Setanta Managed Fund
Q4 2025

Fund Description

The **Managed Fund** ("the Fund"), managed by Setanta Asset Management ("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

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

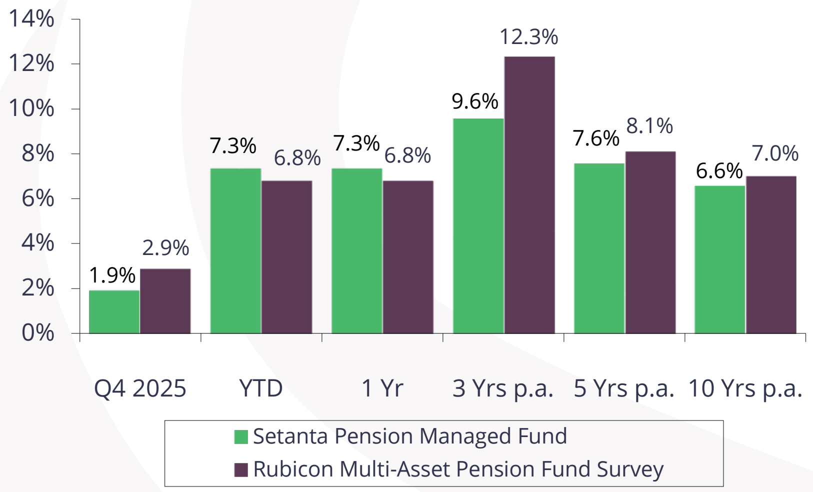
Businesses we own must have strong balance sheets

We make mistakes and always endeavour to learn from them

We will act with integrity in everything we do

SETANTA Asset Management

Fund Performance – 31.12.2025 (EUR)

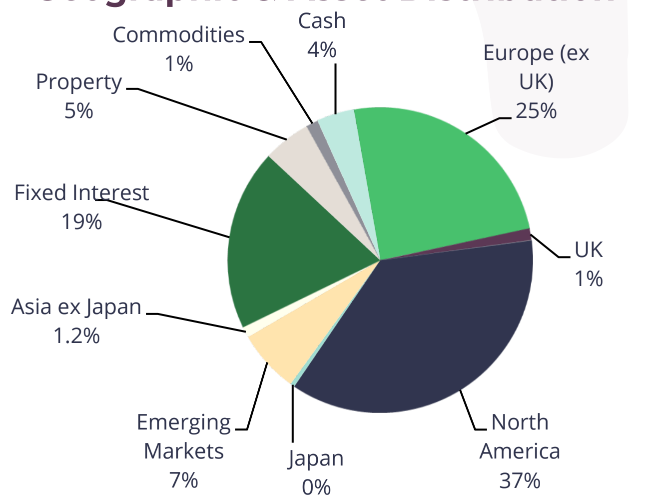


Performance Source: Setanta Asset Management. The actual Fund returns stated are based on the movements in the unit prices of an institutional series of the Fund (ILA/CLI Setanta Managed Fund [H012]) and are net of management fees. Benchmark: Rubicon Multi-Asset Pension Fund Survey. **Holdings Source:**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

Top 10 Equity Holdings

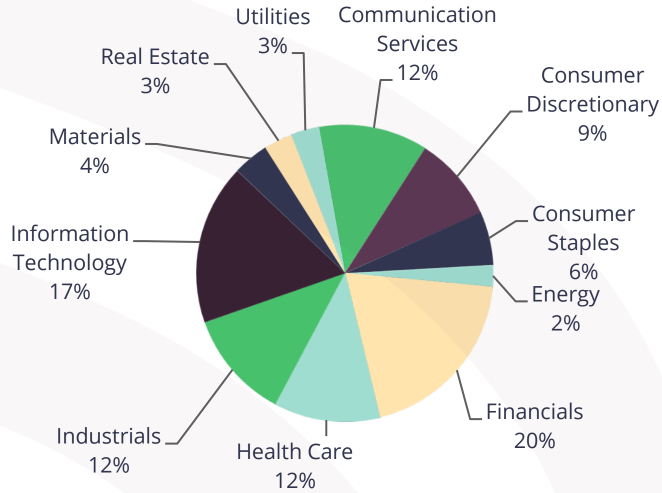
COMPANY	SECTOR	% OF FUND
ALPHABET INC	Communication Services	2.8%
TAIWAN SEMICOND MAN	Information Technology	2.8%
MICROSOFT CORP	Information Technology	2.5%
BERKSHIRE HATHAWAY	Financials	2.4%
META PLATFORMS	Communication Services	2.0%
RYANAIR HLDGS PLC	Industrials	1.8%
BOOKING HLDG INC	Consumer Discretionary	1.7%
APPLIED INC	Information Technology	1.6%
MARSH & MCLENNAN	Financials	1.6%
CRH PLC	Materials	1.6%

