Setanta Managed Fund
Q3 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

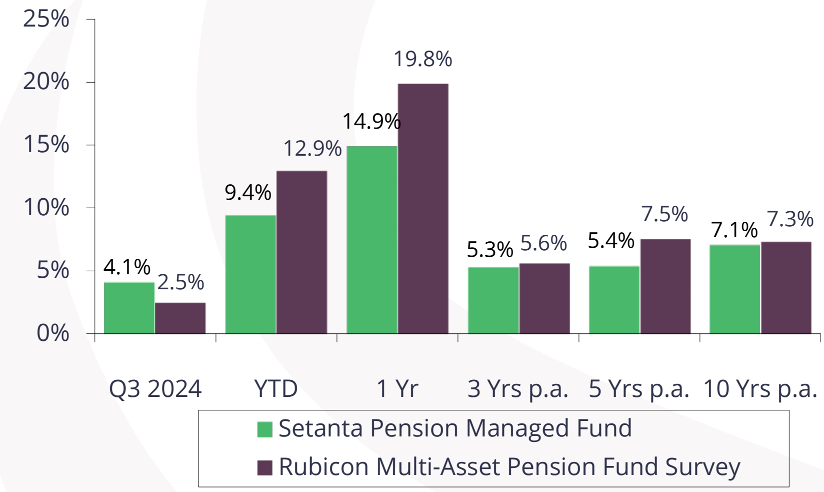
Businesses we own must have strong balance sheets

We make mistakes and always endeavour to learn from them

We will act with integrity in everything we do

SETANTA Asset Management

Fund Performance – 30.09.2024 (EUR)

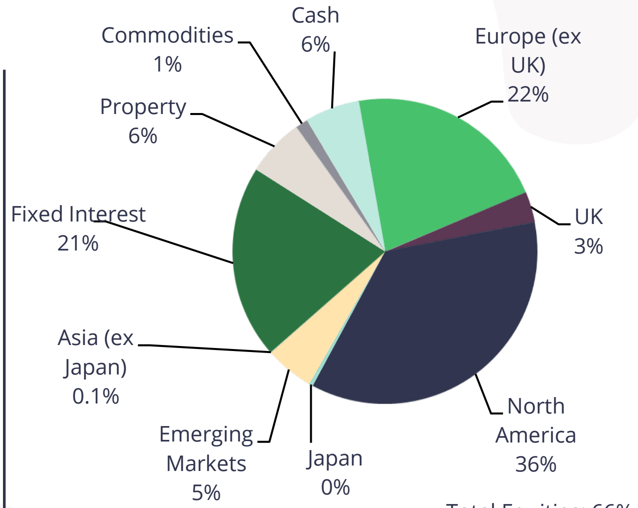


Performance Source: Setanta Asset Management Limited. The actual Fund returns stated are based on the movements in the unit prices of an institutional series of the Fund (ILA/CLI Setanta Managed Fund [H012]) and are net of management fees. Benchmark: Rubicon Multi-Asset Pension Fund Survey. **Holdings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

Top 10 Equity Holdings

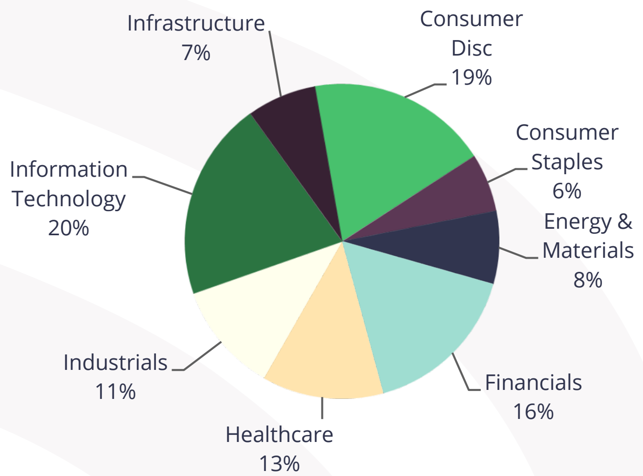
COMPANY	SECTOR	% OF FUND
ORACLE CORP	INFORMATION TECHNOLOGY	3.0%
MICROSOFT	INFORMATION TECHNOLOGY	2.8%
BERKSHIRE HATHAWAY	FINANCIALS	2.8%
ALPHABET INC	CONSUMER DISCRETIONARY	2.5%
BOOKING HLDGS	CONSUMER DISCRETIONARY	2.3%
TAIWAN SEMICON MAN	INFORMATION TECHNOLOGY	2.0%
S&P GLOBAL	FINANCIALS	1.8%
CRH PLC	INDUSTRIALS	1.4%
NIKE INC	CONSUMER DISCRETIONARY	1.4%
SAMSUNG ELECTRONIC	INFORMATION TECHNOLOGY	1.4%

