

Setanta EAFE Equity Fund (CAD)

Q1 2026

Fund Description

The **EAFE Equity Fund** ('the Fund') is managed by Setanta Asset Management ("Setanta") and is a representative account of the EAFE Equity strategy.

The Fund is an actively managed equity portfolio which holds c.30-50 stocks in the European, Australasian and Far East regions. The portfolio is managed in accordance with the Setanta investment philosophy. 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 can hold up to 10% cash where investments of sufficient quality cannot be found.

The investment objective of the Fund is to outperform the MSCI EAFE benchmark over the long term.

Portfolio Managers

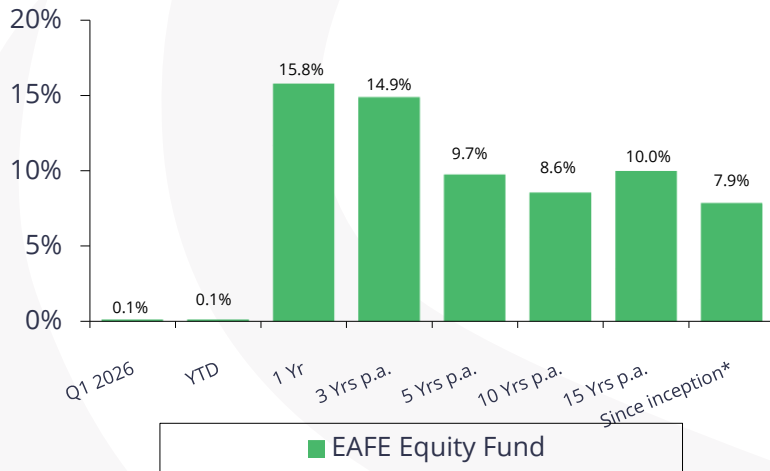
Rowan Smith; Fergal Sarsfield, CFA, & Tony O'Sullivan



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 – 31.03.2026 (CAD)



Yearly Performance

Year %	2019	2020	2021	2022	2023	2024	2025
Fund	13.1	-1.9	11.5	-9.9	15.2	15.2	23.0

Performance Source: Setanta Asset Management. The Fund returns stated are based on the movements in the unit prices of the CLA CA Managed EAFE Portfolio SF035 [IEC11007] till 09.06.22 and LL EAFE Equity Fund 6.84 [IEC15004] thereafter 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.

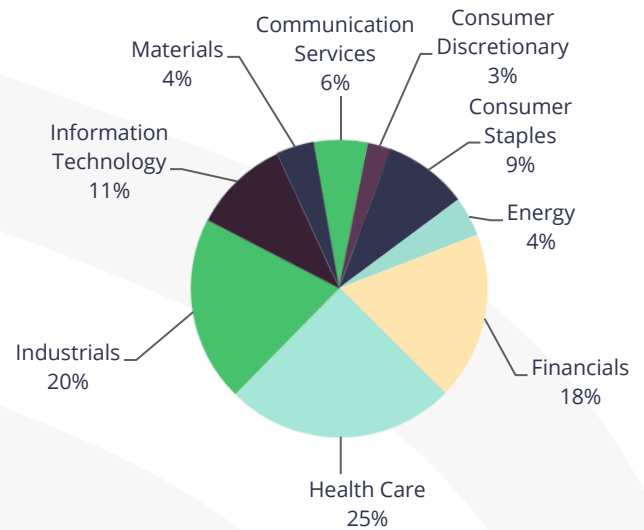
Top 10 Holdings

COMPANY	SECTOR	% OF FUND
SAMSUNG ELECTRO	Information Technology	5.0%
ENI SPA	Energy	4.2%
SANOFI SA	Health Care	4.1%
DEUTSCHE BOERSE	Financials	4.0%
BANK OF IRELAND	Financials	3.5%
EPIROC AB	Industrials	3.5%
NABTESCO CORP	Industrials	3.3%
THAI BEVERAGE PCL	Consumer Staples	3.3%
KINGSPAN GROUP	Industrials	3.2%
LEGRAND SA	Industrials	3.1%

