

Setanta EAFE Equity Strategy (USD)

Q3 2025

Strategy Description

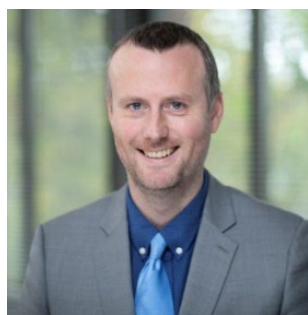
The **EAFE Equity Strategy** ('the Strategy') is managed by Setanta Asset Management Limited ("Setanta"). The Strategy is available to US Investors on a separate account basis.

The Strategy is an actively managed equity portfolio, with a long-term investment horizon. Our aim is to invest in EAFE (Europe, Asia and Far East) companies that are trading below their intrinsic value. Our investment process seeks to invest in companies that exhibit a combination of low financial risk, low operational risk and low valuation risk.

We believe that if we can invest in companies that possess these characteristics then we can reduce the risk of a permanent loss of capital and enhance our chances of outperforming our benchmark over the long term. The investment objective of the Strategy is to outperform the MSCI EAFE index over the long term.

Portfolio Managers

Rowan Smith; Fergal Sarsfield, CFA, & Tony O'Sullivan, 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

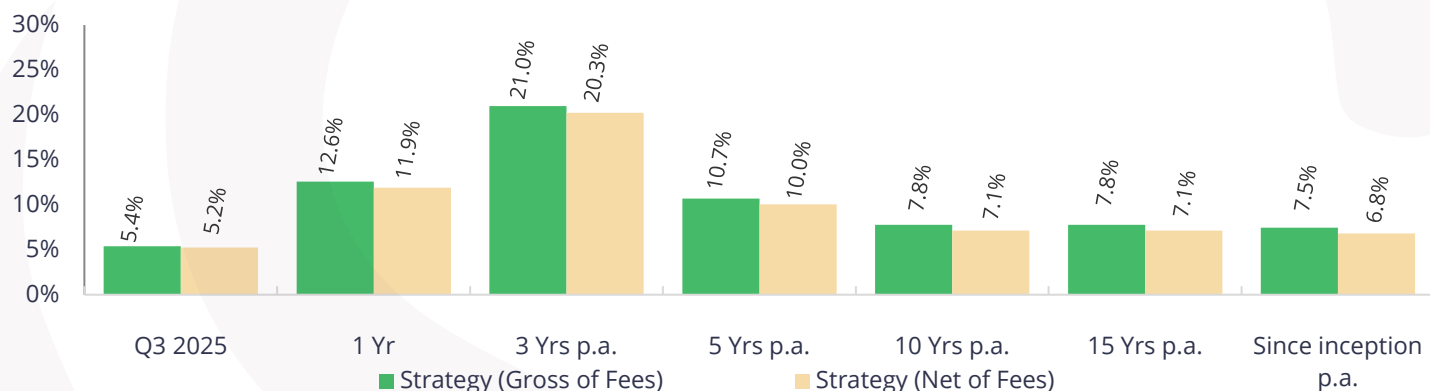
Businesses we own must have strong balance sheets

We make mistakes and always endeavour to learn from them

We will act with integrity in everything we do

Performance and Strategy data as at 30th September 2025

Strategy Performance (USD)



Yearly Performance (USD)

	2020	2021	2022	2023	2024
Strategy (Gross of Fees)	-0.2%	12.5%	-16.0%	18.3%	5.6%
Strategy (Net of Fees)	-0.9%	11.6%	-16.6%	17.5%	4.8%

Portfolio Valuation Statistics

PRICE/BOOK	1.9
PRICE/EARNINGS RATIO (FY 1)	16.3
DIVIDEND YIELD %	2.2
AVERAGE MARKET CAP \$BN	111.9
NO. OF HOLDINGS	37
DEBT/EQUITY %	56.4
ACTIVE SHARE %	92.9