Geographic & Asset Distribution



Total Equities: 70%

Equity Sector Distribution



Fixed Interest Portfolio

CREDIT RATING WEIGHTING		
CREDIT RATING TYPE	ASSET TYPE WEIGHTING	BENCHMARK WEIGHTING
AAA	22.2%	21.9%
AA	23.5%	13.2%
A	33.2%	41.9%
BBB	21.1%	23.0%
	100.0%	**100.0%**

Yearly Performance

Year %	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Fund	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	7.3
Benchmark	-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	6.8

SETANTA Asset Management

Commentary

Fund Commentary

The Managed fund returned +1.9% for the final quarter and +7.3% over 2025.

All asset classes posted positive returns over the quarter and over the year.

Global equities were the dominant contributor to the fund's performance in Q4, with emerging markets outperforming developed-market equities. The depreciation of the US dollar gave a boost to emerging markets, and countries with large technology sectors benefited the most over the period. AI enthusiasm, solid earnings and easing inflation all supported equity markets.

The ECB kept rates unchanged throughout the quarter as expected. Inflation in the Eurozone reached the central bank's target of 2% in December, while unemployment held steady. German yields rose to ~2.9% as the ECB upgraded its targets for growth and inflation. German bunds are facing supply pressure as the government increases fiscal spending as part of a major programme of infrastructure and defence investment.

Emerging-market debt benefited over the quarter, supported by macro trends, Fed monetary easing, a softer US dollar and domestic inflation risks subsiding.

The Irish property fund return was positive with demands for retail and industrial space remaining stable.

Market Commentary

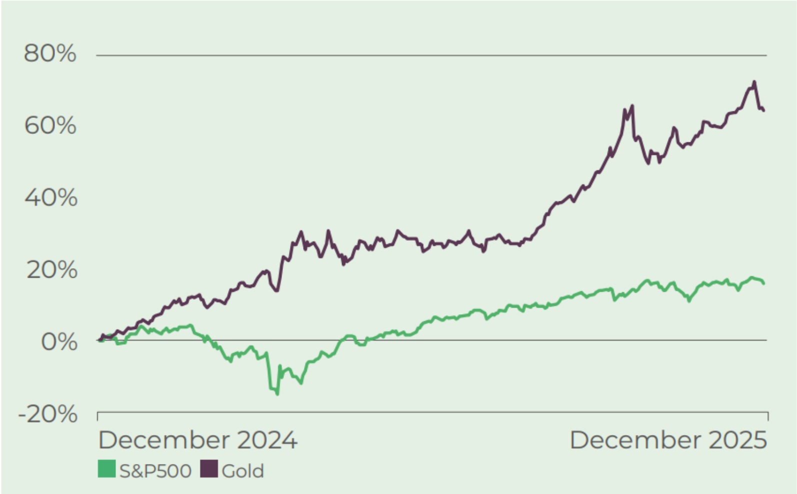
Late-Cycle Signals, Central Bank Shifts and the Case for Staying invested

The fourth quarter of 2025 marked a strong end to the year for financial markets. But despite positive headlines and solid returns, the period also saw a growing number of late-cycle signals emerging.

Equity markets advanced, bond markets stabilised, and real assets such as gold performed well. At the same time, economic and financial conditions became more uneven, reinforcing the importance of diversification and maintaining investment discipline through volatility.

The rally in both gold and equities since Liberation Day is unusual and deserves scrutiny. Explanations abound for the powerful momentum in both markets, from excess liquidity, inflationary growth and weak dollar dynamics to the end of trust in fiat currencies.

Gold & S&P500 Index



Source: Bloomberg/Setanta

Equity markets continued to rise through Q4, driven largely by a small group of major US technology and artificial intelligence (AI)-related companies – the “Magnificent Seven”.

This concentration became increasingly pronounced, keeping investors concerned about the vulnerability of the tech sector to sudden reversals. While AI investment remains a powerful long-term theme, such narrowing of leadership is a common feature late in market cycles.

The US economy itself exhibited signs of a “K-shaped” dynamic during the quarter. Higher-income households and large corporations continued to benefit from strong asset prices and access to capital, while lower-income consumers and smaller businesses faced rising costs and tighter financial conditions.

This divergence helped explain why equity markets remained resilient even as parts of the real economy slowed. US unemployment has risen by a full percentage point from the lows in 2023, reaching 4.4% midway through the fourth quarter of 2025.

