Setanta Global Dividend Fund (CAD)

Q4 2024

Fund Description

The **Dividend Equity Fund** ('the Fund') is managed by Setanta Asset Management Limited ("Setanta") and is a representative account of the Dividend strategy.

The Fund is an actively managed equity portfolio, which holds 30-50 global high yield stocks. The portfolio is managed in accordance with the Setanta investment philosophy. That is, the managers seek 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 further distils this philosophy by targeting stocks where management have both the willingness and ability to distribute meaningful dividends to shareholders.

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. Stocks are chosen through bottom-up analysis, based on investment merit. The fund can hold up to 10% cash where investments of sufficient quality cannot be found. Rather than focusing on the historic level of volatility of an asset, the portfolio managers regard the probability of permanent impairment of capital as the most relevant measure of risk. In doing so, they seek to maximise downside protection by understanding the risks posed by the valuation, financial, and operational characteristics of the asset.

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

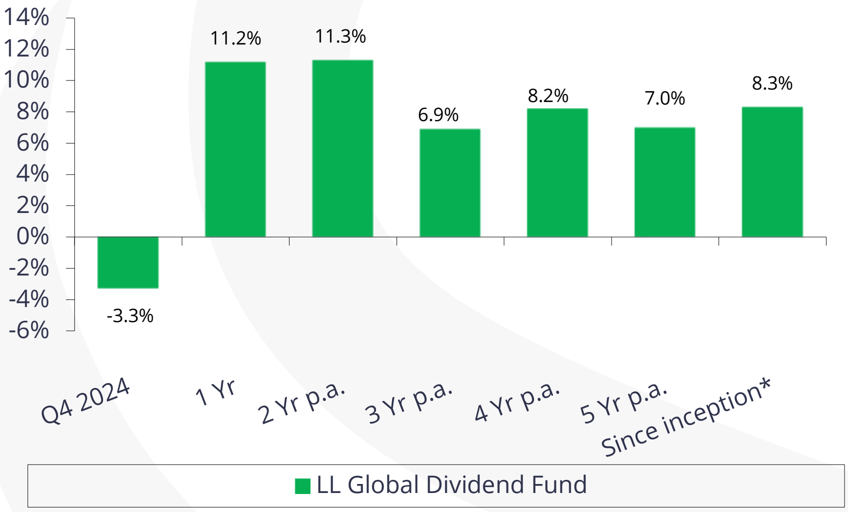
We consider scenarios rather than making forecasts

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 – 31.12.2024 (CAD)



Yearly Performance

Year %	2019	2020	2021	2022	2023	2024
Fund	15.6	2.3	12.0	-1.3	11.4	11.2

Performance Source: Setanta Asset Management Limited. The Fund returns stated are based on the movements in the unit prices of the London Life Global Dividend Fund 8.26SAM [IEC15005] 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. **Calculated using Index Method.

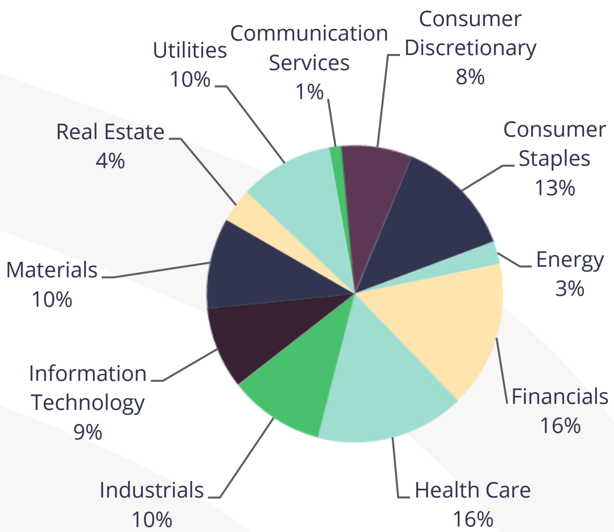
Top 10 Holdings

COMPANY	SECTOR	% OF FUND
TAIWAN SEMICON MAN	INFORMATION TECHNOLOGY	4.2%
PROCTER & GAMBLE	CONSUMER STAPLES	4.0%
SANOFI	HEALTH CARE	3.7%
NOVARTIS	HEALTH CARE	3.6%
ALLIANZ AG	FINANCIALS	3.5%
DCC ORD	INDUSTRIALS	3.5%
CRH PLC	MATERIALS	3.3%
JOHNSON & JOHNSON	HEALTH CARE	3.1%
AIR LIQUIDE(L')	MATERIALS	3.1%
T.E.R.N.A	UTILITIES	3.1%