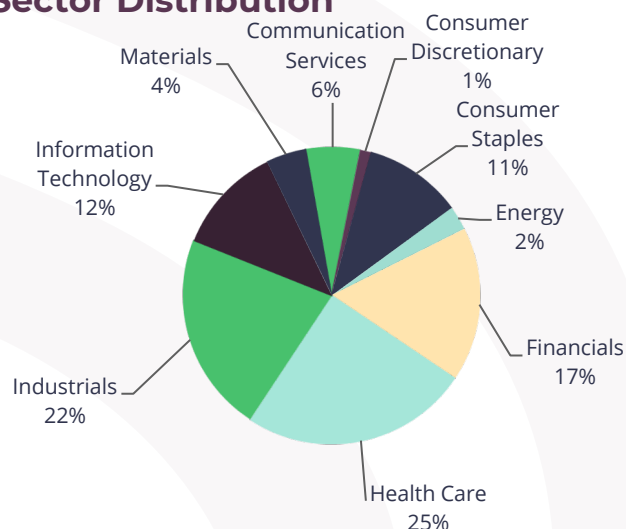
Top 10 Holdings

COMPANY	SECTOR	WEIGHT
SAMSUNG	Information Technology	5.4%
CRH	Materials	4.4%
TAIWAN SEMICON	Information Technology	4.2%
NABTESCO	Industrials	3.9%
BANK OF IRELAND	Financials	3.9%
STERIS	Health Care	3.8%
ROCHE HLDGS	Health Care	3.6%
DEUTSCHE BOERSE	Financials	3.6%
TENCENT HLDGS	Communication Services	3.5%
THAI BEVERAGE	Consumer Staples	3.5%

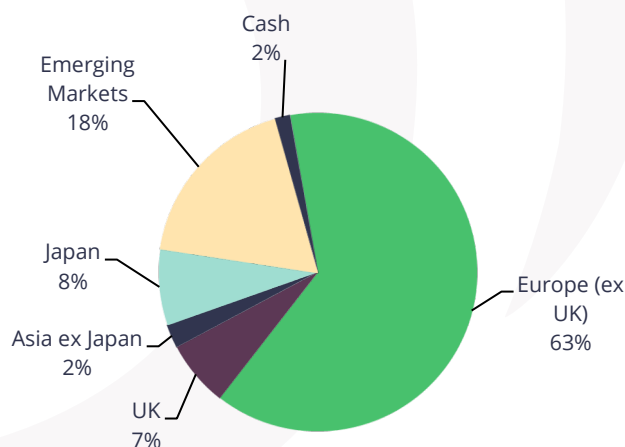
Holdings Source: Setanta. Sector allocations based on invested portfolio only (excludes cash), of the lead CAD account of the EAFE Equity Strategy. **Portfolio Valuation Statistics Source:** Bloomberg, based on the lead CAD account of the EAFE Equity Strategy, shown in USD.

Performance Source: Setanta Asset Management. The returns stated are based on the movements in the unit prices of the lead CAD portfolio of the EAFE Equity Strategy which was CLA CA Managed EAFE Portfolio SF035 [IEC11007] till 09.06.22 and LL EAFE Equity Strategy 6.84 [IEC15004] thereafter, which has been converted to USD at FX rate CAD 0.718701 to 1 USD as at 30th September 2025. 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 0.60%, which is based on a minimum portfolio size of USD25m. Inception date: January 2004.

Sector Distribution



Geographic Distribution





Q3 2025 Commentary

EAFE region equities delivered a third consecutive quarter of robust gains. In Europe, banks were the standout performers driven by both a steepening yield curve and buoyed expectations for higher government fiscal spend. In Asia, Japanese equities rallied in September, led by companies which are deemed beneficiaries of AI related spend.

Trip Notes from Japan

As outlined in the previous quarters letter, trying to predict how financial markets react to events over the short term is a fool's errand. We prefer to be prepared for when opportunities arise, rather than trying to predict market swings. In line with this philosophy, we recently visited Japan, both to seek out new investment opportunities and to meet some of our existing portfolio holdings.

