Setanta Income Opportunities Fund
Q4 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

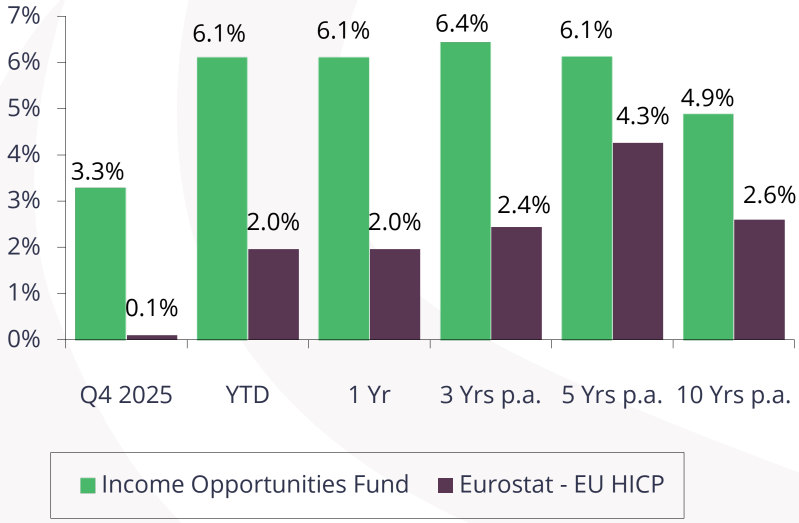
We consider scenarios rather than making forecasts

Businesses we own must have strong balance sheets

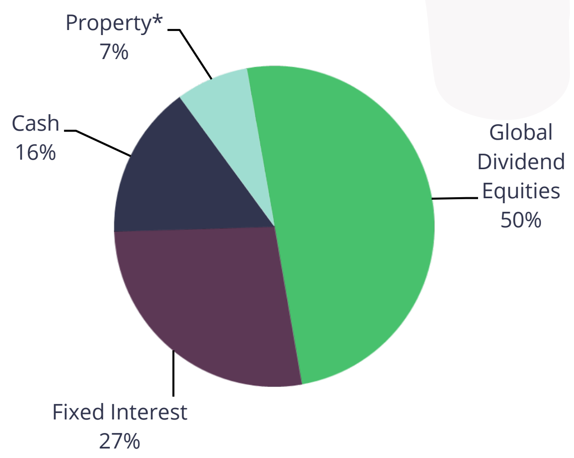
We make mistakes and always endeavour to learn from them

We will act with integrity in everything we do

Fund Performance – 31.12.2025 (EUR)



Asset Distribution



*includes 1.1% in IRES REIT

Yearly Performance

Year %	2020	2021	2022	2023	2024	2025
Fund	-5.6	11.9	-0.3	6.5	6.7	6.1
Benchmark	-0.3	5.0	9.6	2.8	2.1	2.0

Performance Source: Setanta Asset Management. 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
COMP FIN RICHEMONT	Consumer Discretionary	2.3%
SANDVIK AB	Industrials	2.3%
SAMSUNG ELECTRO	Information Technology	2.0%
SAMPO PLC	Financials	2.0%
JOHNSON & JOHNSON	Health Care	1.8%
CME GROUP INC	Financials	1.7%
L'AIR LIQUIDE SA	Materials	1.6%
CISCO SYSTEMS INC	Information Technology	1.6%
TAIWAN SEMICOND MAN	Information Technology	1.6%
PROCTER & GAMBLE	Consumer Staples	1.5%

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%
2025	4.3%

Q4 2025 Commentary

Markets Overview

President Donald Trump has been, much to his pleasure we suspect, the centre of much of the world's attention in 2025. Directed by him, America has been flexing its muscles geopolitically, driving hard bargains for military support, such as in Ukraine; extracting political concessions, on migration, from Mexico; and using tariffs to achieve better trade terms, with the EU, among others. He is sceptical of the merits of supranational entities, many of which emerged from the ruins of World War II, such as the United Nations, the (now) European Union, as well as the North Atlantic Treaty Organisation (NATO). Concepts associated with, or stemming from supranational institutions, such as democracy, free markets, and globalisation, have, to varying degrees, underpinned global financial markets. Today, these concepts appear to be much more open to question than before in North America and Europe. Domestically, President Trump has tested the boundaries of presidential autonomy, while also overseeing the introduction of the 'One Big Beautiful Bill', which extends previously lowered tax cuts as well as stimulating small businesses, and increasing defence spending.

