Setanta Managed Fund
Q4 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.

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

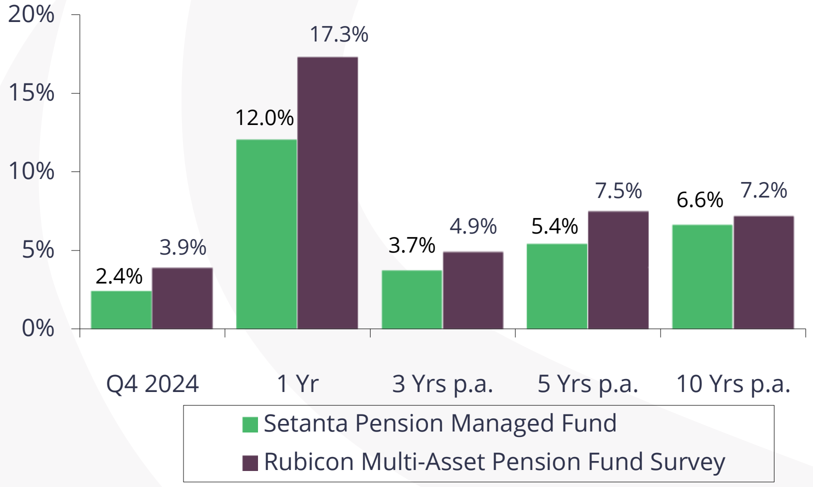
We make mistakes and always endeavour to learn from them

We will act with integrity in everything we do

Portfolio Managers

Kieran Dempsey & David Ryan CFA, CAIA, FRM

Fund Performance – 31.12.2024 (EUR)

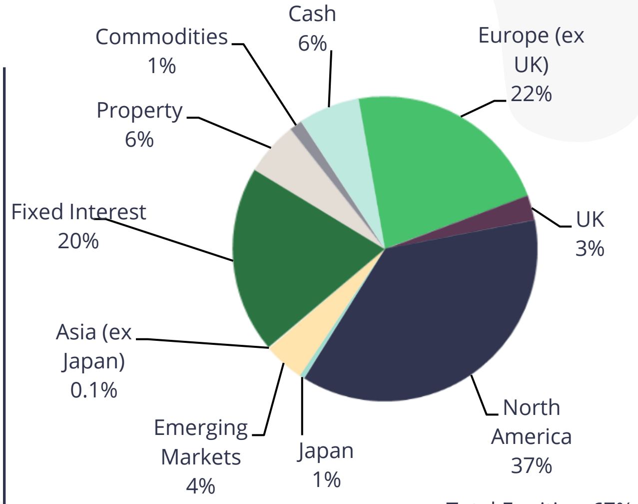


Performance Source: Setanta Asset Management Limited. The actual Fund returns stated are based on the movements in the unit prices of an institutional series of the Fund (ILA/CLI Setanta Managed Fund [H012]) and are net of management fees. Benchmark: Rubicon Multi-Asset Pension Fund Survey. **Holdings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

Top 10 Equity Holdings

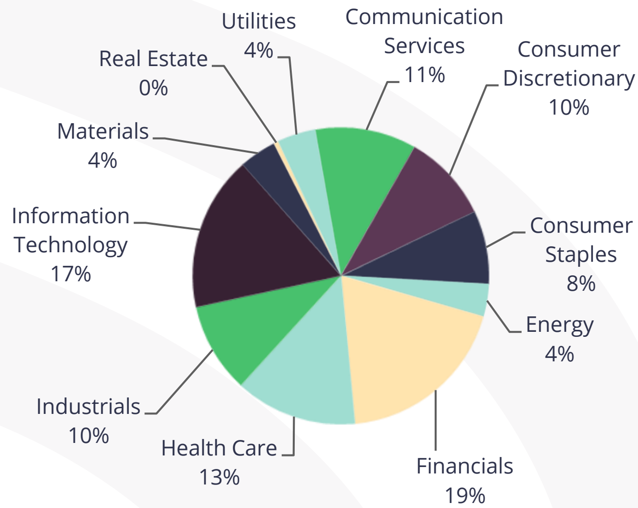
COMPANY	SECTOR	% OF FUND
ALPHABET INC COM CL A	COMMUNICATION SERVICES	3.0%
BERKSHIRE HATHAWAY	FINANCIALS	2.9%
MICROSOFT CORP	INFORMATION TECHNOLOGY	2.8%
ORACLE CORP	INFORMATION TECHNOLOGY	2.6%
BOOKING HLDGS	CONSUMER DISCRETIONARY	2.4%
TAIWAN SEMICON MAN	INFORMATION TECHNOLOGY	2.2%
CRH PLC	MATERIALS	1.6%
MARSH & MCLENNAN	FINANCIALS	1.5%
S&P GLOBAL INC	FINANCIALS	1.4%
MCDONALD'S CORP	CONSUMER DISCRETIONARY	1.3%