US Unemployment Rate

Source: Bloomberg/Setanta

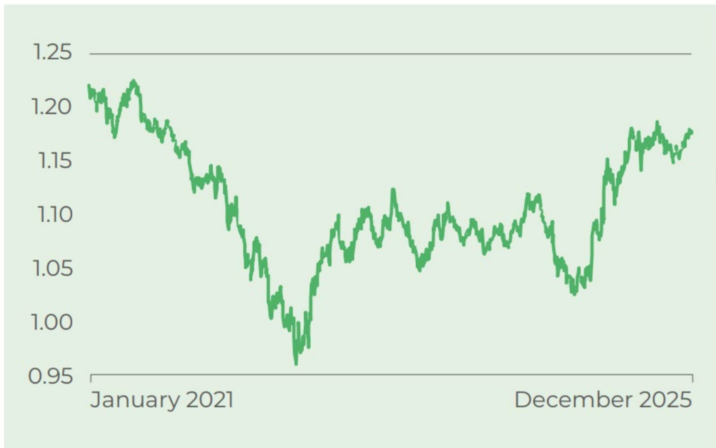
Commentary

For European investors, currency dynamics played an important role in Q4.

The US dollar, which had been on a downward trajectory during the first three quarters of 2025, continued to weaken over the fourth. This supported global trade and emerging-market assets but acted as a headwind to euro-based returns on US investments.

The decline in the dollar highlighted the importance of currency awareness and diversification across regions within the portfolio.

USD versus Euro

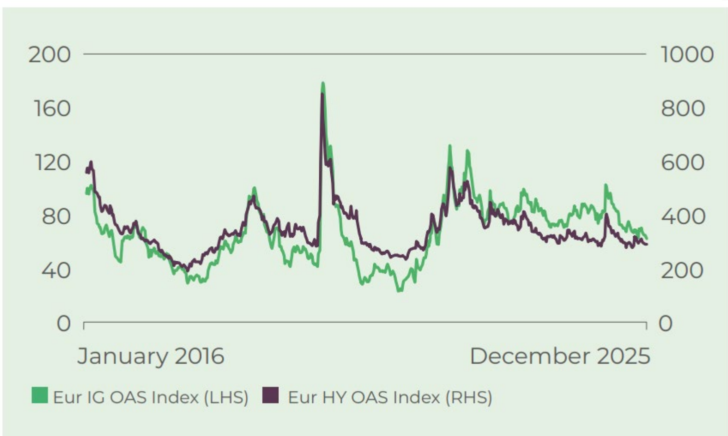


Source: Bloomberg/Setanta

Bond markets delivered positive returns as inflation continued to ease and multiple central banks moved towards a more accommodative monetary policy. The prevailing opinion is that rates are now heading towards neutral and that a fresh round of hikes is unlikely for most major central banks.

Credit spreads trended tighter over the period. Tighter spreads are a signal of investor confidence but also mean limited compensation for risk. Late in the cycle, narrowed spreads can also indicate complacency and reduce the margin of safety for credit investors.

Investment Grade and High Yield Spreads



Source: Bloomberg/Setanta

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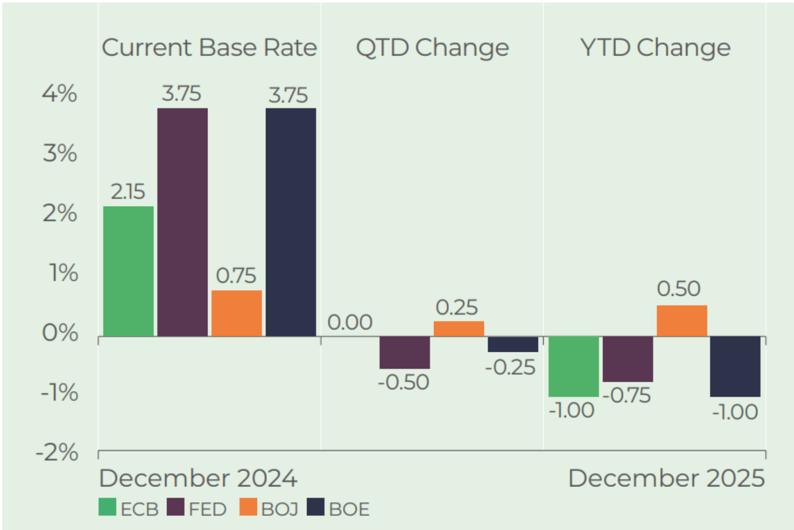
Commentary

Monetary policy was a key anchor for markets during the quarter. The US Federal Reserve delivered further interest-rate cuts and signalled a shift from fighting inflation to supporting growth as price pressures eased, noting that US unemployment had ticked up during the quarter.

