

Setanta Global Equity Strategy (USD)

Q2 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.

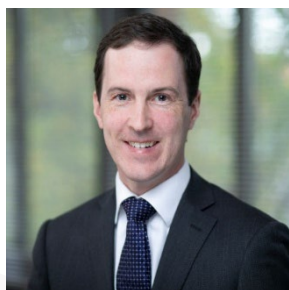
The Strategy is a diversified, actively managed equity portfolio. As bottom-up fundamental value investors, our research process is designed to properly understand how each business functions and to consider risks pertinent to the business. Securities are chosen by a team of global sector specialists, 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 stock markets began the quarter fearfully, pricing in negative impacts from tariff wars, and ended in relative calm with investors' animal spirits revived (and in certain areas, in overdrive). One trend that persisted throughout the first half of the year was the significant weakness in the US dollar against all other major currencies. While Trump may have relaxed the level of tariffs first touted in early April, there is longer-term concern that the One Big Beautiful Bill Act will add trillions to the national debt over the next decade, which in turn could lead to higher borrowing costs. Reflecting the currency move, the benchmark MSCI World Net Total Return was up a modest +2.6% in Euro-terms but surged +11.5% in US dollar-terms in Q2 (continued page 3)

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

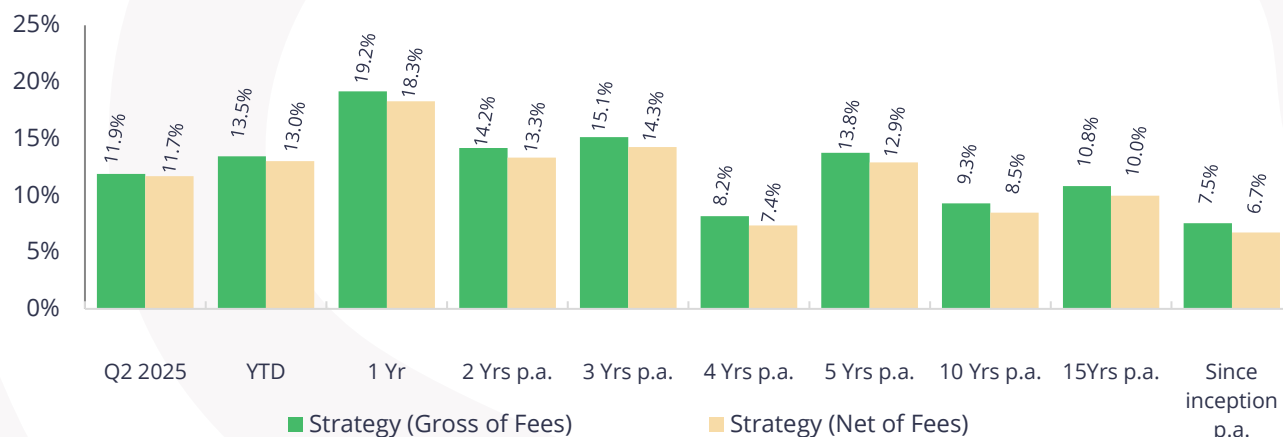
Businesses we own must have strong balance sheets

We make mistakes and always endeavour to learn from them

We will act with integrity in everything we do

Performance and Strategy data as at 30th June 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%

Portfolio Valuation Statistics

PRICE/BOOK	3.1
PRICE/EARNINGS RATIO (FY 1)	17.8
DIVIDEND YIELD %	1.9
AVERAGE MARKET CAP \$BN	244.7
NO. OF HOLDINGS	72
ACTIVE SHARE %	82.5
DEBT/EQUITY %	49.8

