Setanta Income Opportunities Fund

Q1 2025

Fund Description

The **Income Opportunities Fund** ('the Fund') is an actively managed portfolio primarily comprising global equities but with the flexibility to invest in assets which offer attractive income and reasonable value. These assets include fixed income, property (including REITs) and cash. The Fund is not constrained by limitations on the level of any given asset. In practice, the Fund has had its greatest weight in equities, reflecting the breadth of that market, Setanta's expertise in that area, and the option writing strategy employed by the Fund. Nevertheless, property, fixed income and cash have all played meaningful roles in past returns of the Fund, at times, comprising up to 50% of the Fund's assets. 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 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.

The Fund employs an option writing strategy. This entails the sale of both call and put options in return for a cash premium, representing an income stream that boosts the underlying income yield of the Fund. This strategy is employed in a conservative fashion, as all options written are fully covered.

The Income Opportunities Fund has two investment objectives:

1. To generate an annual income yield at a target rate. This is declared at the start of each financial year.

2. To achieve capital appreciation over the long term.

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

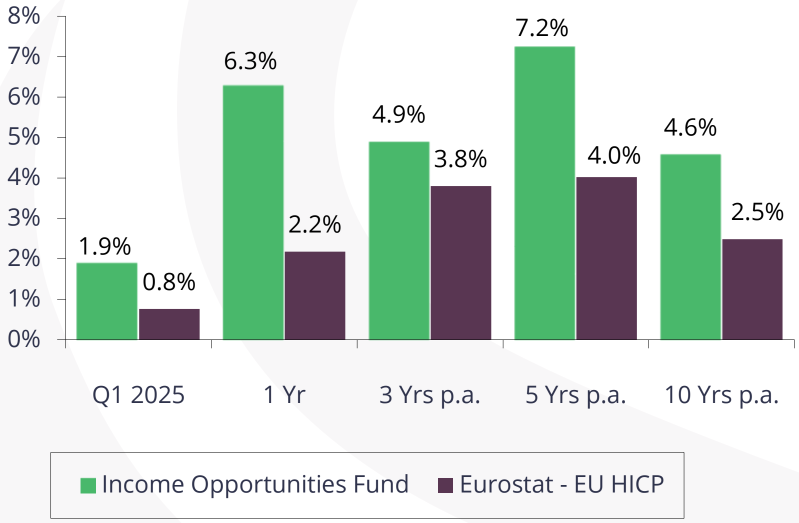
We consider scenarios rather than making forecasts

Businesses we own must have strong balance sheets

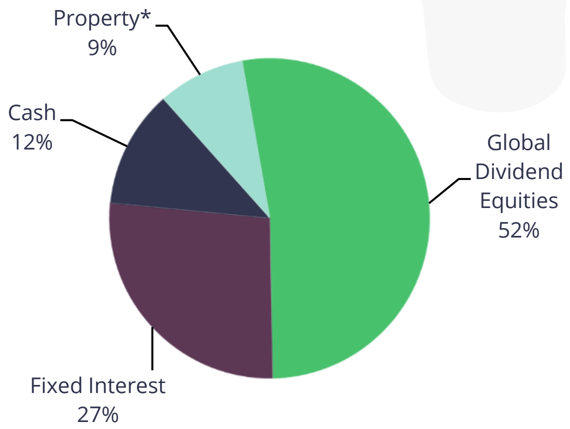
We make mistakes and always endeavour to learn from them

We will act with integrity in everything we do

Fund Performance – 31.03.2025 (EUR)



Asset Distribution



*includes 0.9% in IRES REIT

Yearly Performance

Year %	2020	2021	2022	2023	2024
Fund	-5.6	11.9	-0.3	6.5	6.7
Benchmark	-0.3	5.0	9.6	2.8	2.1

Performance Source: Setanta Asset Management Limited. The Fund returns stated are based on the movements in the unit prices of the ILA/CLI Income Opportunities Fund [P-INC1] and are gross of management fees. The performance will be reduced by the impact of management fees paid, the amount of which varies. **Benchmark:** Eurostat Harmonised Index of Consumer Prices (EUR). Inception as at 30.09.11 **Holdings Source:** Setanta.

