

Setanta Global Equity Fund (CAD)

Q1 2025

Fund Description

The **Global Equity Fund** ('the Fund') is managed by Setanta Asset Management Limited ("Setanta") and is a representative account of the Global Equity strategy. The Fund is an actively managed equity portfolio which holds c.60-100 global stocks. The portfolio is managed in accordance with the Setanta investment philosophy by a team of five global sector specialists, overseen by three lead portfolio managers. The aim is to achieve a sensible level of diversification on a sector and geographic basis. Reflecting this, portfolio sector weights are generally set so as broadly similar to the sector weights in the benchmark. Within each sector, stocks are chosen through bottom-up analysis, based on investment merit. 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. The investment objective of the Fund is to outperform the MSCI World index over the long term.

Fund Commentary

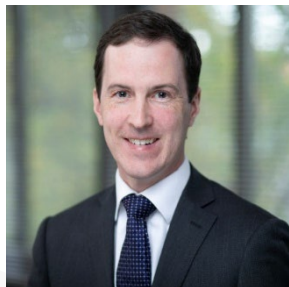
Global equity markets fell almost 2% in Q1 in CAD terms, about half of which was due to falling markets and half due to currency movements (notably a weaker US Dollar).

Of note were the sector and geographic dispersions in the period. The IT and Consumer Discretionary sectors fell 16% and 14% respectively. Meanwhile the Energy, Utilities, Financials, Staples and Healthcare sectors rose between 1% and 6%. By geography there were clear winners and laggards, with the US falling 9% and Europe rising 5%. (Continued on Page 3)

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Portfolio Managers

David Coyne, David Byrne, CFA & Conor Walshe



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

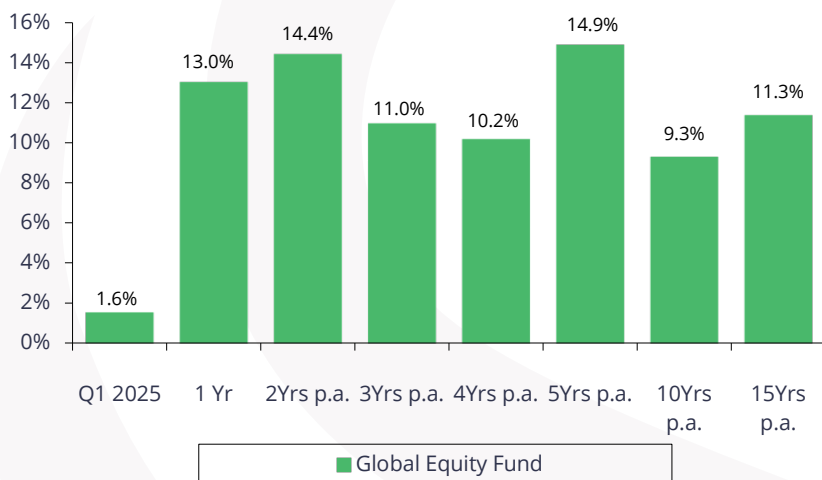
We consider scenarios rather than making forecasts

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 – 31.03.2025 (CAD)



Performance Source: Setanta Asset Management Limited. The Fund returns are based on the movements in the unit prices of the London Life Global Equity Fund (S034) 4.03SAM [IEC15001] 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
BERKSHIRE HATHAWAY	FINANCIALS	4.4%
MICROSOFT CORP	INFORMATION TECHNOLOGY	3.8%
ALPHABET INC	COMMUNICATION SERVICES	3.8%
BOOKING HLDGS	CONSUMER DISCRETIONARY	3.5%
ORACLE CORP	INFORMATION TECHNOLOGY	3.3%
TAIWAN SEMICON MAN	INFORMATION TECHNOLOGY	3.0%
MARSH & MCLENNAN	FINANCIALS	2.6%
NIKE INC	CONSUMER DISCRETIONARY	2.3%
CRH PLC	MATERIALS	2.2%
MCDONALD'S	CONSUMER DISCRETIONARY	2.1%