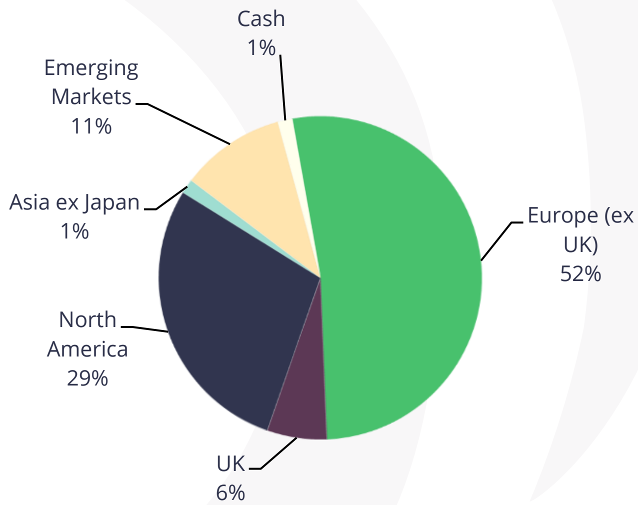
Fund Statistics

PRICE/BOOK	2.8
PRICE/EARNINGS RATIO (FY 1)	15.7
DIVIDEND YIELD %**	3.9
AVERAGE MARKET CAP C$BN	176.3
NO. OF HOLDINGS	39
DEBT/EQUITY %	70.0

Sector Distribution



Geographic Distribution



SETANTA
Asset Management

Q4 2024 Commentary

When writing our 2020 review at the time of the attack on the Houses of Congress in Washington noting the election of Joe Biden as president, little did we think that Donald Trump would again be elected as President of America, thinking it much more likely he would end up in less salubrious surroundings. Time magazine has recognised Mr. Trump's remarkable, and clearcut, victory, naming him its 'Person of the Year'. In doing so, he joins a small list of repeat winners, which includes Franklin Roosevelt and Ronald Reagan, but also Richard Nixon and Josef Stalin. Among other things, Trump is expected to increase tariffs on many countries, most notably China and Mexico, and to demand that America's allies substantially increase their spending on defence, putting pressure on fiscal budgets. His administration appointments to date indicate a desire to deregulate the American economy and to reduce federal bureaucracy, although as often the case with Trump, his true intentions are open to interpretation.

Having reached a multi-decade peak in most major economies, interest rates fell during 2024. Central banks acted, recognising that inflation was returning to normal levels of around 2% in America and the Eurozone. China's economic struggles persisted, notwithstanding its announcement of a major fiscal and monetary stimulus later in the year. Geopolitically, it flexed its muscles, as its military undertook increasingly aggressive manoeuvres offshore, particularly around its neighbour, Taiwan, to which it has long laid claim. The violence in the Middle-East broadened through the more direct involvement of parties in Iran and Lebanon, albeit without affecting the price of crude oil substantially. Artificial Intelligence (AI) continued to dominate headlines, while beginning to permeate the everyday lives of people. AI is increasingly visible in apps, while educational institutions face challenges in distinguishing the likes of ChatGPT creations from authentic student compositions.

The Dividend Fund ('The Fund') has long had a relatively high weight in Europe and a relatively low weight in North America. This has principally reflected higher dividend yields in the former compared to the latter, as well as an acknowledgement that European-domiciled companies are typically more international than their North American counterparts. Compared to its benchmark over short term periods, the Fund tends to do well when Europe is relatively strong, while when North America is relatively strong, it tends to lag. Over longer-term periods, Fund returns have been able to match or surpass those of the benchmark, as, we believe, the underlying value and quality credentials of individual holdings on a 'bottom-up' basis come to the fore. In 2024, the North America segment of the benchmark had a total return of 21%, substantially outperforming both Europe (which rose 8%) and Asia-Pacific (which rose 13%). This was the single most important factor in the Fund's relative performance last year (11.2% vs. 17.7%). Cyclical sectors were generally the strongest performers, led by Information Technology and followed by Financials (particularly North American regional banks), Consumer Discretionary, and Industrials. 'Defensive' sectors, those less exposed to cycles, such as Healthcare and Consumer Staples, under-performed the Fund's benchmark. Utilities bucked this trend, performing robustly, led by electricity grid-focused companies that are expected to benefit from AI-related investment; tobacco stocks also performed well.

In 2024, we estimate that the Fund, achieved more than 5% in ordinary dividend growth, having started the year trading at a dividend yield a little under 4%. In addition, no fewer than four of the Fund's holdings contributed additional income in the form of special dividends or returns of capital. Indeed, this is a good reflection of the Fund's 'formula', which strives to marry the defensiveness that ordinary dividends offer with the growth that comes from the value creation of well-positioned companies, while capitalising on the occasional special dividend afforded by robust Balance Sheets. It has led, we believe, to good returns; over the past ten years, the Fund has risen 8.3% per annum.

[1]Indeed, on the day after the US Presidential Election, in which it became clear that Donald Trump would be victorious, the US equity market, as measured by the S&P 500, rose a remarkable 2.5% (substantially in excess of the Fund).