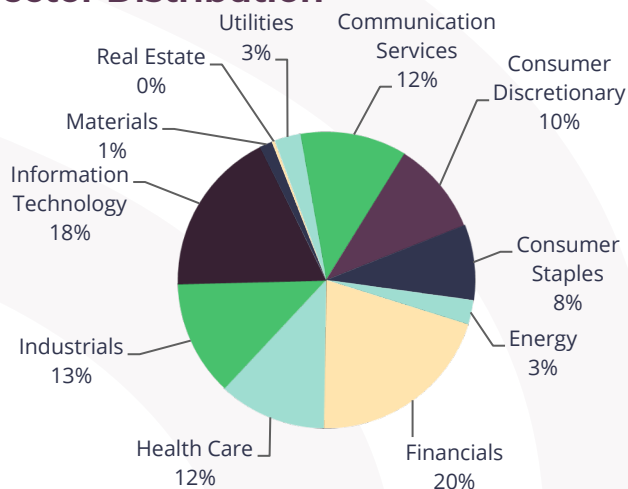
Top 10 Holdings

COMPANY	SECTOR	WEIGHT
MICROSOFT	Information Technology	4.6%
ORACLE	Information Technology	4.3%
BOOKING HLDGS	Consumer Discretionary	4.0%
ALPHABET	Communication Services	3.9%
BERKSHIRE HATHAWAY	Financials	3.7%
TAIWAN SEMICON	Information Technology	3.7%
META	Communication Services	2.6%
RYANAIR	Industrials	2.4%
NIKE	Consumer Discretionary	2.3%
MARSH & MCLENNAN	Financials	2.1%

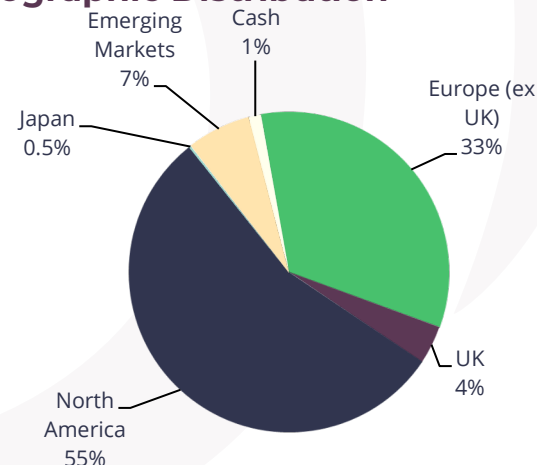
Holdings Source: Setanta. Sector allocations based on invested portfolio only (excludes cash), of the lead Euro account of the Global Equity Strategy. **Portfolio Valuation Statistics Source:** Bloomberg, based on the lead Euro account of the Global Equity Strategy, shown in USD.

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 1.17385. 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.

Sector Distribution



Geographic Distribution





Q2 2025 Commentary

(Continued from page 1)

We would love to be able to share with you what US dollar weakness means for the revenues and profits of companies held in the strategy, but unfortunately it is an impossible aggregate calculation. Stocks with their main listing in the US made up almost 60% of the strategy at quarter end, compared to a benchmark weight of 74%. On the face of it, dollar weakness should be a performance benefit, but a majority of the strategy's holdings – whether quoted in the US or elsewhere – have significant international operations. For example, Booking.com is a US quoted company, but derives only around 10% of revenues from the country. Similarly, we hold the UK line of building materials company CRH; it generates 60% of revenues in the US. Another example is Ryanair, which generates the majority of revenues in Euro, but its major cost item is oil which is priced in US dollars.

A rough analysis based on company disclosures (where available) is that the strategy generates around 40-45% of revenues from the US and 55-60% from the rest of the world. This however is only part of the story – a proper analysis would need a breakdown of costs and profits by currency / geography, and such disclosures are only sparsely available. Then, to work out the strategy's relative exposure, the same calculations would need to be made for the benchmark, which again is not possible. In short, this is a fool's errand. What we can say is that we have not observed currency moves having a significant impact on strategy performance in the past.