Geographic & Asset Distribution



Total Equities: 67%

Equity Sector Distribution



Fixed Interest Portfolio

CREDIT RATING WEIGHTING		
CREDIT RATING TYPE	ASSET TYPE WEIGHTING	BENCHMARK WEIGHTING
AAA	22.63%	22.71%
AA	42.64%	36.45%
A	12.47%	18.14%
BBB	22.25%	22.70%
	100.0%	**100.0%**

Yearly Performance

Year %	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Fund	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	12.0
Benchmark	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	17.3

Commentary

Fund Commentary

The managed fund rose 2.4% (net) in the fourth quarter to bringing 2024 performance to +12.0%.

Equities were the main driver of returns this quarter. The continued strength of the US economy helped the developed market equities deliver strong performance. US equities rallied in the last quarter with optimism that the new president-elect policies will lift growth, lower taxes and cut regulation.

The fixed income markets experienced volatility in the last quarter of 2024, driven by geopolitical tensions, central bank decisions and fluctuating inflation rates.

Credit bonds (+1.4%) contributed positively while Government bonds (-0.63%) detracted from the fund.

Emerging market debt (-0.28%) detracted from the fund amid speculation on future US trade policies.

Irish property (-0.1%) while slightly negative, is starting to recover from previous lows. Low interest rates are passing through to lower the cost of capital while property yields are at attractive levels.

Market Commentary

The fourth quarter saw the end to another strong year for risk assets, as the US continued to drive developed market equities higher.

Equities

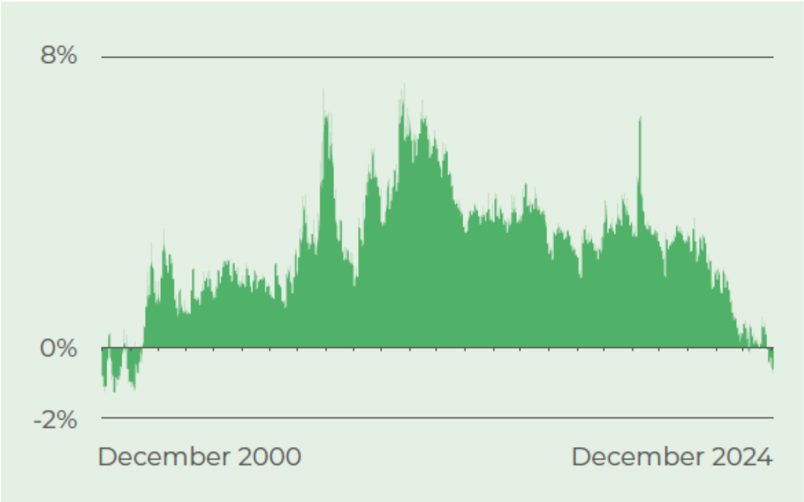
Within equities, the US and mega-cap technology remained the place to be. Both the US economy and its stock market outperformed, with GDP growth outpacing other developed economies. US equity dominance is evident, with an increase by over 20 percentage points in the last two decades as a share of world market capitalisation.

