

# Setanta Global Equity Fund (CAD)

Q3 2025

## Fund Description

The **Global Equity Fund** ('the Fund') is managed by Setanta Asset Management ("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.

## 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

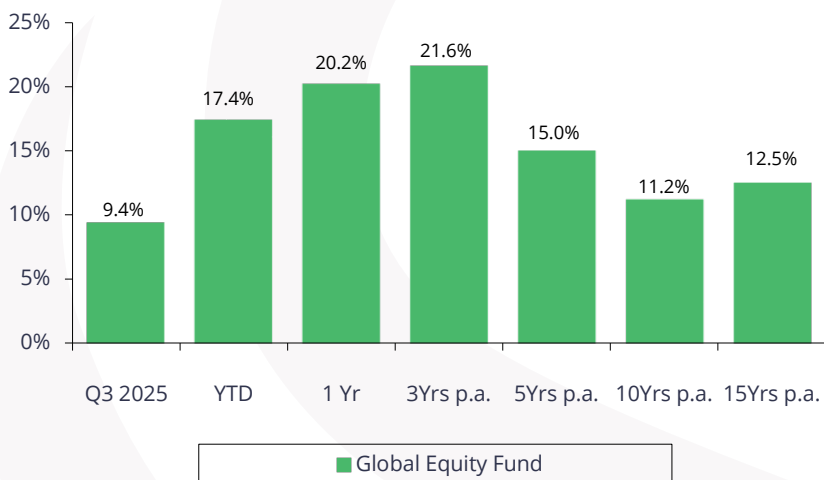
We consider scenarios rather than making forecasts

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 – 30.09.2025 (CAD)



**Performance Source:** Setanta Asset Management. 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
MICROSOFT	INFORMATION TECHNOLOGY	4.6%
ALPHABET INC	COMMUNICATION SERVICES	4.6%
TAIWAN SEMICON MAN	INFORMATION TECHNOLOGY	4.1%
BERKSHIRE HATHAWAY	FINANCIALS	3.7%
META PLATFORMS INC	COMMUNICATION SERVICES	3.3%
BOOKING HLDGS INC	CONSUMER DISCRETIONARY	2.9%
MARSH & MCLENNAN	FINANCIALS	2.5%
CRH PLC	MATERIALS	2.4%
RYANAIR	INDUSTRIALS	2.3%
NIKE INC	CONSUMER DISCRETIONARY	2.2%

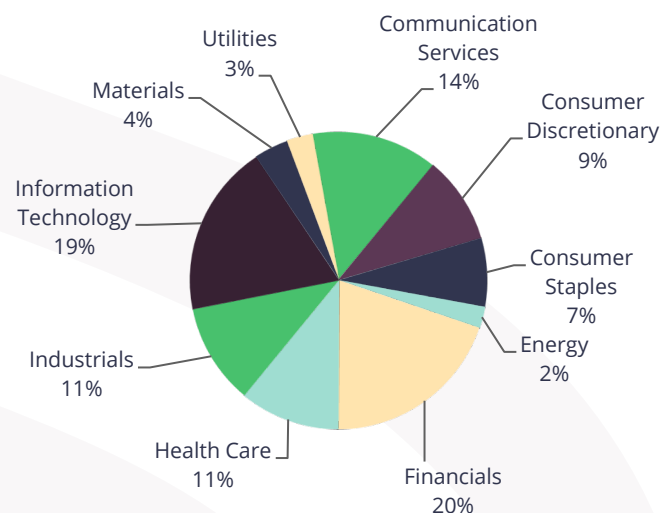
## Yearly Performance

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

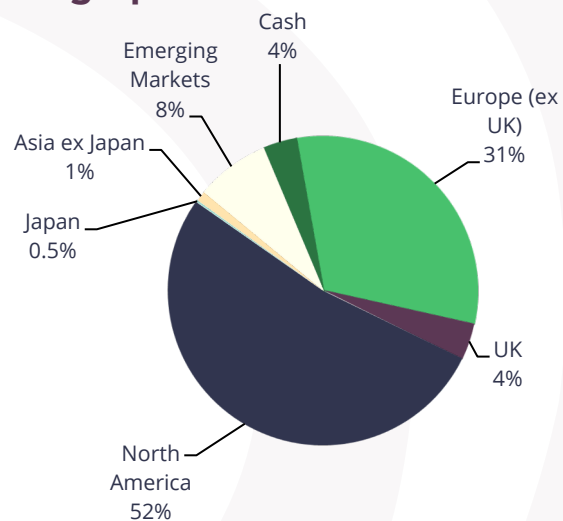
## Fund Statistics

PRICE/BOOK	3.5
PRICE/EARNINGS RATIO (FY 1)	19.9
DIVIDEND YIELD %	1.8
AVERAGE MARKET CAP C\$BN	373.5
NO. OF HOLDINGS	71
ACTIVE SHARE %	81.7
DEBT/EQUITY %	37.1

## Sector Distribution



## Geographic Distribution





## Q3 2025 Commentary

Global stock markets rose 9.4% in Q3, continuing the rally from the trade war lows in April. Technology stocks led the way, as investors ascribed higher valuations to companies perceived to be AI beneficiaries.