In Europe, as in America, there are concerns that political polarisation could cause political discord. After years of impressive solidarity in supporting Ukraine against Russia's attack, the EU has more recently struggled to agree on how to continue assisting Ukraine. The increasingly unilateral actions of America on matters like defence and criticism of the European Union's culture has created the sense of an institution, and a region, under threat. There is political stalemate in France, as its parliament has failed to agree a budget, jeopardising prospects for economic reforms and likely increasing an already-stretched debt \ GDP burden. This has given rise to jitters in its bond market, creating the potential for difficulties in refunding its debt. At the same time, Germany is embarking on a substantial fiscal expansion, which could materially boost its domestic GDP growth, as well as that of related European industries.

The IMF estimates Global GDP growth to be 3.2% for 2025, which would be similar the growth rates of the previous three years. Inflation seems to be largely under control in most major markets, allowing interest rates to continue to be reduced from previous peaks. President Trump's determination to influence interest rates, lower, could, however, undermine price stability in America. Mortgage rates in the US, typically based on long-term interest rates, nevertheless remain relatively high, constraining housing demand. The Balance Sheets of most corporations, as well as households in general, has remained strong in both North America and Europe.

Following the launch of ChatGPT in late 2022, Artificial Intelligence (AI) applications are rapidly being embraced by consumers and companies. Nonetheless, whatever about the losers, assumed, for example, to be those employed in data analysis jobs, for example, the winners are less clear; history suggests caution in this regard, as we noted in last quarter's commentary. Stocks deemed to be AI-winners to date, have experienced substantial valuation re-ratings, further increasing the concentration of the US equity market. Nearing the year end, seven such companies alone accounted for 28% of the market capitalisation of the S&P 500, a figure, to our knowledge, unparallel in financial history. Privately-held company, OpenAI has been valued at $500b, despite revenues of only $13b in 2025. The US stock market, heavily influenced by this small cohort, is trading on a cyclically-adjusted basis, at more than 40x its earnings, a level rarely seen (indeed, only once exceeded, during the dotcom bubble in 2000), prompted some fears that an AI-related investment bubble has developed [1] .

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1 Financial Times, 10th January 2026.

Q4 2025 Commentary

Equity markets had a solid year - measured in euro terms, the MSCI World High Dividend Yield index, rose 4.6%, while the MSCI World Index rose 6.7%. Elsewhere, precious metals, such as gold, platinum, and palladium, had strong years, likely reflecting fears about geopolitical stability.

The strength in equity markets extended to the bond market during the year. Government bond yields were generally lower, and corporate bond spreads tighter, broadly reflecting good economic growth and cooling inflation expectations.

The Federal Reserve resumed cutting interest rates in September, followed by further reductions in October and December. In this context, it's worth noting that while conditions remained broadly stable throughout the year, JP Morgan's CEO's comments regarding the emergence of *"credit cockroaches"* attracted the market's attention as a warning sign of latent bubbly behaviour in certain corners of the credit market [2].

Over in Europe, interest rates returned to a more orderly regime, with inflation expectations appearing well anchored. European short term interest rates fell throughout the year and hovered around 2% over the second half.

Reversing the major foreign exchange trend of 2024, the US dollar was weak [3], falling 9.4% against the major world currencies and its value against the euro, down 12%).

Fund Performance

The Income Opportunities Fund had a strong year, achieving a total return of **6.1%**. In a year of very good performance in equity markets, the Fund's holdings in Europe, and Asia posted the strongest returns, while those in North America lagged. The Fund's fixed income portfolio contributed positively to the Fund's total return for the year, with good income and capital appreciation, somewhat offset by limited currency headwinds resulting from the US Dollar's weakness over the period. At year end, the Fund's bond portfolio had a yield to maturity of 3.4% across a well-diversified, conservative range of holdings.

Key Factors in Performance

Shares in **Boliden** rose strongly throughout the year. The Swedish based metal producer benefited from the rise in copper, zinc, and gold, prices, and remains well positioned as a supplier of industrial and precious metals in its key markets. **Samsung** also contributed to the Fund's performance for the year. Samsung has recovered its leading share of the global DRAM (memory semiconductor) market, as demand for its AI-chips has increased; it also announced that it has been awarded a very large ($16b) contract from Tesla, to provide memory chips for its latest Electric Vehicle model.

We undertook a field trip to **Sandvik** in the first half of the year, amidst some concern relating to the company's industrial tools division, but came away broadly reassured that this business could continue to produce solid results. We were impressed with the strong market position that Sandvik has created in the mining equipment industry, featuring an attractive aftermarket business and high

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2 Jamie Dimon (JP Morgan's CEO) commenting on the bankruptcies of subprime auto lender Tricolor and auto parts supplier First Brands in October 2025
3 Dollar against the major world currencies, as measured by Bloomberg's US Dollar Index.

operating margins. The stock rewarded our faith by being among the biggest contributors to the Fund in 2025.