We think it is more important to focus on our North Stars of business quality, attractive risk-adjusted returns and portfolio diversification. There's a lot of heat in financial markets today, for example in stablecoins / cryptocurrencies. Exhibit A, the company Strategy, previously known as Microstrategy, which has pivoted from being an enterprise software company to a "Bitcoin Treasury Company". Strategy has accumulated over \$60bn worth of Bitcoin at today's prices. At the time of writing the market cap of the company is \$110bn, a situation that from a fundamental standpoint is not justified. This ~70% price-to-NAV premium facilitates Strategy to issue new shares to buy even more Bitcoin (shares outstanding have almost doubled in 2 years). This is nuts – Strategy shareholders could directly buy Bitcoin 40% cheaper on their own! It's also happening on a crazy scale. Strategy's \$110bn market cap is larger than portfolio holdings such Intercontinental Exchange and Marsh & McLennan for example – both reasonably valued, growing, durable businesses that provide critical services that their customers cannot function without. You can count on us never to participate in such speculation.

Performance review

The strategy slightly outperformed the benchmark in Q2 (11.9% v's 11.5% USD Gross of fees). In the year-to-end June the strategy outperformed by 4.0%, which largely came during the "Deepseek" selloff in Q1, as well as during the (relatively short-lived) "Liberation Day" sell off in early April. It was pleasing to see the strategy perform well during those two consecutive sell offs – a consequence of our "always risk off" approach – while also participating well in the subsequent market rebound.

The stocks that contributed most to strategy performance in Q2 were Oracle (+44%, local currency terms), Microsoft (+22%), TSMC (26%), Booking (+16%) and Ryanair (+29%). The main detractors were UnitedHealth (-44%), Berskshire Hathaway (-16%), Marsh & McLennan (-17%), Thermo Fisher (-25%) and McDonalds (-13%). Most of these stock moves reflected relative performance in Q1, but it's worth calling out top- and bottom-performers Oracle and UnitedHealth.

Q2 2025 Commentary

Enterprise software company **Oracle** has been a terrific investment for the strategy since first purchased in 2006, over which time it has compounded in value by 17% p.a. (local terms), far outpacing the market. Oracle's key product is its database software, which has for decades earned a reputation for robustness, speed, efficiency and security in an on-prem enterprise IT environment. Once installed, enterprises tend not to switch vendors, due to the complexity, expense and time required ("vendor lock-in"), which gives Oracle high visibility over future revenue. However, from around 2015, the pace at which enterprises were moving their IT operations from off-prem to the cloud picked up. Investors began questioning whether Oracle's cloud offering – first launched in 2016, several years after Amazon, Google and Microsoft – could gain sufficient traction and if its clients might switch to competitors as part of their cloud migration journey. This caused Oracle's stock price to lag the IT peer group for a number of years. Throughout this period, we remained optimistic on the company's future. Our patience was eventually rewarded. You can see how this played out over the last 10 years, with a relatively muted first 7 years followed by a stellar last 3 years.

	Total shareholder return (US\$ terms)		
	June 2015-June 2025 (% p.a.)	June 2015-June 2022 (% p.a.)	June 2022-June 2025 (% p.a.)
Oracle	20%	10%	48%
MSCI World	11%	8%	19%
MSCI WORLD IT sector	21%	17%	30%

Oracle is now seen as a key cloud provider. Group sales growth, which had stagnated for the guts of a decade, began to accelerate from 2020 onwards as its Oracle Cloud Infrastructure (OCI) gained traction with its enterprise customers. It signed partnerships with other cloud providers, focused on making OCI the best and most efficient place to run its enterprise applications, and offered a seamless "lift and shift" (as well as financial incentives) to encourage customers to make the move to its cloud. More recently the AI boom has led to a surge in demand and Oracle now counts the likes of OpenAI and xAI as customers. Revenues are expected to accelerate to a mid-to-high teens growth rate in 2026 and 2027. And in June 2025 the company announced it had signed what is believed to be the largest single cloud deal in history, worth over \$30bn in annual revenues (or more than 50% of the group's FY2025 revenues of \$57bn), starting in 2028. Media speculation believes the deal is tied to Project Stargate, a \$500bn initiative to build a vast, global network of AI data centres.

Given its vastly improved outlook, Oracle's valuation has increased. During the quarter we took the opportunity to sell some of our Oracle stake and redeployed the proceeds into other technology and communications holdings.

