Setanta Global Equity Strategy (USD)
Q1 2025

Strategy Description

The **Global Equity Strategy** ('the Strategy') is managed by Setanta Asset Management Limited ("Setanta"). The Strategy is available to US Investors on a separate account basis.

The Strategy is a diversified, actively managed equity portfolio. As bottom-up fundamental value investors, our research process is designed to properly understand how each business functions and to consider risks pertinent to the business. Securities are chosen by a team of global sector specialists, targeting sensible diversification across industries, geographies and market capitalizations. We value each business, with the priority to pay a price that mitigates downside risk. We aim to make investments for the long-term, all the while considering the available opportunity set.

Strategy Commentary*

Global equity markets fell almost 6% in Q1 in Euro 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)

Co-Lead 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

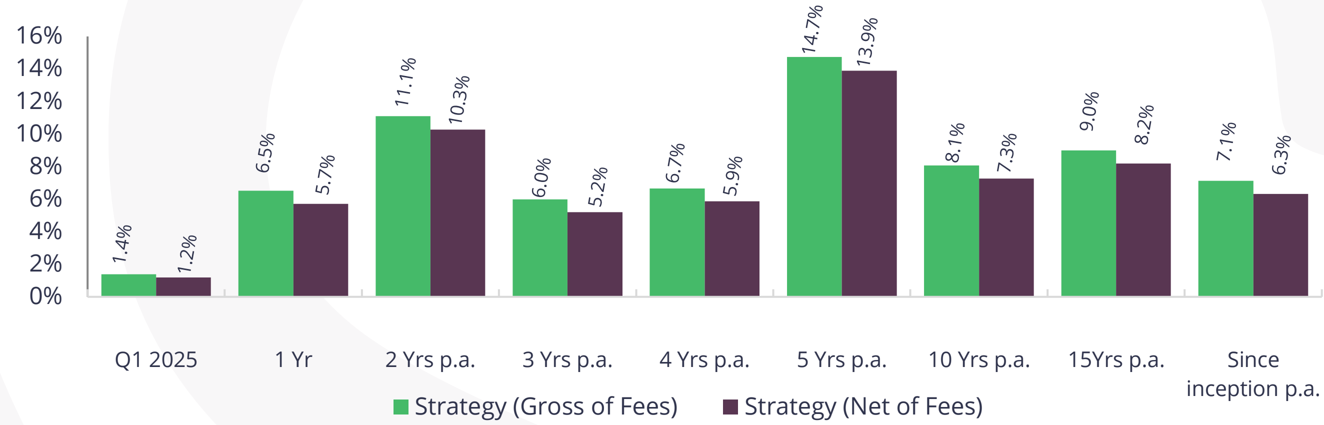
Businesses we own must have strong balance sheets

We make mistakes and always endeavour to learn from them

We will act with integrity in everything we do

Performance and Strategy data as at 31st March 2025

Strategy Performance (USD)



Yearly Performance (USD)

	2020	2021	2022	2023	2024
Strategy (Gross of Fees)	5.4%	23.2%	-13.4%	16.5%	10.7%
Strategy (Net of Fees)	4.6%	22.3%	-14.1%	15.7%	9.9%

Performance Source: Setanta Asset Management Limited. The returns stated are based on the movements in the unit prices of the lead Euro portfolio of the Global Equity Strategy, which has been converted to USD at FX rate 0.83685. The gross performance will be reduced by the impact of management fees paid, the amount of which varies. Net of Fees performance is calculated based on an AMC of 0.75%, which is based on a minimum portfolio size of USD25m. Inception date: December 2000.

Portfolio Valuation Statistics

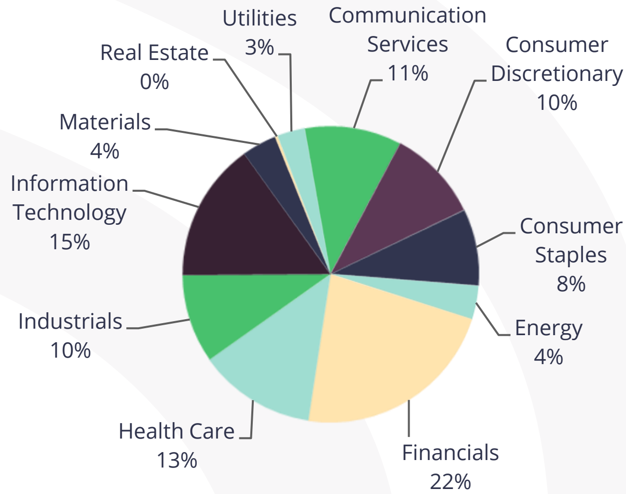
PRICE/BOOK	2.9
PRICE/EARNINGS RATIO (FY 1)	17.3
DIVIDEND YIELD %	2.2
AVERAGE MARKET CAP $BN	216.3
NO. OF HOLDINGS	74
ACTIVE SHARE %	82.6
DEBT/EQUITY %	45.2

Top 10 Holdings

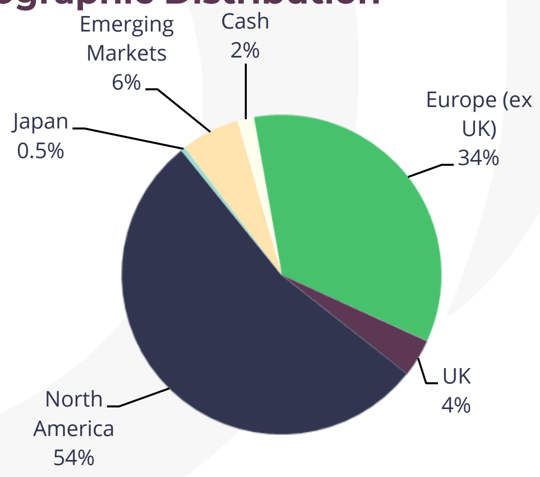
COMPANY	SECTOR	WEIGHT
BERKSHIRE HATHAWAY	FINANCIALS	4.5%
MICROSOFT	INFORMATION TECHNOLOGY	3.8%
ALPHABET INC	COMMUNICATION SERVICES	3.7%
BOOKING HLDGS	CONSUMER DISCRETIONARY	3.5%
ORACLE CORP	INFORMATION TECHNOLOGY	3.3%
TAIWAN SEMICON MAN	INFORMATION TECHNOLOGY	2.9%
MARSH & MCLENNAN	FINANCIALS	2.6%
NIKE INC	CONSUMER DISCRETIONARY	2.3%
CRH PLC	MATERIALS	2.2%
MCDONALD'S	CONSUMER DISCRETIONARY	2.2%

Holdings Source: Setanta. Sector allocations based on invested portfolio only (excludes cash), of the lead Euro account of the Global Equity Strategy. **Portfolio Valuation Statistics Source:** Bloomberg, based on the lead Euro account of the Global Equity Strategy, shown in USD.

Sector Distribution



Geographic Distribution



SETANTA
Asset Management

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 strategy'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).

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.

Strategy performance*

The strategy 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 strategy 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 strategy 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 strategy 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.

Strategy activity

The strategy 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.

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.

David Coyne, Portfolio Manager

* **Performance source:** Bloomberg/MSCI as at 31.03.25. All references to 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.

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