Share of US equities as percent of world market cap

Source: Bloomberg/Setanta

There are growing concerns of various market valuations, primarily the US, versus history and relative to other asset classes. With the S&P 500 forward earnings yield now less than that of a 10-year US Treasury yield, this could indicate the index is overvalued, and that bonds offer some relative value.

S&P 500 forward earnings yield vs. 10-year Treasury yield



Source: Bloomberg/Setanta

However, there are some signs of broadening earnings expectations across other sectors, potentially reducing the concentration and narrowness of recent market returns, which could reduce the disproportionate effects of the 'Magnificent-Seven' technology stocks. Europe saw less optimism than the US, particularly the manufacturing sector, as it struggled with high energy costs, greater regulation and waning export demand, while trying to compete with government-subsidised competition from China. This economic weakness and continued structural underexposure to technology dampened returns.

Bonds

The strong performance seen in risk assets was replicated in parts of the bond markets, with high yield bonds outperforming governments bonds. High absolute starting yields and tightening credit spreads drove returns, as investors remained comfortable with growth prospects and robust company balance sheets. Meanwhile, investment grade assets struggled, with longer dated yields drifting higher on sticky inflation and growing fiscal concerns. US Treasury yields have trended higher and are not far off highs last seen around 2007.

US 30-year and 10-year bond yields

Source: Bloomberg/Setanta

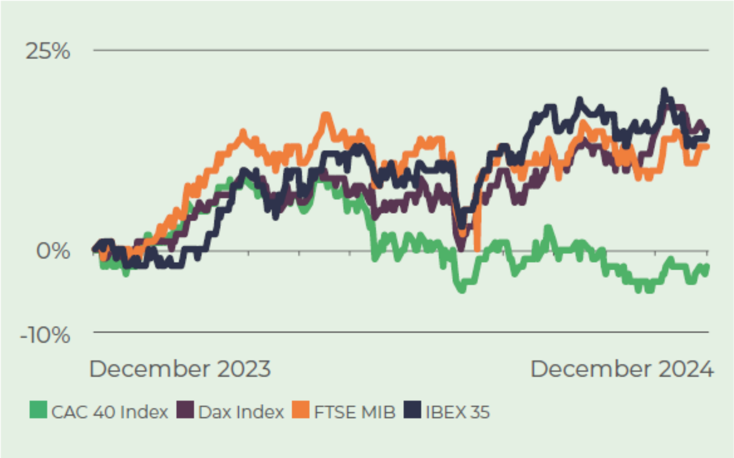
Central Banks

The main central banks continued to lower rates, the Federal Reserve and European Central Bank with two 25 basis points (bps) cuts over the quarter and the Bank of England with one. However, relatively tight labour markets and sticky inflation meant market expectations had to be managed, with fewer cuts now forecast for 2025 than previously expected. While the trajectory is still likely lower, the timing of cuts may be pushed further out, especially in the US.

Politics

Politics took centre stage during the quarter. The US presidential election delivered the return of Trump. Germany's coalition government lost a no-confidence vote, leading to new elections and greater attention to far-right politics. France saw the collapse of the Barnier government, increasing budgetary concerns, causing a further selloff in French assets.

