Setanta Managed Fund

Q1 2025

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.

Portfolio Managers

Kieran Dempsey & David Ryan CFA, CAIA, FRM

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

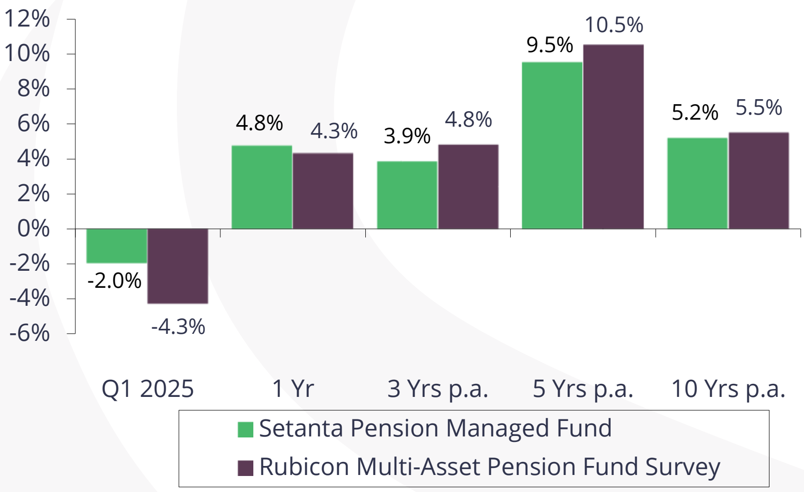
We consider scenarios rather than making forecasts

Businesses we own must have strong balance sheets

We make mistakes and always endeavour to learn from them

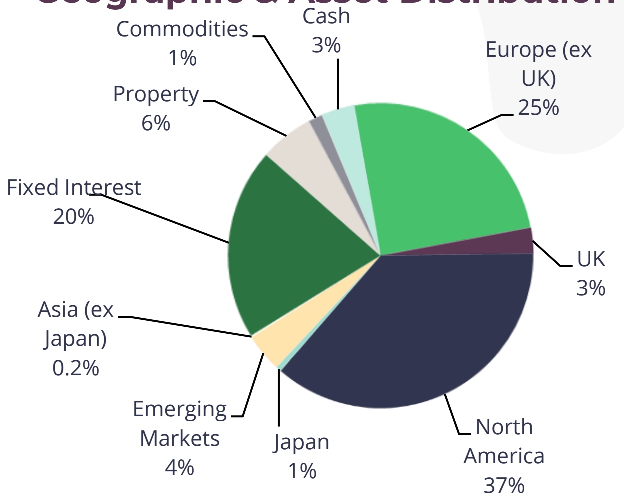
We will act with integrity in everything we do

Fund Performance – 31.03.2025 (EUR)



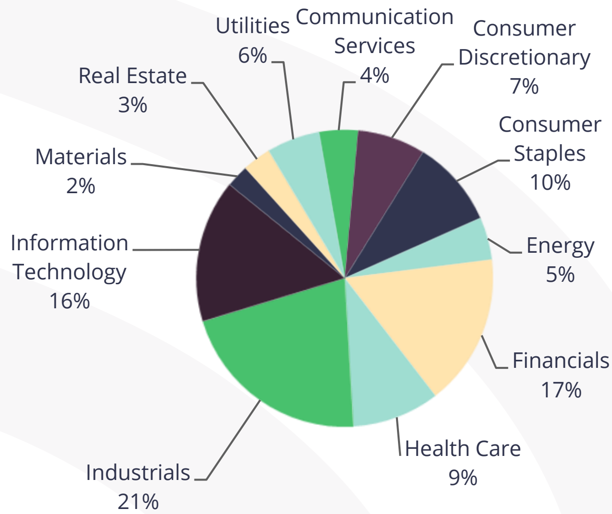
Performance Source: Setanta Asset Management Limited. The actual Fund returns stated are based on the movements in the unit prices of an institutional series of the Fund (ILA/CLI Setanta Managed Fund [H012]) and are net of management fees. Benchmark: Rubicon Multi-Asset Pension Fund Survey. **Holdings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

