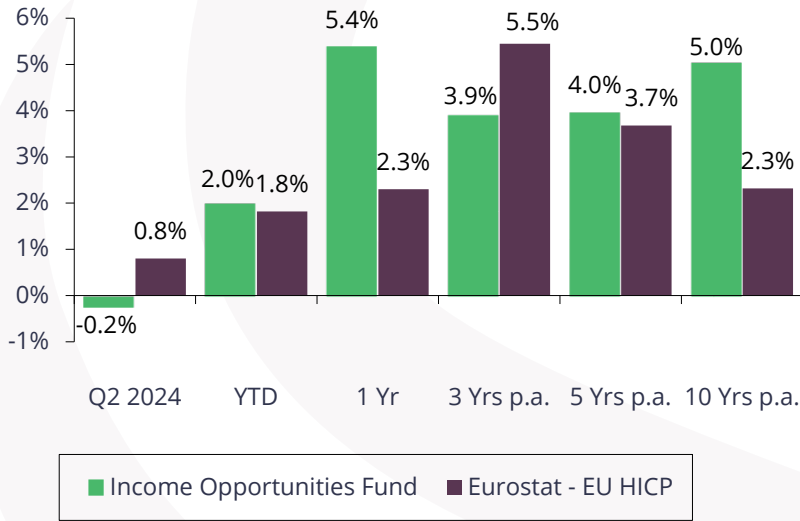
We consider scenarios rather than making forecasts

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 – 30.06.2024 (EUR)



Yearly Performance

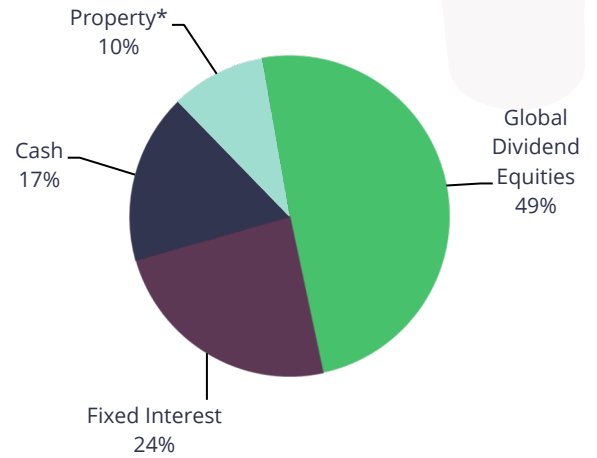
Year %	2019	2020	2021	2022	2023
Fund	13.7	-5.6	11.9	-0.3	6.5
Benchmark	1.1	-0.3	5.0	9.6	2.8

Performance Source: Setanta Asset Management Limited. The Fund returns stated are based on the movements in the unit prices of the ILA/CLI Income Opportunities Fund [P-INC1] and are gross of management fees. The performance will be reduced by the impact of management fees paid, the amount of which varies. **Benchmark:** Eurostat Harmonised Index of Consumer Prices (EUR). Inception as at 30.09.11 **Holdings Source:** Setanta.

Top 10 Equity Holdings

COMPANY	SECTOR	% OF FUND
PROCTER & GAMBLE	CONSUMER STAPLES	2.3%
AIR LIQUIDE	ENERGY & MATERIALS	2.1%
NOVARTIS	HEALTH CARE	1.8%
SANOFI	HEALTH CARE	1.8%
SAMPO	FINANCIALS	1.7%
MEDTRONIC	HEALTH CARE	1.7%
DCC	INDUSTRIALS	1.6%
NATIONAL GRID	INFRASTRUCTURE	1.6%
RICHEMONT	CONSUMER DISCRETIONARY	1.6%
VISCOFAN	ENERGY & MATERIALS	1.6%

Asset Distribution



Historic Income

Year	Income Earned % of Fund Value
2011	6.2%
2012	5.6%
2013	5.5%
2014	4.8%
2015	5.5%
2016	4.7%
2017	4.1%
2018	3.9%
2019	4.2%
2020	3.9%
2021	4.1%
2022	4.3%
2023	4.3%



Q2 2024 Commentary

Income Opportunities Fund Q2 2024

After a sharp decline in April, equity markets cautiously resumed an upward trajectory later in the quarter, buoyed by renewed indications of rate cuts from authorities on both sides of the Atlantic. As many as two cuts are expected this year in the US where a slower pace of disinflation has deterred any action just yet; meanwhile the European Central Bank cut rates in June with further cuts expected in the Eurozone before year end. Uncertainty around upcoming elections added further volatility to the macro and financial environment, with both a potential Trump re-election and a strengthened far right French parliamentary contingent commanding headlines. Amidst this backdrop the Fund finished broadly flat for the quarter.

As the world aims to reduce its emissions and add computing power to all aspects of life, the demand for electricity increases. An International Energy Agency report last year estimated that global power grids need to be doubled by 2050. While capacity additions are slow by nature, physical implications of growing electricity demand are becoming increasingly visible as time passes. Some countries, including Ireland and China, have placed restrictions on new consumption-heavy data centres. **National Grid**, a gas and electricity transmission and distribution business owned by the Fund, announced a £60 billion 5-year grid investment plan. **TSM**, the semiconductor giant, was again in the top echelons of contributors to return for the Fund last quarter, largely on the back of artificial intelligence demands, one of the many contributors to the world's rising electricity needs. The recent bid, later withdrawn, by mining behemoth BHP for Anglo American would have seen it become the world's largest producer of copper, a key electrification metal.

In addition to its zinc mining business, Fund holding **Boliden** owns Europe's largest copper mine and has announced plans to boost its copper smelting capacity. Having been weighed down last year by lower zinc prices and a number of operational mishaps, Boliden gained on the back of higher zinc prices during the quarter and was supported by the BHP reminder of the importance of copper. Boliden was one of the top contributors to Fund performance during the quarter.

Over the first six months of the year, we built a position in **Coloplast**. Coloplast develops, manufactures and markets products and services that help patients with intimate healthcare needs to live a fuller life. These include catheters and ostomy bags which assist with emptying of the bladder and colon. Coloplast's business model is based on developing superior products, delivering superior care services, and having an effective sales and distribution channel (Coloplast has a direct-to-consumer relationship in many of its markets). In Coloplast's business innovation is important, but economies of scale, and efficiency make a difference in the quality of the business and ultimately the returns on capital it can deliver. We believe Coloplast is a very well-run company. It has a long track record of operational excellence, and organic growth ahead of the market (which has itself grown nicely over time). The shares have historically traded at a high valuation multiple. In recent months though, the company has had to contend with high-cost inflation and the integration of two potentially very accretive acquisitions, overshadowing the continued strong performance of the underlying business. Over that period, the share price has been relatively weak. We bought shares at a dividend yield of 2.3%, an attractive level, in our view, given our expectation of a long runway of quality dividend growth.

Fixed Income

The portfolio's bond holdings acted as a ballast for the Fund, making a strong contribution to the Fund's return in the second quarter. With a duration of under 3 years the Fund's positioning at the short end of the inverted yield curve enabled it to benefit from superior preservation of capital values, while income generation continued to be strong.

*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 Income Opportunities Fund is managed by Setanta Asset Management Limited and is a representative account of the Income Opportunities strategy. The performance shown is the performance of a representative account (ILA/CLI Income Opportunities Fund [P-INC1]). 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 also available on a segregated basis or a UCITS mutual Fund via Beresford Funds ICAV. 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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