Geographic & Asset Distribution



Total Equities: 66%

Equity Sector Distribution



Fixed Interest Portfolio

CREDIT RATING WEIGHTING		
CREDIT RATING TYPE	**ASSET TYPE WEIGHTING**	**BENCHMARK WEIGHTING**
AAA	22.40%	22.86%
AA	39.87%	36.46%
A	12.26%	17.51%
BBB	25.42%	23.18%
	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

SETANTA
Asset Management

Commentary

Fund Commentary

The Managed Fund rose 4.1% (net) in the third quarter.

Fixed income assets gained strongly over the quarter as the Fed joined the ECB in cutting rates. Confidence that US inflation is heading in the right direction combined with cooling jobs data allowed the Federal Reserve to deliver a jumbo first rate cut of 50 bps in September. The ECB also reduced rates a further 25bps, following their first cut in June this year. Government bonds (+5.3%) were the best performer with EM Debt (+4.7%) and Investment Grade credit (+4.5%) also performing strongly.

Equities saw heightened volatility during the quarter rebounding from their low in early August as a weak US jobs report drove fears that rate cuts would come too late.

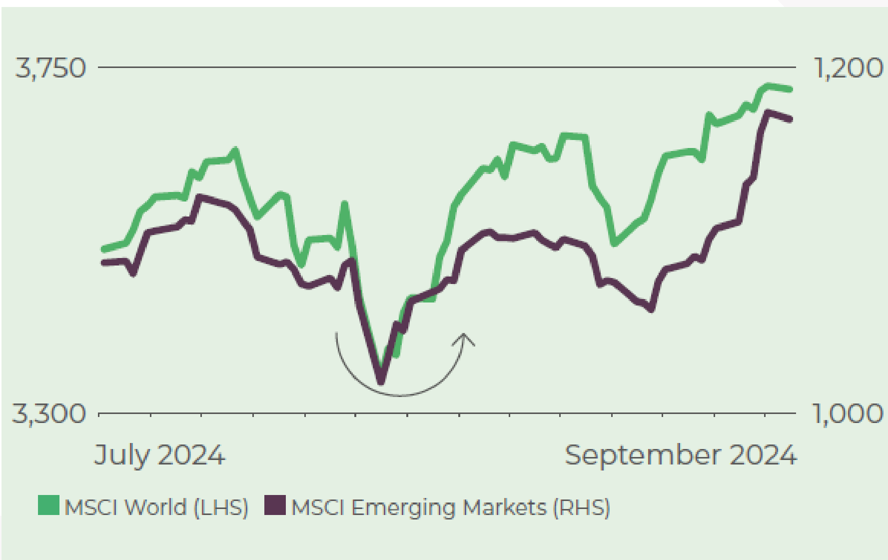
Doubts also rose over the returns from AI technology investment which saw other sectors of the market gain favour over the technology and momentum names that performed strongly in the first half of the year. This benefitted our Global equities portfolio (+4.6%) with Infrastructure and Financials the best absolute performers over the quarter.

Irish Property (-1.0%) continued to struggle as vacancy rates continue to remain elevated. However, we are beginning to see increased letting activity in the market and valuations have likely bottomed as interest rates begin to fall, helping to reduce the cost of capital and drive higher profits.

Market Commentary

There were healthy returns across all major asset classes over the quarter, despite some elevated bouts of market volatility. Early moves lower in risk assets were reversed into quarter end on improved sentiment following a larger-than-expected Federal Reserve (Fed) interest rate cut and enthusiasm over fresh stimulus in China. The key markets went on to make new all-time highs.