In our Q4:24 report we mentioned respected tech research firm International Data Corp's projection that \$337bn would be spent globally on Artificial Intelligence IT in 2025. IDC's latest projections have increased, by over 25% to \$430bn in 2025 and by over 50% to \$984bn in 2028 (with \$1.25 trillion forecast in 2029). We don't know if IDC's forecasts are correct, but they are mind-bogglingly large – dwarfing spending on anything seen historically, possibly with the exception of the two world wars.

Behind the AI IT spend is the massive increase in the compute power of GPUs used in AI over traditional CPU electronic circuits, with the GPU design. A key difference between the two chips is in the design architecture – a GPU processes information in parallel, whereas CPUs process in sequence. The jump in compute power has the potential to unleash a fundamental uplift in economic productivity and growth, by reducing costs and speeding up and improving decision-making. Hence the term the Fourth Industrial Revolution.

The risks are easy to list. The threat of disruption is likely causing a fear-of-missing-out mentality among corporate leaders (who doesn't have an AI strategy?), causing businesses to spend on AI that they potentially don't need (diverting spending from truly worthwhile projects). Also, constraints on the supply of construction workers, electrical and cooling equipment, and connections to the electricity grid make ever-larger AI projects hard if not impossible to deliver as projected. Then there is the very fundamental question of whether the AI productivity equation is real – will the promised gains more than offset the costs and deliver an adequate return? And if it is real, is the upside already reflected in share prices?

On the other hand, AI could be even more transformational than we currently imagine, with the technology yet to reveal its full potential. Also, FOMO is also likely playing a part at a country level, with both the US and China stating their ambition to be global AI leaders which could result in them bank rolling AI spending for years to come.

We can see both the upsides and downsides. How do we reflect such a range of potential outcomes in the portfolio? Most importantly, we will not make investments in speculative ventures with narrow target markets; instead, we seek companies that are profitable, with durable leadership positions, selling products and services that have wide applicability. TSMC and Applied Materials are great examples of this. TSMC is the leading manufacturer of cutting-edge chips serving all manner of fabless chip design companies, while Applied Materials is an entrenched maker of critical semiconductor equipment. Both benefit from the structural growth of silicon used in the global economy over time, not just for artificial intelligence. Secondly, we are valuation conscious – it's not growth at any price. Adhering to those constraints can be a challenge in the current environment, but we are flexible and are looking to take advantage of erratic share price movements, including situations where investors are assuming companies will suffer an unlikely level of disruption from AI.





# Q3 2025 Commentary

## Performance Review

The Fund rose 9.4% in Q3 2025. In the year-to-end September the fund was +3.3%, ahead of the benchmark return of 13.6%.

The stocks that contributed most to fund performance in Q3 were Alphabet (+37%, local currency terms), Oracle (+29%), TSMC (24%), CRH (+32%) and Tencent (+32%).

**Alphabet** shares rose strongly (~70%) from the April low to end-September, handsomely outperforming its technology peer group. Fears that Google will become disrupted by AI have abated somewhat, and from a low starting valuation investors piled in. In September there was a positive ruling on its long-running antitrust case, with the judge deciding the company could retain ownership of its Chrome browser and the Android mobile operating system. We trimmed our weight in Alphabet during the period, though it still remained the largest stock in the portfolio at quarter end.

**Oracle's** share price had an even more spectacular rise, at one point rising 190% from its April low. The company announced in September that it had signed large deals with major customers, causing the stock to surge 36% in a single day. Oracle's market valuation has increased sharply in the last year or so. Today we can think of Oracle as two businesses in one. The first is their traditional database and software company that is capital light and generates predictable profit, and which is growing revenues at a mid-to-high single digit rate. The second is their new cloud / AI business, and it's here that investor expectations have changed and driven the group's valuation higher. However, this new business is highly capital intensive – consuming all of the cashflow generated by the software business, and more. And there is limited visibility into the sustainability of future revenues and profits. For example, while the market cheered Oracle's large deal with OpenAI, there are question marks over whether OpenAI has the financial wherewithal to make good on its commitments. We concluded it was prudent to reduce our position by more than half, to around 2% at quarter end.

Although not a top five performance contributor, it's worth calling out **Electronic Arts** (+26%), the electronic games developer, best known for Apex Legends, Madden NFL and FC (formerly known as FIFA). The company received a \$55bn cash bid from a consortium led by the Saudi Arabia PIF, which was accepted by the Board. The deal is expected to go through by June next year. Bought for the fund in 2021, this has been a fine investment over our holding period.

The main performance detractors were Booking (-7%, local currency terms), Netflix (-10%), Kerry Group (-18%), Demant (-17%) and Marsh & McLennan (-7%).