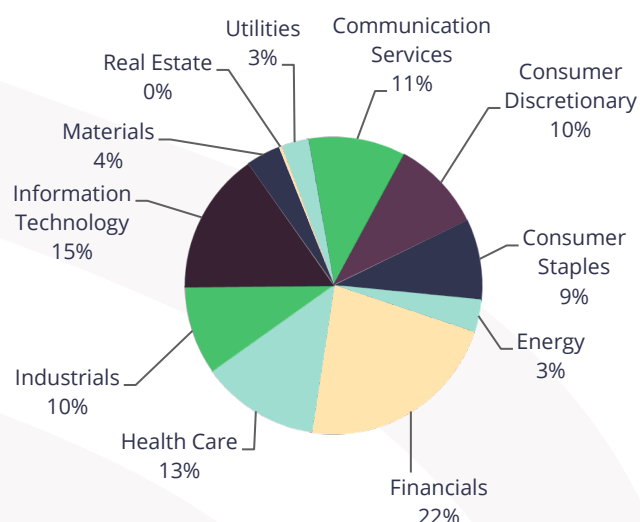
Yearly Performance

Year %	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Fund	2.3	0.1	13.4	38.5	15.3	15.8	9.7	15.8	-0.7	13.8	3.4	22.1	-7.2	13.6	19.8

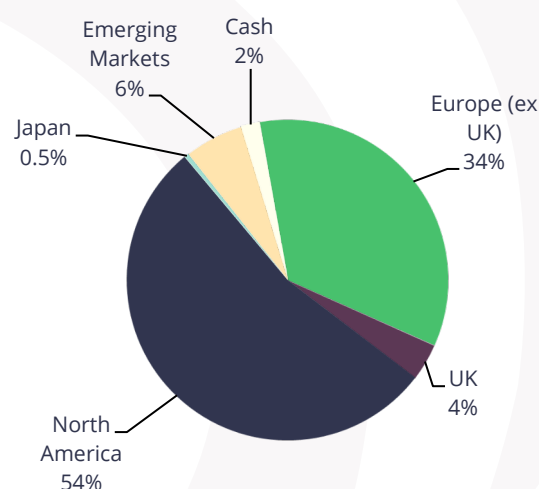
Fund Statistics

PRICE/BOOK	3.3
PRICE/EARNINGS RATIO (FY 1)	17.3
DIVIDEND YIELD %	2.2
AVERAGE MARKET CAP C\$BN	310.9
NO. OF HOLDINGS	73
ACTIVE SHARE %	83.4
DEBT/EQUITY %	45.2

Sector Distribution



Geographic Distribution





Q1 2025 Commentary

A number of factors contributed to the rotation. Firstly, investors have begun to question the ability of leading AI companies to financially capitalise on their enormous investments. We highlighted this risk in last quarter's commentary. Little did we know that just a few weeks later Chinese-owned company DeepSeek would release an innovative, high performing, cost and energy efficient AI chatbot, using less advanced chips. DeepSeek challenges the perceived dominance of US companies in AI technology and poses a major question mark over the quantum of capital spending required to power AI.

Secondly, the prospect of trade wars became more of a reality as the Trump administration looks to gain more from the US's political, economic and military strength. Europe has been caught on the back foot. The region has underinvested in – and in some cases stifled – key technologies and industries, including technology, finance and defence. The big question is whether individual countries can put aside their national interests in the short-term in order to create a stronger regional power in the longer-term. Germany has taken an early lead by announcing a substantial investment program to upgrade infrastructure and defence capabilities; hopefully other countries will follow. Also, at the behest of EU leaders, the European Commission is making a renewed push to forge a Capital Markets Union, an attempt to make it easier and more attractive for European savers, including banks and insurers, to invest in the region, under a single regulator. These efforts may flounder for one reason or another, but these are tentative signs of a stronger, more integrated Europe.

Post quarter end, President Trump announced sweeping tariffs on imports into the US in early April, laying out the rates that will apply by country. Among the most affected regions industries could be Asia, which is export oriented and where high “reciprocal” tariffs are set to apply. Retaliatory tariffs on the US appear likely.

At first blush this will affect a range of different companies and industries, especially retailers and product companies whose business model relies on Asian production or assembly. However, global supply chains are highly complex and thus the implications may vary greatly from company to company, depending on transfer pricing, contractual rights and mitigations to passing costs on to clients, pricing power with end customer, and more. Other important considerations include whether the tariffs will prove indefinite or temporary and the availability of requisite skills and capacity in the US for companies wishing to reshore.