Equities tumble, but recover to make new highs

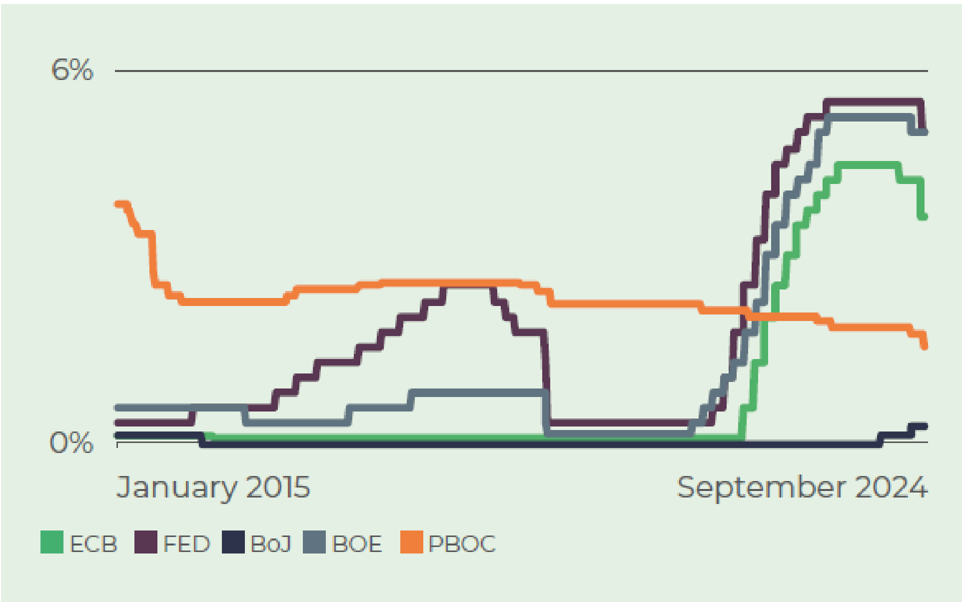


August volatility event: Japanese yen 'carry trade' unwind

While central banks tend to shy away from creating market volatility, they were primarily to blame for the volatility this quarter, as interest rate moves by the Bank of Japan (BOJ), higher, and the Peoples Bank of China (PBOC), lower, surprised markets in July and September. This was a good reminder that what the market expects – and thinks is already priced in – is not always what you get!

In July, we saw a combination of weaker US economic data, an interest rate hike from the Bank of Japan and a retreat of the 'big tech' names. The BoJ's hike of 15 basis points (bps), a further shift away from its ultra-loose policy, then caused a disproportionate selloff across markets. Another upward movement in rates after so long surprised the market, where a level of complacency had entered the trade of borrowing cheap yen to invest elsewhere.

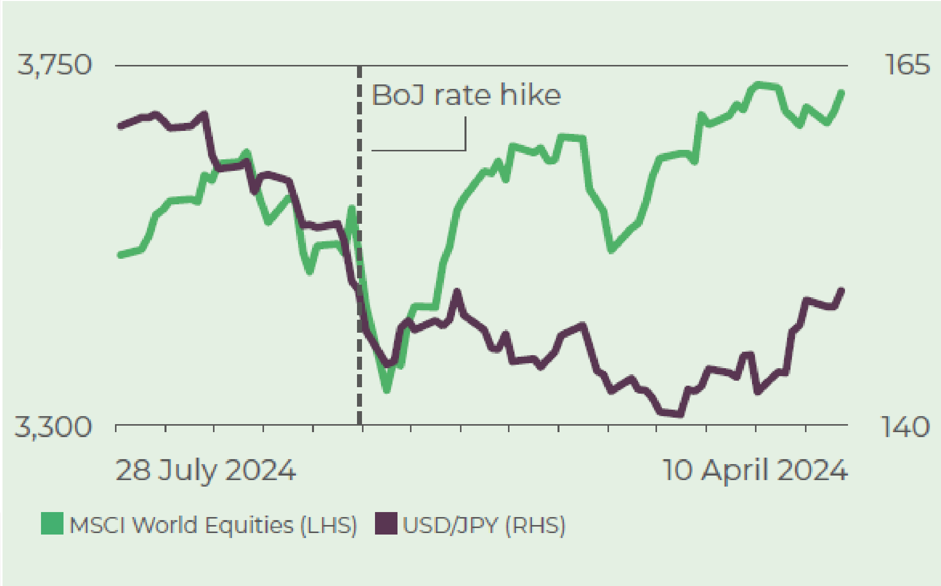
Interest rate movements



Source: Setanta / Bloomberg

Fears of an unwind of this 'carry trade' (borrowing in a cheap currency to buy higher yielding assets abroad) spooked investors. This rate move caused a marked increase in the value of the yen, making outstanding loans expensive to pay back, leading to a sharp unwinding of positions and selling of financial assets.