Food ingredients company **Kerry Group** reported results that showed continued disappointing demand. The company's primary end customers are in the food and beverage industries, which have in turn been beset by weak volumes and competitive pressures. The stock is trading on a mid-teens PE, on what is arguably a depressed level of profits. Kerry is in general executing well against this difficult backdrop. Currently investor expectations are low, and we believe any topline improvement will be well-received by the market.



## Q3 2025 Commentary

Shares in **Demant**, one of the world's leading manufacturers and 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.

### Portfolio activity

During the quarter the fund initiated new positions in Dassault Systemes and United Overseas Bank (1.9% and 1.1% weight in the fund at quarter end, respectively).

**Dassault Systemes** is a French industrial software company that helps its customers with product design, simulation, manufacturing and product lifecycle management. The ultimate goal of industrial software is to optimise systems and human resource usage, minimise costs, reduce errors, leading to higher productivity and more effective decision-making. The company is diversified by geography (40% of revenue from each of Europe and the US, 20% from Asia) and industry (with notable strength in manufacturing, aerospace & defence, transport, and life sciences). The company is very customer focused and invests heavily in R&D, giving confidence its clients will rely on its software for years to come. The big attraction of a business like this is the stickiness of the product. Its software is deeply embedded in its customers' workflows and users are trained on their software (in college and throughout their careers), which makes switching to a competitor highly unappealing. Revenue growth in recent years has been disappointing, which the company blames on a combination of weak end-consumer demand and a lingering COVID hangover. This growth deceleration (from double-digit to mid-single digits) caused the stock's valuation multiple to fall to attractive levels, especially when compared to the general IT sector. While the company serves mature markets, volumes are growing and we think there is the potential to increase pricing gradually over time. Also, we expect that more of its customers will migrate over to its cloud offering, which tends to lead to higher margins and growth. The position was funded by a full sale of Ericsson and a partial sale of Oracle.

**United Overseas Bank (UOB)** is a Singaporean bank founded by the Wee family 90 years ago and is the last of the Singaporean banks to remain under family ownership and management. It caters to both retail (one-third of total loan book) and corporate / SME customers (two-thirds). The group generates ~70% of profits from Singapore, which boasts favourable housing affordability and a high savings ratio, and which should provide the bank with a strong level of protection in the event of macro troubles. With operations across ASEAN countries and Greater China, the group should also be well placed to capitalise on the region's growing middle-class wealth, foreign direct investment and trade flows. We believe the Group is both conservative (e.g. lending standards, well-capitalised, capital allocation) and well-invested (e.g. IT systems) and is focused on serving and growing its customer base over the long-term. Historically UOB has generated a reasonably consistent return on equity in the low double digits, rarely dropping below 10% and proving resilient in times of stress. Our decision to add UOB was a case of relative value, as our two bank holdings, Bank of Ireland and Bank Leumi, have been stellar performers in recent years. We took profits in both and invested the sales proceeds in UOB, giving the portfolio a more diversified banking exposure.

The fund exited Ericsson and Equinix (0.7% and 0.3% at June-25, respectively).



## Q3 2025 Commentary

**Ericsson** is a global leader in communications equipment, software and services. We opportunistically purchased the stock in 2017 at a time when the company was suffering from weak end-customer demand, intense competition and significant losses in its Digital Services division, all of which were weighing heavily on group margins and the share price. Our entry was well-timed and over the next 3-4 years the stock rebounded strongly following improved demand and management's successful restructuring measures. Unfortunately, a large and expensive acquisition (Vonage, subsequently written down by two-thirds), compliance issues and weak demand from US customers bedevilled the stock in 2022 and 2023. Following a rally in the share price, the valuation moved towards our estimate of fair value. We sold in Q3, ending a profitable but volatile investment. Funds raised went into Dassault Systemes.

**Equinix** was first added to the portfolio in 2023. Equinix is a real estate company, owning and operating hundreds of multi-tenant (typically 200-300) data centres in 75 major metro areas around the world. Equinix operates many of the internet's most important locations, allowing communications networks and the corporates that run over them to connect to each other in a fast, reliable and cost-effective way. Demand for data centre space has increased substantially in recent years. While on the surface this is positive, there are unknowns and risks that have caused us to reassess our holding in Equinix. For instance, there has been a very strong supply response, and the risk of an over-build cannot be ruled out. Also, the latest chips being used by data centre clients have power and cooling requirements that are very different to what worked just a few years ago, and modernising a data centre for these needs is a costly and disruptive process. Also, we are growing apprehensive about increasing customer concentration, who may use their size to squeeze Equinix on pricing. The recent investor day did not allay our concerns. For the period 2025-2029, it plans a heavy capex program (\$4-5bn annually, almost double 2019-2024), translating into a 7-10% p.a. revenue growth but a more muted 5-9% p.a. growth in profits. Proceeds were invested into UOB.





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