French equities versus German, Italian and Spanish peers

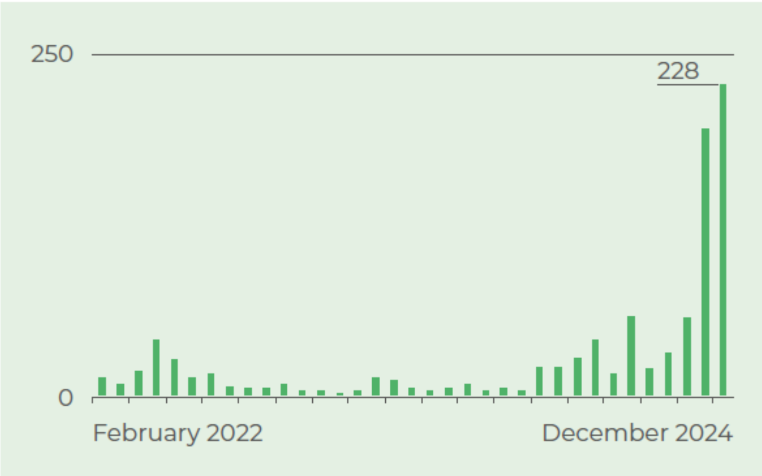


Source: Bloomberg/Setanta

Tax, tariffs and trade

In the US, policy uncertainty now replaces political uncertainty. A Republican 'red wave', with Republicans controlling both chambers of congress (House and Senate) and the presidency, should lead to significant policy changes. Tax cuts, deregulation and widespread tariffs were touted. A full extension of the 2017 Tax Cuts and Jobs Act (TCJA), and a reduction in the corporate tax rate from 21% to 15% is possible. While equites to date have seen likely policy changes as pro-growth, implementation could eventually rattle markets, given an already high US budget deficit. Concerns of increased bond supply to fund new initiatives could push bond yields even higher and prices lower. Higher tariffs on Chinese and other countries' imports are likely, with initial suggestions of a 10% tariff on all imports and a 60% tariff specifically on Chinese imports. The likelihood of retaliatory tariffs and the risk of increased inflation should temper these campaign promises.

AI-identified mentions of 'tariffs' in S&P 500 company transcripts

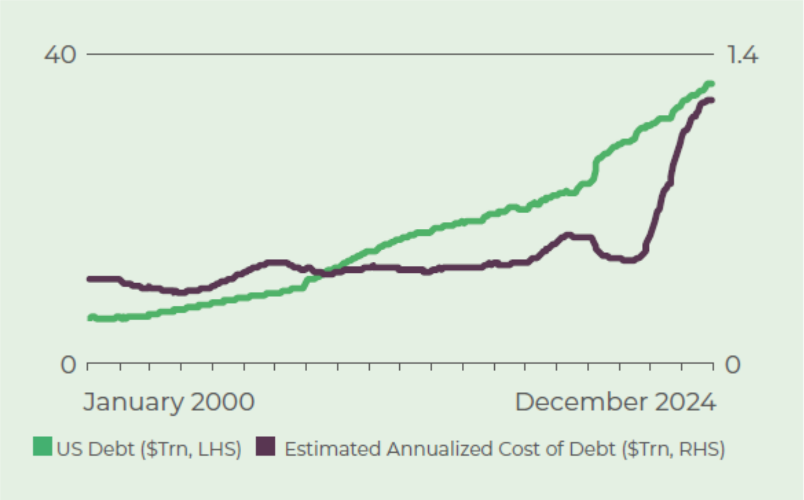


Source: Bloomberg/Setanta

Trade talks could involve renegotiating the various trade deals, leaning towards a more protectionist trade policy, culminating in more 'friendshoring' and 'nearshoring' as businesses diversify supply chains.

Equity markets so far seem to like the pro-growth policies and chance of more deregulation, while ignoring the risks of tariffs and deficits. The US primary deficit is 5% of GDP, wider than historically when at full employment, and the debt-to-GDP ratio is approaching a new all-time high, with service costs rising.

US Debt ($36 Trn) and annual servicing cost ($1.2 Trn)



Source: Bloomberg/Setanta

Outlook

Bonds are pricing in some risk, recently pushing yields higher and the yield curve steeper (i.e. long term yields rising more than short-term yields). High absolute equity valuations are associated with larger drawdown risk. In addition, tariffs are quicker to implement than tax cuts, so we could see more negative headlines for markets than positive in the near term. However, equities have done well under many different administrations, and ultimately it is the underlying businesses that matter most in the long run. In the shorter term, bonds and other assets held within a balanced portfolio should help limit any downside risk, allowing for a rebalance into equites at better valuations in the event of any temporary market bumps.

David Ryan, CFA

Head of Multi-Asset Funds

Commentary

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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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