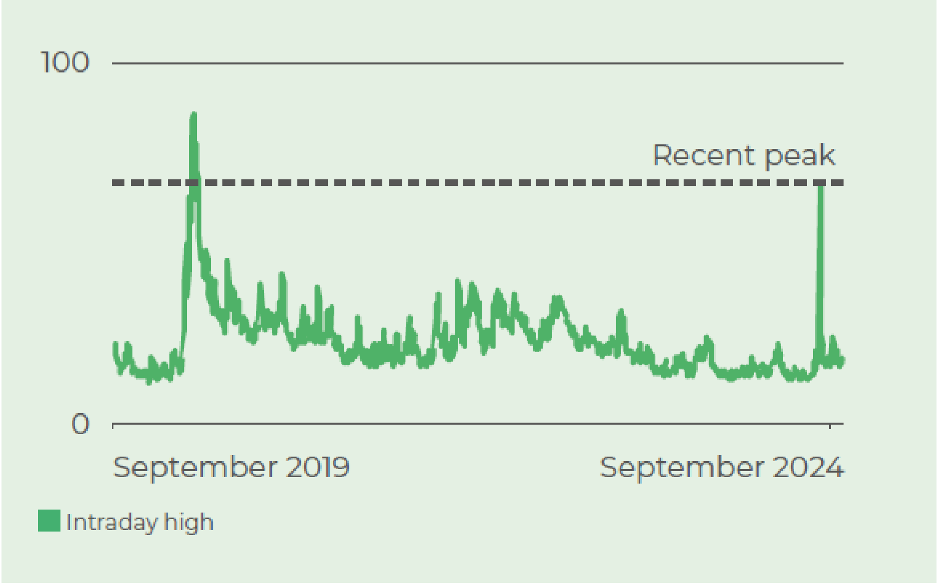
Carry trade unwind – stronger yen post BoJ hike pushed equities lower



Source: Setanta / Bloomberg

Volatility across markets jumped, with the Volatility Index (VIX) hitting intraday highs last seen back in Covid times.

Volatility Index (VIX) back to Covid times



Source: Setanta / Bloomberg

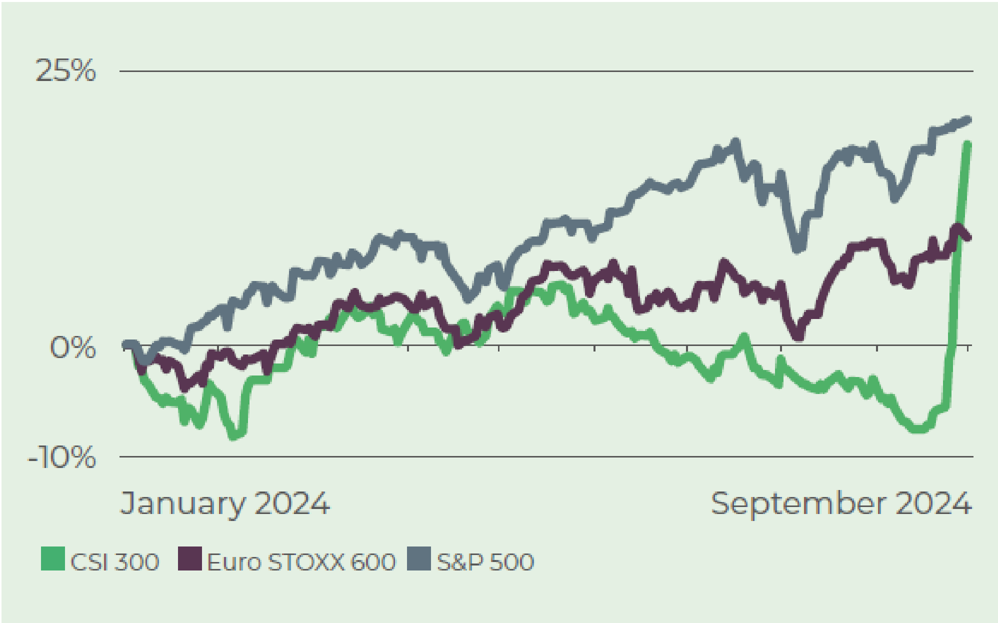
Commentary

Fresh stimulus in China

Towards the end of the quarter, new stimulus policies were announced in China. The Peoples Bank of China (PBOC) cut interest rates, aiming to revive economic growth and help property owners. Interest rates on existing mortgages were cut by 50bps, and the PBOC targeted new lending by reducing the level of reserves banks must set aside for loans. The bank's governor, Pan Gongsheng, said he would also ease restrictions on borrowing to invest in shares on Chinese exchanges, boosting equities within hours of the announcement.

The Shanghai Shenzhen (CSI300) Index, reacted aggressively to the news, up over 20% in the month of September, having been negative since mid-year.