UnitedHealth is another long-term holding in the strategy, first bought over twenty years ago. Despite a ~50% fall in the share price in the last 9 months the stock has been an excellent performer, outperforming the healthcare sector and the overall market by 3-4% p.a. over this period. UnitedHealth operates a number of businesses, but its core and original business is health insurance (now accounting for approximately 50% of group profits). The rest of the group is comprised of service type operations that have been developed through a combination of organic and acquisition-led expansion, which to date have been successful. It is a complex company, operating in a complex regulatory environment, but the company has generated exceptional and growing cash flows over the years. Recent years have been somewhat choppy, however.



Q2 2025 Commentary

Health cost trends were significantly altered during the pandemic and don't appear to have normalised yet. Additionally, government contributions to fund the Medicare Advantage program have been soft and this has been amplified by a few technical regulatory adjustments designed to further reduce funding levels. All of this has resulted in profit margin pressure for United and its peers over the past couple of years. This has continued into 2025 when the company's Q1 results fell short of expectations and the company suspended its 2025 EPS guidance. The CEO, Andrew Witty, left the company and has been replaced by former CEO, Stephen Hemsley. Hemsley's reign as CEO from 2006 to 2014 was seen as a great success and he developed a reputation for operational excellence. We welcome his re-appointment since we believe the company's operational performance has deteriorated in recent years.

Because of the highly emotive and personal nature of healthcare, health insurers have historically attracted significant levels of criticism. We have viewed these criticisms as generally unfair since, without reasonable cost control, payers (primarily companies and governments) simply end up paying more for care. Reflecting the challenges associated with the increasingly complex operating environment, we think the company will likely need to cede profit on certain lines of activity and we can detect some evidence of this with reports of loosening of standards around prior authorisations. While we think it is unlikely that there have been any wholesale practices of an improper nature, we believe 2025 will see a rebasing of earnings which we hope will provide an opportunity for profit growth to re-emerge in 2026 and beyond. Reflecting this opportunity, set against high levels of investor angst, we added modestly to the position late in the quarter.

Portfolio activity

The strategy added one new (ICON) and sold three existing holdings (Johnson & Johnson, HF Sinclair and Edenred) during the quarter.

Icon PLC is an Irish-based clinical research organisation (CRO). CROs provide services to pharmaceutical and biotech companies to facilitate the execution of the clinical trials required to obtain regulatory approval for new drugs. Such services include recruiting patients and doctors to manage the patients, facilitating data collection and analysis and collating medical reports for the final submission of the application to the regulatory authorities. Since patent lives are fixed, timely completion of clinical trials is crucial as any delays essentially result in the loss of peak product revenue potential. This can represent a material cost to the client which, in our view, means established CROs like Icon are in a good position to win business from drug and biotech companies alike. We have followed the company and industry for more than twenty years and believe Icon is a strong business. As the CRO industry has matured, growth has moderated in recent years. This moderation has been compounded by client spending restraint resulting from nervousness concerning tariffs, public policy regarding vaccination, and a weak Biotech funding market. Reflecting the more challenged backdrop, CRO stocks have fallen considerably over the past year. Shares in Icon have more than halved in that period. We see the recent pressures as being largely transient and opened a position in Icon with the shares trading on around twelve times free cash flow.

Johnson & Johnson is a healthcare company that was held in the strategy since 2002. We believe the stock delivered a healthy return over our holding period. We sold down the stock over the past 18-24 months since we now see better opportunities elsewhere.



Q2 2025 Commentary

HF Sinclair is a US refiner that we first acquired in 2016. The return over this time was also reasonable, albeit volatile. Over time we have become less confident in the quality of the company's refining assets and are also unconvinced of the merit of moves into other areas such as marketing, renewables, lubricants and midstream assets.

Niche payments operator **Edenred** (meal vouchers, fuel cards, ancillary service) was purchased in 2025 and you can read about the reasons why we bought it in the Q1 strategy commentary. In Q2 there was building evidence that Brazil and France could follow Italy in capping the processing fees meal voucher operators are allowed to charge participating merchants. While we think that Edenred is well-invested and has long-term growth potential, visibility into the profitability of vouchers schemes is too low to warrant a continuing investment.

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IMPORTANT INFORMATION

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

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