Geographic & Asset Distribution



Total Equities: 69%

Equity Sector Distribution



Top 10 Equity Holdings

COMPANY	SECTOR	% OF FUND
BERKSHIRE HATHAWAY	FINANCIALS	3.0%
MICROSOFT	INFORMATION TECHNOLOGY	2.5%
ALPHABET INC	INDUSTRIALS	2.5%
BOOKING HLDGS	UTILITIES	2.3%
ORACLE	INFORMATION TECHNOLOGY	2.2%
TAIWAN SEMICON MAN	INFORMATION TECHNOLOGY	2.0%
MARSH & MCLENNAN	FINANCIALS	1.7%
NIKE INC	CONSUMER DISCRETIONARY	1.6%
MCDONALD'S	CONSUMER DISCRETIONARY	1.5%
CRH PLC	MATERIALS	1.5%

Fixed Interest Portfolio

CREDIT RATING WEIGHTING		
CREDIT RATING TYPE	**ASSET TYPE WEIGHTING**	**BENCHMARK WEIGHTING**
AAA	22.25%	22.01%
AA	42.71%	36.67%
A	12.54%	18.65%
BBB	22.50%	22.67%
	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

SETANTA Asset Management

Commentary

Fund Commentary

The Managed Fund was -2.0% in the first quarter of 2025 with performance mixed across asset classes.

Equities were the main detractor for this quarter. Heightened uncertainty around US trade policy and increased recession risk saw non-US equities outperform US equities.

Corporate bonds (+0.8%) had muted returns while Government bonds (-2.8%) detracted from the fund. Expectations of increased defence spending across Europe weighed in on sovereign bond returns, as yields rose (price falls) with expected increased supply to fund.

Emerging market debt (+0.3%) was positive as a weaker US dollar proved supportive despite the ongoing threat of trade wars.

Irish property (+0.3%) was a positive contributor to returns this quarter. Low interest rates are passing through to lower the cost of capital while property yields are at attractive levels.

Asset Allocation:

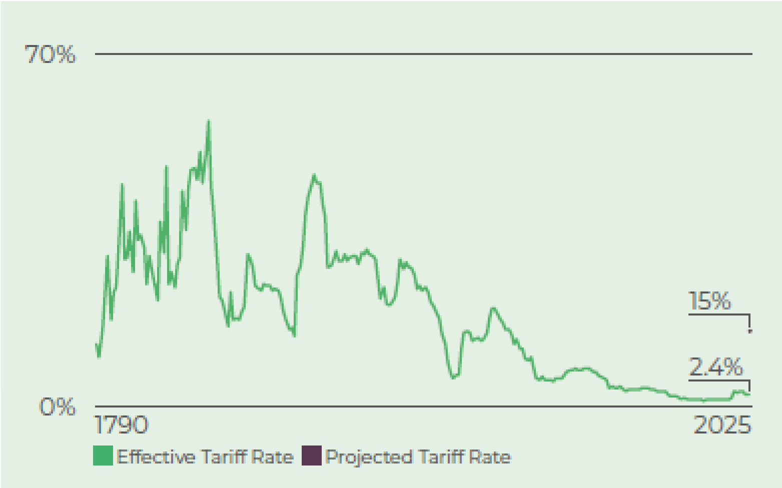
In March, we took advantage of market conditions to deploy cash to increase our equity weight to 70% and out fixed income weight to 20%.

Market Commentary

The first quarter of the year has been lacklustre, and the coming quarters might not be much better.

The “US exceptionalism” seen in financial markets, especially equities, has started to suffer under the weight of “America First” policies. These have led to the US prioritising its interests above all others, through rewriting trade deals, protectionism by way of tariffs and shifting from “free trade” to what the administration deems “fair trade”, with the aim of reducing trade deficits. This new form of economic nationalism shows little acknowledgement of how the US benefits from the reinvestment of money earned by other countries through capital inflows: essentially, the US buys foreign products, but the foreign country buys US debt! There was considerable trepidation over the new US administration’s trade policy and the scale and scope of the inevitable tariff increases. This involved much speculation over whether the potential negative ramifications were priced into financial assets and economic growth or whether they would surprise in their magnitude. Estimates ranged from an effective tariff rate of around 2.5% to ~10–15%, though with a lot of forecast uncertainty around that.