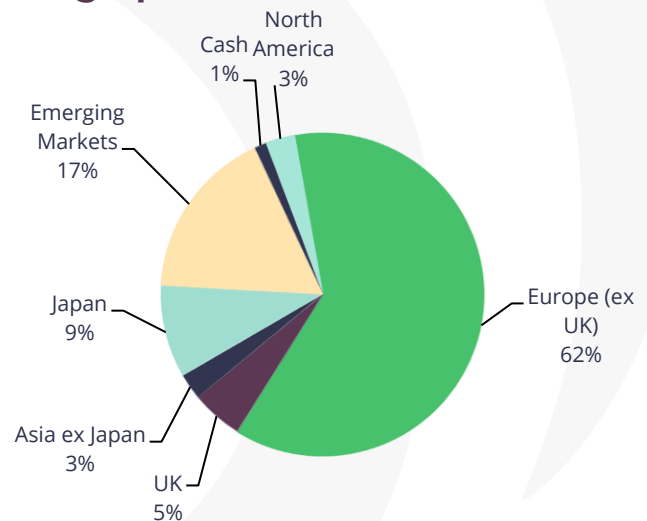
Fund Statistics

PRICE/BOOK	1.9
PRICE/EARNINGS RATIO (FY 1)	12.7
DIVIDEND YIELD %	2.7
AVERAGE MARKET CAP C\$BN	167.5
NO. OF HOLDINGS	41
DEBT/EQUITY %	81.0
ACTIVE SHARE %	91.6

Sector Distribution



Geographic Distribution





Q1 2026 Commentary

To say Q1 has been eventful would be an understatement. The surprise attack on Iran in late February upended equity markets, which had been advancing nicely until that point. With Brent oil prices jumping from \$72 per barrel to \$118 at quarter end, Energy stocks rose sharply but all other sectors in the EAFE region delivered negative returns over the final month of the quarter. Traditionally defensive sectors including Utilities, Telecoms and Healthcare fell while Consumer Staples under-performed the market during March. The drawdown in March resulted in the fund posting a modest decline overall for Q1 2026. (Source - Bloomberg)

The rise in global energy prices creates the potential for a broader increase in inflation as well as a contraction in consumer and industrial demand. Interest rate expectations have already tightened and there is the possibility of disruptions to global supply chains if physical oil and gas shortages begin to manifest. The widespread use of energy and carbon derivatives in the production of everyday goods introduces material risks to both global economic outcomes and corporate earnings.

While the war in Iran is undoubtedly having an impact on equity valuations, as long term investors we are also concerned about the sustainable earnings power of the companies we invest in. The value of a company lies in its ability to generate a long-term stream of cash flows, generated in some instances over multiple decades, discounted back at a required rate of return. Yes, there are concerns about longer term demand destruction and the inflationary impact from higher oil prices but as investors in quality companies, we believe the portfolio's holdings have a greater ability to pass on higher input prices and thus protect margins. We also reflect on the fact that the portfolio's companies came out the other side of the 2022 energy and supply chain shock intact without any long-term destruction to their earnings power.

As we think, act and invest for the longer term, Artificial Intelligence (AI) is taking up a greater share of our mindspace, as we believe it has the potential to both disrupt and enhance the long-term stream of cash flows of companies in our investment universe.

Leaving aside the debate around artificial earnings and artificial marketing, our focus is on the labour, productivity and earnings redistribution risk from a world dominated by AI. We aim to identify potential winners and losers across our holdings and investment universe, while assessing how AI could affect their business models and long-term earnings sustainability.

Is AI Corporate Ozempic?

Scott Galloway, NYU professor, has likened AI in the enterprise setting to corporate Ozempic in a reference to how AI allows corporates to remove the traditional connection between revenue growth and headcount increases. AI can serve as a tool for increasing productivity efficiencies, doing more with less and therefore facilitating companies to reduce headcount even as they grow their revenues and profits.

Citrini Research also published a report in February called "The 2028 Global Intelligence Crisis" in which they outlined their view on how AI may shape the employment landscape.

"For the entirety of modern economic history, human intelligence has been the scarce input. Capital was abundant (or at least, replicable). Natural resources were finite but substitutable. Technology improved slowly enough that humans could adapt. Intelligence, the ability to analyse, decide, create, persuade, and coordinate, was the thing that could not be replicated at scale.

Human intelligence derived its inherent premium from its scarcity. Every institution in our economy, from the labour market to the mortgage market to the tax code, was designed for a world in which that assumption held.

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"We are now experiencing the unwind of that premium. Machine intelligence is now a competent and rapidly improving substitute for human intelligence across a growing range of tasks."

We have seen in the recent past numerous companies announce headcount reductions, citing AI as the catalyst. Atlassian, the Australian domiciled software company recently announced it was reducing headcount by 1,600, 12% of its employee base while Block, formerly known as Square, and founded by billionaire Jack Dorsey who also co-founded Twitter, announced it would be reducing headcount by 2,500 or 25% of its workforce.