The European Central Bank maintained its easing bias, emphasising that inflation was converging toward target levels. The Bank of Japan, however, was the only major central bank that raised rates over the quarter, hiking its benchmark rate to a 30-year high of 0.75%.

Central Bank Base Rates



Source: Bloomberg/Setanta

Other major central banks, including the Bank of England, adopted a more cautious tone but acknowledged that policy rates had likely peaked.

Collectively, central banks helped stabilise bond markets and supported risk assets, while reinforcing the message that risks to growth were becoming more balanced.

Data Centres, AI Spending and Emerging Risks

In the US, for example, signs of weakness in the labour market became clearer: unemployment hit a four-year high during the quarter, and job growth also slowed, particularly in technology and cyclical sectors.

One of the defining investment themes of Q4 was the explosive growth in data-centre investment. Hyperscalers, which provide the massive computing capacity demanded by AI and other digital services, continued to deploy vast sums into AI infrastructure, driving demand for semiconductors, energy and real estate. However, the intense pace of expansion seen in the sector raised questions about the sustainability of AI-linked capital expenditure.

An increasing number of firms relied on debt issuance and structured financing to fund these high levels of capex. This was seen as creating circular dynamics, where strong equity valuations supported borrowing, which in turn funded growth narratives.

For some market observers, this funding story is a cause for additional concern: if AI demand, pricing power or funding conditions weaken, these leveraged capital structures could amplify volatility, given the current extent of equity market concentration.

There is evidence of growing investor caution in the widening of some corporate bond yields within the AI ecosystem. Bond issuance has increased rather than funding from cashflows; cloud provider Oracle, for example, has seen an increase in its cost of funding by close to 1% (100 to 200bps) at the long end of the curve.

Oracle Bond Spread to Government:

Source: Bloomberg/Setanta

Political risk was also in the foreground during the quarter. The longest US government shutdown in history took place – lasting 43 days in total – weighing on business confidence and delaying public spending. While markets largely looked through the disruption, shutdowns tend to amplify volatility and weaken short-term economic momentum. Uncertainty around tariffs persisted throughout the period, as investors anxiously awaited the US Supreme Court's decision on the legality of the levies. An opinion from the Court is expected in January 2026.

Gold remained one of the standout performers of 2025, with a strong showing in the final quarter. Falling real interest rates, geopolitical uncertainty, central-bank buying and currency diversification all contributed to strength in the precious metal. For European investors, gold also provided a hedge against currency volatility.

Against this backdrop, volatility increased but remained manageable. The key to achieving solid returns in stock investing is staying firm in the face of fear and uncertainty. Staying invested, rather than reacting to short-term swings, remains one of the most effective strategies for long-term success.

Conclusions and Outlook for 2026

Q4 2025 reinforced the notion that markets can continue to rise even as risks accumulate. Narrow equity leadership, a K-shaped US economy, tight credit spreads, rapid AI infrastructure build-out and signs of softening in the US labour market all point to a more fragile late-cycle environment.

Fiscal dominance is a growing risk. Some governments have high levels of debt and growing deficits, which could result in central banks being pressured into keeping interest rates artificially low. Such a scenario could have knock-on negative effects on inflation, central-bank independence and economic instability.

Commentary

If we look to 2026, returns are likely to be more uneven and volatility more frequent. For investors, the most effective response is unlikely to be timing the market but rather thoughtful portfolio construction in line with long-term goals.

"It is often a long road to quick profits." – Humphrey B. Neill (1871-1977)

A diversified, multi-asset approach spanning equities, bonds and other assets classes – as well as exposure across regions and currencies – remains the most reliable way to manage uncertainty and benefit from sectoral momentum while staying invested for long-term growth.

Negatives to Watch

- Elevated political and fiscal dominance
- Late-cycle market dynamics increasing sensitivity to economic surprises
- Equities dominated by US mega-cap technology stocks
- Stretched valuations in parts of the US growth and AI complex
- Historically tight credit spreads offering limited compensation for risk
- A K-shaped US economy weighing on broader consumer demand

Positives to Consider

- Easing monetary policy from the ECB and other major central banks
- Improved income opportunities across fixed-income markets
- More attractive equity valuations outside the US
- Stronger diversification benefits as market dispersion increases
- A weaker US dollar supporting global liquidity and emerging markets
- AI-driven productivity gains supporting long-term growth trends
- Volatility creating opportunities for disciplined long-term investors

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IMPORTANT INFORMATION

The Managed Fund is managed by Setanta 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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