Chinese, European and US stock markets



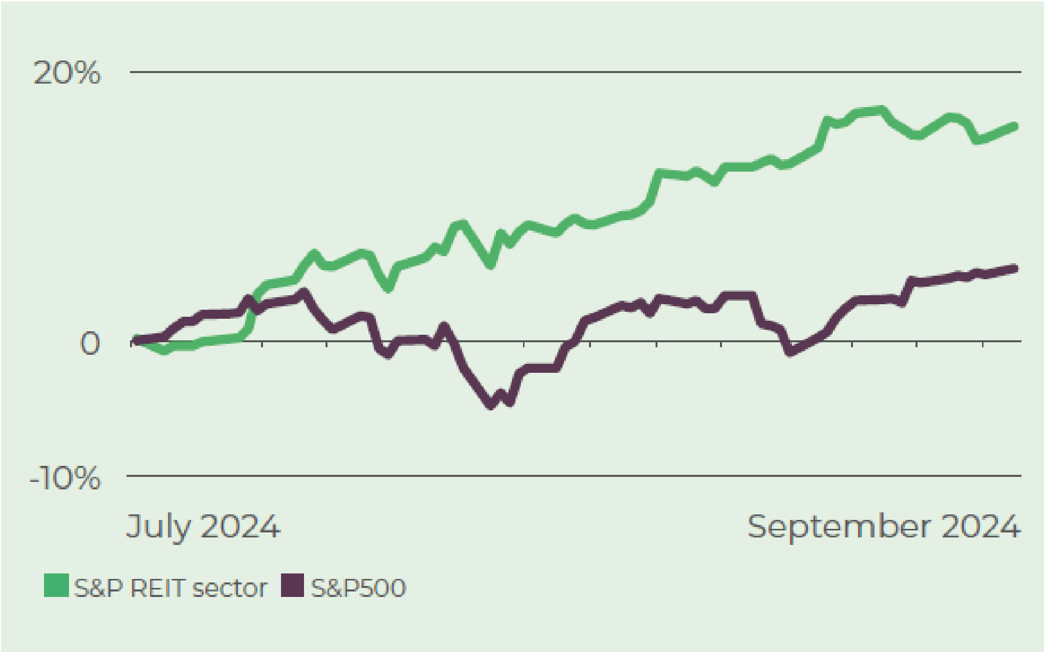
Source: Bloomberg/Setanta

Central bank moves

The Fed cut interest rates in September, beginning its long-anticipated rate cutting cycle with a larger-than-expected 50bps cut, soothing investor concerns. A steeper decline in July's non-fam payrolls, the unemployment rate trending higher and a larger-than-expected drop in inflation in August spurred the Fed's decision to act.

This helped rate-sensitive asset classes real estate investment trusts (REITs) and listed infrastructure achieve double-digit returns, with government bonds and credit also benefitting.

REITs strongly outperform broad market



Source: Bloomberg/Setanta

The European Central Bank (ECB) delivered its second rate cut in September after holding rates constant in July. Further rate cuts are expected by both the ECB and the Fed into year end.

Economic growth in the Eurozone continued to disappoint. Purchasing Manager Indices (PMIs) surprised lower, with the weakness in the manufacturing sector extending to the services part of the economy.

As structural challenges need to be addressed to drive increased competitiveness in the Eurozone, a recent proclamation from ECB President Christine Lagarde communicates the central bank's view on current European prospects:

"To conclude, the world is changing rapidly, and Europe is falling behind." – Christine Lagarde, at the Hearing of the Committee on Economic and Monetary Affairs of the European Parliament, Brussels, 30 September 2024

Commentary

Key takeaways:

- Financial markets have performed strongly, especially equities. Weaker earnings growth in pockets of the market has been masked by strong performance in some of the larger names.
- While equity multiples look expensive, especially in the US, support is provided by a declining interest rate cycle in the near term.
- Negative correlation between bonds and equities in the quarter, helping multi-asset funds weather the volatility, is a positive for investors.
- Higher starting bond yield levels, and reasonable credit spreads, help to buffer equity market gyrations, proving a decent ballast to the funds. Total return looks more attractive in below investment grade given greater income.
- With declining interest rates on the horizon for some time, reducing some tail risks, risk assets could continue to push higher, although the soft-landing narrative will have to prevail.
- Further volatility is likely, due to upcoming US election risk, ongoing geopolitical concerns and potential effects on oil supply, economic data, and Q3 earnings reports that may point to slowing global growth.
- We will look to take advantage of good valuations when presented with them in parts of the market that suffer due to short-term concerns, with a long-term investment horizon in mind.

David Ryan, CFA

Head of Multi-Asset Funds

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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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