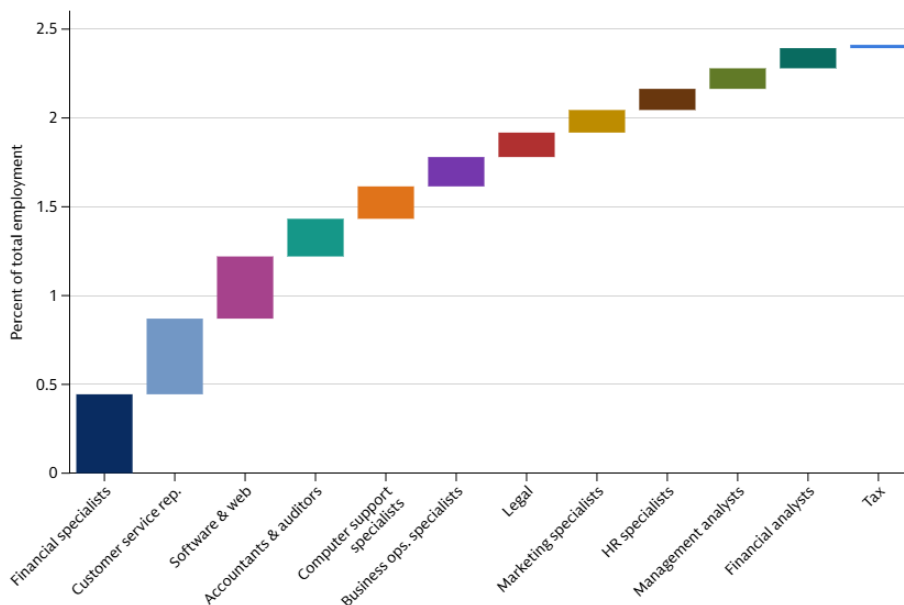
With current evidence of AI impacting employment, views from Citrini Research and Scott Galloway, it's worth digging a little deeper to understand the potential impact AI may have on global employment.

According to the OECD, there were 668m people employed across the 38 OECD countries in 2025, with an unemployment rate of 5%, the lowest rate since 2001, amounting to 34m people. According to Briggs and Dong (Goldman Sachs Research), temporary unemployment caused by the adoption of labour-saving technology typically increases the US jobless rate by 0.3% points with every 1% point gain in technology driven productivity growth. EY Parthenon estimates that AI could lift economy wide labour productivity by 1.5% to 3% over the next decade. If we apply these 2 estimates to the OECD, we can deduce that AI could displace between 3m and 6m people or an increase in unemployment from 34m to a range of 37-40m people.

Research from other entities paint a more downbeat picture for employment. Goldman Sachs estimates that 2.5% of employment is at risk from automation, with white collar workers such as financial specialists, consumer service reps and software and web engineers expected to be impacted the most from being displaced by AI. If we assume 2.5% of the OECD workforce was displaced by AI, it would result in unemployment levels rising from 34m to 51m, a much more draconian outcome than the former assumption.

Early evidence from use cases where AI is driving productivity gains suggests that at most 2.5% of employment is at risk of automation today

Employment displacement implied by AI productivity anecdotes



Source: Haver Analytics, data compiled by Goldman Sachs Research

Goldman Sachs



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To cap off the "Jobpocalypse" scenario analysis, according to an MIT study which resulted in the creation of the Iceberg Index to measure skills-centered exposure in the AI economy conducted in the second half of last year, it found that 11.7% of the US labour force could be displaced by AI. The Bureau of Labour Statistics shows there are 163m people employed in the US. If the MIT survey proves accurate it would result in 19m US people losing their jobs while 73m people in OECD countries could lose their jobs. Much higher than both previous scenarios.

The truth is we don't have an accurate answer to the employment displacement risks from AI but as seasoned investors we understand the fragility in having point estimates. We much prefer to be directionally right in terms of the risks around the sustainable earnings power for the companies we invest in and factor these risks into our valuation analysis. Some companies will benefit through greater efficiencies, leading to higher margins and profits while other companies may experience demand destruction as fewer people in employment results in lower disposable income.

We continue to implement our philosophy and process, looking to invest in quality companies who can benefit from AI while avoiding those that have greater downside risks from AI.

Contributors & Detractors

Shares in Samsung Electronics advanced in the first quarter. This continues the strong run in the shares, vindicating the patience shown in retaining the holding during a challenging period in 2024. After some struggles in developing its HBM3 product offering, the company is now seeing very strong demand for its memory semiconductors, including the company's most advanced HBM4 RAM memory chips, used to train advanced AI models. As a result, the company is seeing significant increases in earnings estimates.

Shares in ENI, the integrated oil and gas company rose sharply during the first quarter. Reflecting the very sharp increase in global oil and gas prices since the conflict began, we are likely to see significant increases in earnings estimates for the company.

Shares in Deutsche Boerse rose during the first quarter. The company operates financial exchanges and trading platforms which tend to benefit from the higher levels of trading that accompany heightened market volatility. The company's securities depositories and related businesses tend to be relatively defensive. As a financial services provider the company is also well-insulated from supply chain risks that may result from the current conflict.