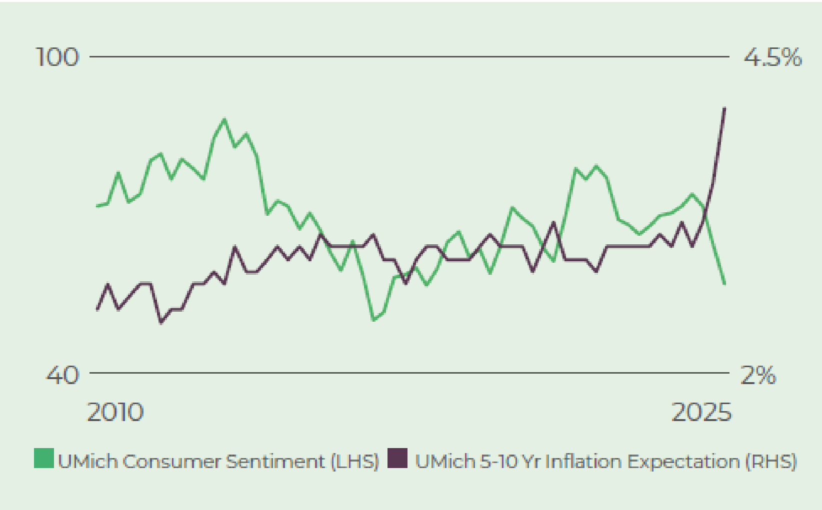
US Average Effective Tariff Rate since 1790



Source: Historical Statistics of the United States Ea424-434, Monthly Treasury Statement, Bureau of Economic Analysis, The Budget Lab analysis.

The new US administration's approach bucks a long-established trend of lower tariffs over the long term and runs contrary to a well-established view that tariffs are ultimately counterproductive for economic growth. Instead, high tariffs make "stagflation" – lower growth and higher inflation – a more likely outcome.

US inflation vs consumer sentiment



Source: Bloomberg/Setanta

Signs of concern are starting to show in some US survey data, with growing inflation expectations and falling consumer sentiment. This has led to confusion and a dampening of growth expectations, in an environment where certain markets (primarily the US) are looking expensive.

Commentary

Central banks are still in cutting mode, unless you are based in Japan. The European Central Bank cut interest rates twice during the quarter, with more cuts expected to come, and was generally positive that a relaxation of fiscal policy was helping with the loosening of monetary policy and boosting growth.

Paradoxically, Trump's recent actions have pushed European politicians into some much-needed action, notably in relation to foreign policy.

Both Germany and the European Commission have taken significant action on fiscal spending, aiming to bolster economic growth and address emerging challenges.

In Germany, we saw a coalition agreement on fiscal expansion, with the approval of an investment package worth close to €1 trillion over the next decade. This focuses on infrastructure and defence, reforms to income and corporation tax, and amendments to Germany's "debt brake" to facilitate the increased spending.

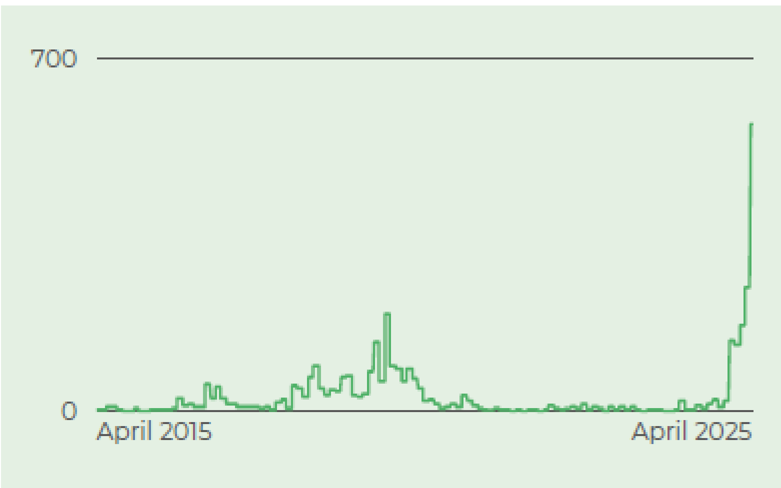
With the European Commission providing flexibility around fiscal targets to allow increased spending by governments, these coordinated efforts represent a strategic approach to navigating the current economic and political challenges.