Q4 2024 Commentary

Key Stock Contributors to Fund Performance

TSMC, the world's largest manufacturer of semiconductors, based in Taiwan, followed up a strong performance in 2023, by achieving a total return in excess of 100% last year. It reported very strong revenue growth as well as sequential improvement in its operating margin, as it benefitted from AI-driven demand for its logic semiconductors. This was despite the increasingly bellicose actions of China, noted above. Investors are likely taking some heart in TSMC's diversification of its manufacturing; it reported positive progress on its new American manufacturing plants ('fabs'), which are beneficiaries of substantial Federal funding. CRH, the US-oriented building materials company, was for the second successive year also one of the largest positive contributors to the Fund's performance. It continued to report good results, notably in North America, incorporating rising profit margins, a function among other things of price increases, cost management, and operational efficiency. The strong tailwinds of multi-year Federal infrastructure spending are expected to be reaffirmed under the new Trump administration. Allianz, the German multi-line insurer continues to be an excellent holding. In its most recent quarterly report, it reported strong growth in its Life and Health business, while its Property and Casualty combined ratio, a measure of underlying profitability, improved.

Stock	*Performance Contribution*	*Stock*	*Performance Contribution*
TSMC	2.68%	Samsung (Prefs)	-1.16%
CRH	1.56%	Nestle	-0.65%
Allianz	1.00%	Fortescue	-0.62%

Samsung, the Korean-based IT global giant, has had a difficult year. It has been bedevilled by over-capacity in the memory chip, a key source of revenue for it. There are some fears that this market is being hollowed out by Chinese competition at the lower end, leaving less for the likes of Samsung, while, as we noted last quarter, it has been slow to develop specialised AI-ready memory chips. Korea's President Yoon later in the year shocked the world by declaring martial law, a culmination of simmering tensions between him and parliamentarians in Korea's National Assembly. In the turmoil that followed, the Korean won and the stock prices of Korean stocks, such as Samsung, weakened. Nestle, the global food and beverage conglomerate, has also had a challenging year, as we noted only last quarter. As a reminder, inflationary pressures have been a challenge for consumers, and by extension, Nestle, while its long-serving CEO departed the scene. Since then, Nestle's new CEO cut profit guidance for the year, announced a restructuring plan, a separation of its water business, and a reduction in its expected long-term organic sales growth (now 4% plus from mid-to-high single digits). In 2023, Fortescue, a major producer of iron ore posted the best total return of all holdings, much of which occurred in the final quarter, reaching a lifetime high. In 2024, it 'gave back' much of this performance, despite conditions in the iron ore market being broadly unchanged. It is likely that investors focused more on: its nascent Energy business, in which the company has announced very ambitious plans; considerable change in Fortescue's management team; and the continued weakness in China's economy (Fortescue's iron ore is sold mainly to China).

Q4 2024 Commentary

Major Changes to the Fund

During the year, the Fund added four investments, while divesting five, resulting in 39 holdings at year end. American Tower is a Real Estate Investment Trust that focuses on communications infrastructure, particularly the towers that provide coverage for mobile services. As communications companies became more indebted, they decided to sell much of their infrastructure to the likes of American Tower. It, and a few peers, now own much of America's mobile communications infrastructure; this is also the case in Europe. This is a business that benefits from economies of scope, particularly in how American Tower can add additional communication equipment to an existing tower, thus obtaining additional revenue and boosting its return on capital employed. We were able to acquire our position at a dividend yield of over 3%. We also invested in American Waterworks (AWK), a utility focused on provision of water, and wastewater, services in America. AWK operates in many states, albeit particularly oriented to the mid-west and north-east of the country. It is in an excellent position to capitalise on the substantial investment required to modernise America's water infrastructure, especially as much of this infrastructure passes from small municipal entities to professional, large-scale infrastructure managers, such as AWK. We expect it to grow its regulated asset base substantially; combined with a dividend yield at acquisition of over 2%, we believe the stock is an attractive proposition. We covered Coloplast, manufacturer of incontinence products, and CME, the financial exchange business, in some depth in our Q2 and Q1 reports respectively.

We also sold five investments from the fund. In the case of Toronto Dominion (TD), the leading Canadian bank, this was mainly due to its involvement in a money laundering scheme in America. While this event was itself unwelcome, drawing large fines from the relevant authorities, we believe that what it says about the bank's culture is worrying. We have always emphasised financial strength, and prudence, particularly in assessing banks, so while we are attracted to the Canadian banking industry, we could no longer justify continuing to hold our position in TD. Smiths Group, an industrial conglomerate, has been for some time, a company long on potential, but short on delivery. While the company has performed reasonably over the years, it should, in our view, be doing better, given its generally strong market positions. We had placed much faith in its CEO, appointed in 2021, so when he abruptly departed, we decided it was time to move our investment elsewhere. In the cases of Unilever, a food and personal care consumer business, and Federated Hermes, an asset management firm, both stocks had underperformed our initial expectations, so after long holding periods in both cases, we sold our investments in them. We also sold IRES, which we covered in some depth in our most Q3 commentary.

* All references to fund performance are gross of fees and all figures are in euro terms (unless otherwise stated).

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IMPORTANT INFORMATION

*Source: Stock price and index returns are from Bloomberg.

The Global Dividend Fund is managed by Setanta Asset Management Limited and is a representative account of the Global Dividend strategy. The performance shown is the performance of a representative account (London Life Global Dividend Fund 8.26SAM [IEC15005]). 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.

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