After a multi-year period of generally good sales growth and upward trending operating margin, global consumer goods company, **Procter and Gamble** reported full year results that showed flat sales and higher-than expected costs. Nonetheless, P&G's operating, and free cashflow, generation were robust, such that its Dividend per Share increased by 5% during the year, evidence, we believe of the stock's underlying quality, something we noted in the Q2 Commentary. **Coloplast**, Danish-based provider of continence care products globally, also had a disappointing year among rebased expectations for business growth and which culminated in the termination of the CEO's contract. We believe that Coloplast has the ability to grow revenues well above the rate of global GDP, which when added to a dividend yield currently of 4%, is an attractive proposition. **Kenvue**, a US-based consumer health company, had an eventful year as it was namechecked by President Donald Trump, who pointed to reports of Tylenol's [3] links to autism in babies born to women who used the product. This was compounded by litigation in the UK concerning one of the company's legacy products. Although Kenvue has agreed terms to be acquired by Kimberly Clark, the investment has delivered disappointing performance since the Fund was first exposed to the stock in its own right.

Major Changes to the Fund

At year end 50% of the Fund's assets were held in equities; 27% in bonds; 8% in property and 14% in cash. During the year the Fund added 5 new equity positions and exited 4. The new stocks included Nike (Q1), the well-known sportswear and sport shoe company, **Gaz Transport et Technigaz (GTT)**, designer of internal 'membranes' for Liquefied Natural Gas transporters, and **United Health Group**, provider of medical insurance and medical services in USA, (both Q3), which we commented on during the year. We also bought, for the Fund, positions in L'Oreal and United Overseas Bank.

L'Oreal is one of the world's most recognised personal care brands, albeit just one of the many recognisable brands owned by the company, which includes Garnier, Lancome, and Maybelline. L'Oreal differentiates itself through scale in manufacturing, and R&D. Through the period, we took the opportunity to acquire a position for the Fund at attractive prices (Free Cashflow \ Enterprise Value of 3%, combined with above-average growth expectation). **United Overseas Bank** is one of Singapore's foremost banks. UOB benefits from a favourable macroeconomic backdrop in Singapore where it earns the vast majority of its profits and also has a presence in other South-East Asian countries, profiting from regional trade. We were able to acquire a position for the Fund at a dividend yield near 4%; importantly, the bank's capital ratios (e.g. 8% total Capital \ Tangible Equity) indicate a robust financial position.

Among the stocks we exited, **Viscofan**, manufacturer of meat casings, found itself the unwelcome focus of a critical report by a financial firm pointing to shortcomings in Viscofan's environmental, and safety, standards at one of its US plants. To the backdrop of mediocre stock price performance, we took the decision to fully sell the stock. In the case of **DCC**, we took advantage of the company's tender offer, in which it offered to buy back shares using the proceeds from the sale of its healthcare business. We commented on the Fund's sale of **Diageo**, the global alcohol beverages manufacturer, in Q3.

We were active in managing the bond portfolio, acquiring a well-diversified selection of high-quality bonds throughout the year, marginally extending the portfolio's weighted average time to maturity of

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3 Tylenol is a well know pain relief medication, made and marketed by Kenvue for the US market.

the portfolio to just over three years. The Fund's bond holdings remain conservatively positioned with a high average credit rating and modest interest rate risk as reflected by a duration of 2.7 at the end of the year.

Income Generation

The Fund achieved an income yield of 4.3% in 2025, exceeding its stated target of 4.1%. Equity dividends were again the largest contributors to income generation, benefiting from good dividend growth among Fund constituents and the contribution of three special dividends. While bond and cash interest income declined year on year from the high levels of 2024, their contribution to income generation was highly relevant at a combined 1.1%. In a tumultuous year, we took advantage of implied volatility conditions in the market to be more active with our highly conservative option writing strategy, and option income made a good contribution 1.0% for the full year.

The Fund's broad range of income sources provides flexibility in our endeavour to achieve the Fund's dual objective of material income generation and capital preservation, and growth, over the long-term.

** All references to the Fund and fund performance relate to the Setanta Income Opportunities Fund (P-INC1); performance figures are gross of fees and all figures are in euro terms, unless otherwise stated.*

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IMPORTANT INFORMATION

The Income Opportunities Fund is managed by Setanta Asset Management 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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