Although it should ultimately be positive for growth, this new spending will have to be funded. European bond yields rose on the expectation of more supply, making bonds already in circulation a little cheaper before the glut of new issuance.

Amid all the noise around politics and policy, the general feeling was that the risk of a recession has increased.

This was primarily because of the uncertainty over US policy; with that, we saw a dispersion of returns across assets.

US economic policy uncertainty



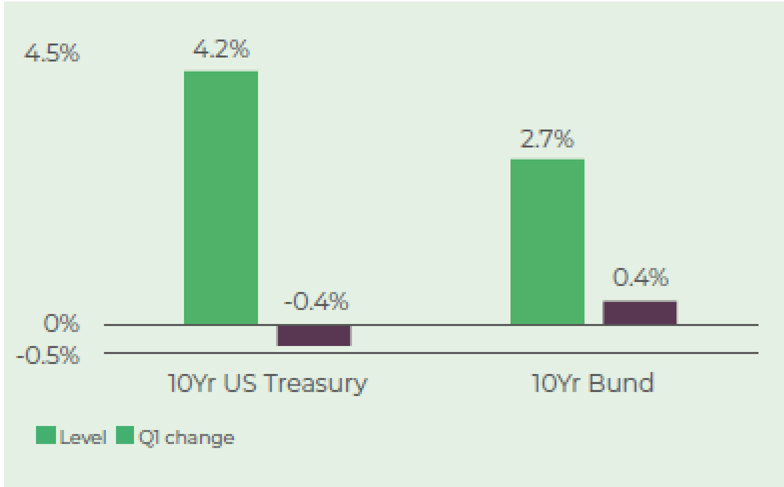
Source: Bloomberg/Setanta

Commentary

Non-US equities have started the year better than their US equivalents, with mega-cap tech stocks suffering. Ongoing tariff policies against close trading partners (Mexico, Canada and China) and the targeting of certain industries (steel, aluminium and autos) have delivered a blow to market sentiment. With such poor visibility, companies have been left struggling to plan for the future.

Meanwhile, European government bonds fell in price while US Treasuries rallied. In the US, yields had been higher. But with growing uncertainty and talk of recession risks, US yields trended lower over the quarter.

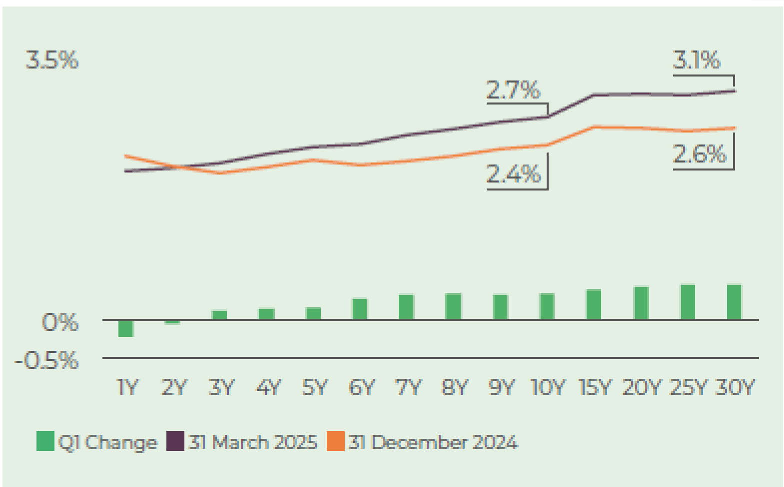
Bonds



Source: Bloomberg/Setanta

Within credit, short-dated high-yield bonds outperformed long-dated investment-grade bonds. Having a higher coupon and less duration worked well against a bear-steepening yield curve (where yields rise in general but go higher the further out on the curve they are).

German Yield Curve



Source: Bloomberg/Setanta

Commentary

The usual spillover effect from rising government yields was cushioned by credit spreads, which have remained well behaved so far. Although there was weakness in some sectors (autos and consumer discretionary), there is, generally, little cause for concern for now. Diversification proved its worth over the quarter, helping to mitigate losses by spreading risk across different asset classes, sectors and geographies. Ultimately, diversification is one of the key methods of managing risk – and is all the more valuable in the current environment.

David Ryan, CFA

Head of Multi-Asset Funds

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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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