Setting aside the potential direct costs involved, uncertainty is bad for business since it leads to spending delays or cancellation. Furthermore, the time the management teams are spending in evaluating and planning around tariffs is taking away from more productive work that would otherwise be done. In short, these developments are negative and very hard to appraise, at least at this stage. If these tariffs prove to be enduring, they will result in higher prices for consumers which may in turn cause some demand destruction.

Having looked through the fund's holdings and considered the potential for mitigation, including relocating production/assembly, price increases, shared pressure in the supply chain, we believe the portfolio faces limited lasting impacts. There could however be some transient impacts while higher tariffs are absorbed before mitigations can take effect. For example, Nike sources product primarily from southeast Asia and China, where tariffs are set to be 30%+. Nike's peers will face similar challenges, but higher costs to the end consumer will likely lead to lower demand and there is a risk that Nike could suffer an anti-US consumer backlash (similar to Tesla in Europe).



Q1 2025 Commentary

The most vulnerable companies are likely to be those with low profit margins and higher levels of debt, operating in very competitive industries where there is limited ability to increase prices or absorb higher costs because there isn't the financial capacity to do so. We tend to avoid these kinds of companies anyway. We will continue to observe these trade developments closely.

Fund performance

The fund outperformed the benchmark MSCI World Net Total Return by 3% during the quarter, largely a result of being underweight megacap tech stocks and the US, vindicating our decision to remain more diversified than an ever-more-concentrated benchmark.

Among the top contributors to fund performance during the quarter were Berkshire Hathaway (+18%, local currency), Tencent (+19%) and EssilorLuxottica (+13%), as well as two recent purchases Marsh & McLennan (+15%) and Hannover Re (+14%). Other notable performers were Bank of Ireland (+23%), US utility Exelon (+22%) and European staple Nestle (+20%).

The largest detractors were Alphabet (-19%), Oracle (-16%), TSMC (-17%), Microsoft (-12%) and Nike (-15%). All have been long term fund holdings and, with the exception of Nike in recent years, have been good or excellent long-term performers up to 2024. We have spoken about Nike's issues in past fund reports – a combination of own goals and increased competition. Positively, the company has begun re-engaging with the wholesale channel, investing in new products and marketing, and addressing excess inventories, which gave us confidence that the worst was behind them. However, the tariffs have thrown a spanner in the works and our thinking is under review.

Fund activity

The fund initiated one new holding in Q1, Edenred (described below). Given the market volatility we were opportunistic in trimming and adding to positions. Out of concern for valuation, we reduced Costco, EssilorLuxottica, Alcon, Steris, S&P Global. We invested proceeds into the likes of L'Oreal, Nike, Demant, Coloplast and Hannover Re, where we feel there is a better risk-reward trade-off.

Edenred is a long-established niche French-based payments company operating in 45 countries across Europe and LatAm. It operates mainly in two distinct B2B payments segments: Employee Benefits, the core of which is regulated employee meal and food vouchers, and Fleet & Mobility, the core of which is fuel cards used by employees on the road. Both businesses have high barriers to entry. Its specific purpose payments cards (what can be bought, when and where) require merchants to sign contracts with Edenred to ensure compliance with restrictions. Employers will only consider an operator with a large network of merchants, and merchants will only sign up if an operator has a large customer base – a classic chicken-and-egg situation that stymies would-be competitors. Edenred has leading market shares wherever it operates, with each market typically dominated by just a handful of players.

There have been a couple of negative developments in the last year or two. Most meaningfully, the Italian government imposed a cap on the take rate that operators of regulated voucher schemes charge merchants (to be implemented in H2:25). For various reasons the take rate on Italian vouchers was anomalously high and needed to be addressed, but there are concerns that take rate caps could be imposed in other countries, notably in France which is currently drafting changes to its meal and food vouchers system.



Q1 2025 Commentary

Edenred and its competitors will have to increase the fees charged to clients in order to offset lost merchant fees, but the extent to which they can do so is not yet clear. The second factor is slowing growth in Europe, due to general economic weakness, which should be more cyclical than structural.

Due to these concerns, Edenred's share price has halved in the last two years. Despite the near-term uncertainty, the company is likely to continue to organically grow revenues at an attractive rate by further penetrating its core products, cross selling a wider range of offerings, and increasing margins by scaling its largely fixed cost base. The stock traded on a mid-teens P/E at the time of purchase, its lowest valuation in around 10 years. We believe it was an opportune moment to buy into this quality company but will closely monitor developments and adapt as we gain more information and insights.

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