Last year the Japanese stock market hit a 33-year-high and year-to-date it has continued to perform well, with the Nikkei 225 rising 12% in local currency. Changes are afoot within Japan including; 1. Corporate reforms introduced by the Tokyo Exchange, that aim to improve companies returns on equity and ultimately stock rating. 2. Persistently high inflation over the past three years, resulting in a rapid rise in long-term government bond yields, and having numerous societal consequences. 3. Significant resurgence in the domestic semiconductor industry including the construction of a next generation semiconductor foundry by Rapidus. 4. Heightened geopolitical risks which has facilitated increasing resources being allocated to energy self-sufficiency (nuclear) and defence.

Against this backdrop, we met 22 Japanese companies over a week-long period covering a diverse array of industries. Key observations from the trip, include:

- **Impact of inflation:** Inflation has persistently been above the BoJ's 2% target over the past three years in Japan (following nearly three decades of close to zero inflation) and both consumers and companies have begun to accept and adjust to this new environment. We met KDDI, which is one of our portfolio holdings and a leader in telecommunications in Japan. It increased its monthly price on its mobile 'au' brand in August and expects further price hikes later in October in its other main brand. Despite these price rises, its churn rate has been lower than expected as higher wages across its customer base has helped offset the higher cost. KDDI expects both its revenues and profits to increase this year, helped in part by these higher prices.

The grocery sector is another example whereby inflation has had a material impact. Food inflation in Japan has been consistently higher than general inflation in recent years for several reasons, including: 1. the cost of imported food rising due to exchange rates and freight/logistics costs, 2. Domestic supply being interrupted by weather/low crop yields, 3. The cost of fertiliser and labour cost pressures.

Against this backdrop consumers are more cost conscious which has helped discount stores gain market share against traditional department stores. Convenience stores have also gained share as customers prefer small frequent purchases in conveniently located urban locations. KDDI owns 50% of Lawson which is one of the top three convenience stores in Japan and is performing strongly.

- **Threat from Chinese competition:** We met several wafer fabrication equipment companies involved in the semiconductor industry. These have all broadly benefitted from a rise in capex spending from companies such as TSMC, Samsung and Rapidus whilst also benefitting (to varying degrees) from a boom in Chinese spending, especially from government funded companies such as CXMT and YMTC.

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



Q3 2025 Commentary

- To illustrate this point, China now represents 30-40% of many large Japanese WFE company's revenues, up from a teen's percentage in 2018. Management teams acknowledge that local Chinese competition is intensifying (especially at lagging edge) with the help of local government funding. Their market position in China may be protected on a 2-3-year horizon, however over a 10 year view it's difficult to discount the disruption risk from these local players. The threat of Chinese competition is not specific to the semiconductor industry but was a thematic across many other companies we met involved in disparate industries, all of which have a presence in China or South-East Asia. Given our risk averse stance, we're increasingly focused on the disruption risk posed by Chinese companies to both our current holdings and potential investments.
- **Corporate reforms:** The Tokyo Exchange Group has introduced several new reforms since 2023, which have been well received by the market. These include encouraging management teams to pay increased attention to the cost of capital and share price, proactive engagement with shareholders and improved quality of corporate governance disclosures including better English disclosures. It has also restructured the listing requirements of the three main market segments.

A good example of the impact of exchange reforms and shareholder engagement is Nabtesco, which we first invested in Q1 2024 and remains a portfolio holding. Nabtesco is the number one global maker of precision reduction gears with a dominant 60% market share. It also holds a high domestic market share across many business lines including; railway brake systems and rail door operating systems, flight control actuation systems, in niche areas across commercial and marine equipment and in automatic doors in commercial buildings and airports/ railways. Internally, we refer to these types of companies that dominate their local markets as 'Giants in Niches'. However, it also has businesses that do not have a strong market position and that generate low returns on equity. These have dragged down overall Group RoE and resulted in Nabtesco trading on a P/B just above 1 when we first invested.

Since investing, we have communicated our views to management on necessary strategic actions, and we welcome its recent divestiture of its hydraulics business whose revenue has been falling in recent years, in part due to increased Chinese competition. The stock price has reacted positively, and its stock multiple has begun to re-rate higher.

We have met with other companies in Japan which upon initial investigation may fit into the same 'Giants in Niches' bucket.