Shares in Icon PLC declined sharply during the quarter. Icon is a contract research operator (CRO), working on behalf of biopharmaceutical clients to help facilitate completion of clinical trials. CRO stocks were caught up in the "AI-disruption" trade which has gripped the software sector. We can see potential for some business disruption longer-term but believe the negative commentary is overblown. We believe there are commercial and regulatory barriers to widespread AI displacement in this industry and believe it is likely that client savings are reinvested into research and development, creating a potential offset against any emerging headwind. During the quarter, Icon announced it would delay publishing its first quarter earnings report to complete an accounting investigation into revenue recognition practices. On closer inspection, it appears that less than 2% of group revenue is impacted and cash flow appears to be unaffected. Therefore, we believe that this matter can be resolved without significantly impacting the value of the business, which we see as unduly depressed currently.

Shares in Ryanair Holdings declined during the period. While the company has extensive aviation fuel hedging in place, protecting it from higher fuel costs in the near-term, markets appear to be concerned about potential destruction of consumer demand if there is an inflation shock.



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Ryanair has successfully navigated periods of higher fuel prices in the past and, as the lowest cost provider in the European airline industry, the company may be able to gain share if competitors begin to retrench. We continue to believe that Ryanair remains positioned to be a long-term winner in the industry.

Tencent's shares fell during Q1. This may reflect some profit-taking since the shares performed very well in 2025. Some investors are concerned about management's plan to increase spending on AI investments since this may lead to some margin contraction in the near-term. We are optimistic that Tencent's businesses in gaming, payments and advertising appear well positioned to benefit from these higher investments in the future.

Transactions during the period

The fund exited a small position in Magnum Ice cream. The holding was inherited due to a partial spin-out by former parent, Unilever, in which the fund remains invested. The modest proceeds from the disposal were deployed across existing holdings.

The fund exited the remaining holding in Essilorluxottica. The position in Essilorluxottica was added in 2021. The business has been performing very well and, reflecting very strong performance of the stock, the company's valuation had begun to increase in recent months to levels we were becoming less comfortable with. Consequently, we have been reducing the position for a number of months. We decided to exit the remaining rump in the first quarter since we see better opportunities elsewhere. We continue to believe Essilorluxottica is a very strong business, and it could easily make its way back into the fund at more attractive valuation levels.

The fund added a small position in Swiss pharmaceutical company, Novartis AG. This was funded by a partial sale of the position in Roche Holding AG, which has performed very well since it was added to the fund in early 2024. Reflecting a higher valuation level at Roche, we believe it represents prudent risk management to diversify the exposure somewhat through the addition of a small holding in Novartis. We know Novartis well, having held shares in the company in the past, and believe the company remains strategically well positioned.

The holdings in Bank of Ireland and Bank Leumi have performed extremely well. Reflecting expanded valuations, we decided to reduce these positions to fund holdings in two new banks, Spain's Caixabank and BNP Paribas, listed in France. Caixa is the largest domestic bank in Spain, with a circa 24% share of banking deposits and the company has a strong long term track record. Caixa has consistently demonstrated prudent financial management, enabling it to acquire some weaker competitors, including Bankia and Banco BPI, on very favourable terms in recent years. Since the struggles of the financial crisis, the Spanish economy has been performing very well more recently, as government debt and unemployment have fallen. Property prices have risen from very depressed levels and economic activity has been robust, as evidenced by healthy growth in both bank loans and deposits. This should augur well for the trajectory of future earnings at the bank. Reflecting current market interest rates, earnings growth should also be supported as the back book of loans runs off and converts into higher yielding, newer loans.

BNP Paribas is Europe's largest bank by assets. It operates a universal banking model spanning retail, corporate, and investment-banking services across Europe. We have been impressed by profitability improvements achieved by local peer, Societe Generale, and see similar opportunities at BNP. BNP management is targeting improvements in its cost-income ratio, which alongside a commitment to return excess capital to shareholders and underlying asset growth, have the potential to deliver strong earnings growth in the coming years. Despite this, the stock trades at about 1x tangible book value, a discount to the sector.



Q1 2026 Commentary

We have followed the industrial gases industry, and Japan listed Nippon Sanso, for some time and recently added shares in the Japanese company to the fund. The company is one of the world's largest suppliers of industrial gases. These include the likes of Oxygen, Nitrogen, Hydrogen, Carbon Dioxide and Helium and are used in countless applications across myriad manufacturing businesses globally. Alongside extensive overseas operations, we believe the company has a circa 40% market share in Japan. The markets in which Nippon Sanso operates are generally well consolidated and competition has historically been rational. Due to this industry structure, and the fact that these gases tend to be mission critical supplies for customers, the company has delivered healthy profit growth historically. Trading on less than twenty times earnings, the stock is valued at a discount to international peers.



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IMPORTANT INFORMATION

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

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