Top 10 Equity Holdings

COMPANY	SECTOR	% OF FUND
PROCTER & GAMBLE	CONSUMER STAPLES	2.1%
SANOFI	HEALTH CARE	2.0%
AIR LIQUIDE(L')	MATERIALS	1.9%
MEDTRONIC PLC	HEALTH CARE	1.8%
SAMPO	FINANCIALS	1.8%
BOLIDEN	MATERIALS	1.8%
NATIONAL GRID	UTILITIES	1.8%
KENVUE INC	CONSUMER STAPLES	1.7%
JOHNSON & JOHNSON	HEALTH CARE	1.7%
NOVARTIS AG	HEALTH CARE	1.6%

Historic Income

	Income Earned % of Fund Value
2011	6.2%
2012	5.6%
2013	5.5%
2014	4.8%
2015	5.5%
2016	4.7%
2017	4.1%
2018	3.9%
2019	4.2%
2020	3.9%
2021	4.1%
2022	4.3%
2023	4.3%
2024	4.3%

SETANTA Asset Management

Q1 2025 Commentary

As President Trump began his second term in office we wrote of the expectation for tariffs against China and Mexico. Since then he added Canada to the mix, taxed aluminium and steel imports, and extended his policies to the auto industry and worldwide, before later issuing a temporary pause for most. Concurrently he has presided over a swathe of divisive non-tariff events both domestically and internationally, from the repeal of funding for clean energy, US AID and other federal schemes in a bid to tackle wasteful spending, to the televised Zelenskyy fallout, the reversal of diversity & inclusion policies, the Greenland takeover thesis and his Team's leaked war chat. The NY Times summarised the mood at the conclusion of his first 70 days: '*his strategy of upending decades of established norms — include free trade pacts with some of America's closest allies — has already triggered retaliation from major trading partners, rattled markets and upended diplomatic ties. The economic strain has begun to show, and consumer anxiety is on the rise*'[1].

Given the far-reaching implications of the US political and economic moves in a globalised trade environment it is hard to comment on markets or investments without noting the ripple effect of US actions as the quarter draws to a close. Despite having been up over 4% in mid-February since the start of the year, both US and world markets gave up all those gains and finished the quarter in negative territory, with the S&P500 -4.3% and the MSCI World -1.7%.

We bear in mind the cautionary words of Mao Ning, spokeswoman for the Chinese Ministry of Foreign Affairs: *"Trade wars and tariff wars all start with harming others and end with harming oneself"*[2].

While we cannot predict the precise effect of tariffs or political developments, particularly given the fluidity of these, we can ensure that we have a well-constructed diversified portfolio prioritising companies with strong balance sheets, a history of good returns and a good competitive position, acquired at reasonable valuations.

The Fund was up 1.9% over the quarter, with good contribution from its equity holdings, while bonds and cash had a more subdued performance during the quarter.

The Fund was buoyed by strong performance from a number of European companies, amongst them Allianz, the diversified global life and non-life insurer, and conservative Swedish bank, Svenska Handelsbanken. TSM, the world leader in semiconductor chip manufacturing, was a detractor from performance due to weakness in its share price during the quarter. The strong outlook for GPU chip demand fuelled by the still incipient demand for Artificial Intelligence (AI) applications, was somewhat dented as the market digested news of highly efficient AI models developed by Deepseek, a Chinese startup company. Tariff negotiations may also be highly relevant for this high quality company.

Following recent share price weakness towards the end of the quarter we were able to take a position in Nike, the global sports goods manufacturer famous for its footwear and tick logo, at a reasonable dividend yield of 2%. Through decades of high profile campaigns with some of the world's leading sporting figures, Nike has built a formidable trusted brand, famed at the upper echelons for its performance credentials. In recent years Nike dropped the ball in terms of innovation and brand spend, at a time when inventory was building up in the channel. Despite the recent complacency Nike has averaged 35% return on its invested capital over the most recent 10-year period and it retains a 20% share of the sports shoes market, double that of its nearest competitor. With company veteran Elliott Hill now at the helm, a complete strategic reset underway and a huge cash balance with which to achieve it, we believe this is a unique opportunity to acquire the world leader at an attractive valuation.

[1] https://www.nytimes.com/article/trump-tariffs-canada-mexico-china.html
[2] https://www.nytimes.com/article/trump-tariffs-canada-mexico-china.html

On the bond book, European government bond yields increased moderately over the quarter as the market prices in an outlook of more active debt issuance by European governments, as they seek to obtain a higher degree of “strategic autonomy” from the US in a dynamic geostrategic environment. Credit spreads remained tight across Europe and the US during the quarter . In this context, the bond portfolio return was flat over the quarter, and remains conservatively positioned with strong average credit rating and reduced duration. The Fund’s fixed income portfolio provides an attractive level of annual income, and we believe should act as a ballast in uncertain times.

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IMPORTANT INFORMATION

The Income Opportunities Fund is managed by Setanta Asset Management Limited and is a representative account of the Income Opportunities strategy. The performance shown is the performance of a representative account (ILA/CLI Income Opportunities Fund [P-INC1]). 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 also available on a segregated basis or a UCITS mutual Fund via Beresford Funds ICAV. 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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