Key contributors and detractors

Samsung was our largest contributor to performance in the quarter. In July, it won a \$16.5bn order from Tesla for a next-generation product to be built in its new Taylor Fab, based in Texas. Management hopes this is an inflection point to win additional orders from other major customers, and they expect it will help boost higher and more stable fab utilisation rates which will in turn help boost revenue and profits. In addition, post quarter end Samsung and OpenAI signed a strategic partnership which further bolstered the share price. We took advantage of this strength to trim our position.

Stocks in Hong Kong and China have rallied this year, after having been out of favour for many years. **Tencent** has been a standout performer following Q2 results with revenue rising 15% YoY and adjusted EPS +13% YoY. Domestic gaming benefited from the recently released Delta Force and growth in its evergreen games catalogue. AI has also benefited the business via better advertising targeting and thus more clicks. Its cloud business revenue was helped from providing GPUs and API tokens for customers AI needs.

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



Q3 2025 Commentary

CRH held an investor day on September 30th, outlining its strategic aims and financial targets to 2030. Overall, it forecasts annual revenue growth of 7-9% from 2025-2030 and implied double-digit earnings growth based on adjusted EBITDA margins increasing to 22-24%, from 19.5% in 2024. The plan was well received by the market with its share price reacting positively.

Our largest detractor to performance in the quarter was **Deutsche Boerse**. It has been a bumpy year for the share price, first rallying +32%, peaking in May, before falling -22% to the end of September, being essentially flat year-to-date. Recent concerns have centred on the disruption risk of AI to data providers/exchanges including Factset and S&P Global in the United States and London Stock Exchange and Deutsche Boerse in Europe. For Deutsche Boerse, its most at-risk businesses are in the Investment Management Solutions segment, which represents 11% of Group EBITDA and contains the ISS/ Stoxx business. However, we believe that Deutsche Boerse's proprietarily sourced, customized and derived data, analytics, and models provide it with a competitive position that is difficult to disrupt. In addition, management have executed exceptionally well in the past and are agile to adapt and benefit from changes in technology.

Shares in **Demant**, one of the world's leading producers/retailers of hearing aids, declined after posting quarterly results that were short of expectations. The global hearing aid market has tended to grow in the 4-6% p.a. range on average over the years. In 2025 the growth rate appears to be trending closer to 2 or 3%. Consequently, we have seen generally soft results for Demant and peers so far this year. This backdrop may reflect some pressure on consumer budgets which could be resulting in some deferral in the purchasing of replacement units. In our experience, such periods of deferral have not tended to last very long and we expect an eventual recovery in buying patterns. The weakness in the shares may also be the result of a general rotation in capital flows towards the more cyclical pockets of the stock market, reflected in under-performance of the Healthcare sector so far this year.

Shares in **Alcon**, the world's leading eyecare company, also declined during the quarter. There has been some weakness in the market for premium lenses used in procedures to correct cataracts, which may reflect some softness in consumer spending. Consequently, Alcon's recent quarterly results were slightly below expectations. We don't believe this softening will be a sustained feature of the market since the underlying condition can only be resolved with surgery. We also suspect the pressure on the shares may partly reflect some cyclical rotation out of healthcare stocks this year.

Transactions during the period

During the quarter the portfolio initiated a position in Steris PLC, the global leader in the Healthcare Sterilisation industry. Steris supplies equipment and consumables used to sterilise surgical equipment in hospitals and clinics. It also services this equipment. It provides similar products and services to pharmaceutical and biotech companies to facilitate sterile drug manufacturing. The company's AST subsidiary is the global market leader in the provision of sterilisation services to the Healthcare industry. AST ensures all kinds of medical equipment are pre-sterilised before shipment to the customer. The business is financially strong, has been very well managed over the years, and we believe the company can continue to grow shareholder value in the future.

The Strategy exited the shareholding in GSK PLC. For some time we have been waiting for signs of improvement in r&d productivity at the company. At this point we don't believe those signs are compelling enough and we see Steris as a better long term investment proposition.

As always, we would like to thank our clients for their continued support and patience.

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



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IMPORTANT INFORMATION

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

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