

Setanta Global Equity Strategy

Q2 2026 Commentary

Artificial Intelligence continues to dominate market sentiment with geopolitical tensions easing for now.

Tensions in the Middle East look to have eased for the time being. An interim agreement between the United States and Iran was signed and implemented. The agreement is expected to result in a termination of military operations, but we don't know if it will hold and if the supply of oil through the Strait of Hormuz will be unimpeded and endure for the medium term. An event like this, if resolved quickly and is isolated, is usually inconsequential for the long-term returns of an equity portfolio. That said events like this are rarely isolated and it now seems that the global geopolitical climate is uncertain. For the last number of years, we have observed increasing and lingering tensions between the United States and China. China's economic rise has sustained for the last 40 years. With a large, well-educated workforce that is willing and able to work very hard the country has emerged as a clear superpower. The United States, it seems, feels threatened and is implementing measures to try to curtail Chinese development. These measures included limiting access to equipment used to make semiconductors. As equity investment managers we deal with economics, technology, defence policy and the geopolitical strategy of individual countries as inputs into our own decision making as to which individual equities to own. We study history as a guide to how we might go about evaluating these complex and intertwined global systems. It's ferociously complicated to study and evaluate every single detail. In our process we observe world events and try to integrate them into our process knowing the task is incredibly difficult. As mentioned in our last commentary we devote most of our time into analysing businesses, the industries they are part of and the competitive landscape and how they develop. Through this research, we look to satisfy ourselves that the businesses we invest in can thrive over the medium and long term against a wide variety of potential macroeconomic and geopolitical backdrops.

The major theme in the market over the first six months of 2026 has been the continued development of Artificial Intelligence (AI). Many technology thought leaders are now proclaiming AI to be a bigger development than the internet. We can see that, in theory, if every knowledge worker has an effective agent, or multiple agents working alongside them that the market for AI products could be massive (multiple \$trillions). We are still in the early stages of adoption though. Consumers and Enterprises are emerging from the trial phase into the implementation phase. Doctors, lawyers and other professionals are routinely now integrating AI to enhance productivity. We should expect as the models improve, the experience and output will too. Our approach is to remain committed to our process. We primarily look for well established businesses, in leading positions that upon analysis look to give us a respectable return. Furthermore, we look for businesses that are in excellent financial shape, that have the ability to invest and capitalize on industry downturns potentially setting them up to come out stronger. We feel our portfolio has a sensible exposure to the AI theme with positions in TSMC, Alphabet, Microsoft, Meta, Applied Materials, Samsung and Keysight. In the quarter we added Amazon and ASML (see below).

Q1 performance review

The strategy gained 10.8%² in Q2 (EUR), trailing the benchmark by 3.8%² MSCI World TR EUR (14.6%) (EUR Gross of Fees). Top contributors included Samsung Electronics, Applied Materials and TSMC. Key detractors included Intercontinental Exchange, Nike and Netflix. Robust demand from hyperscalers underpinned the broad AI trade with memory players Samsung, SK Hynix and Micron being key beneficiaries. We participated nicely with our positions in Samsung, Applied Materials and TSMC. On the negative side Nike struggled as the competitive environment for footwear intensified. Netflix's guidance for revenue growth and margins was received negatively. Intercontinental Exchange (ICE) saw its mortgage technology division impacted by a weak US housing market. In addition data services businesses have been weak as the market digests the potential AI disruption threat.

² All references to strategy performance are gross of fees and all figures are in euro terms (unless otherwise stated) as at 30th June 2026. Source: Keyridge/Setanta performance team

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Portfolio activity

It was another active quarter for transactions, with five buys and one outright sell.

New additions were Amazon, ASML, Bentley Systems, Nintendo and Verisk. The outright sell was Estee Lauder.

Amazon

We've observed, followed and marvelled at Amazon's business acumen for many years. We are particularly impressed by their leading positions in 2 separate and massive markets, online retailing and cloud computing services (through their Amazon Web Services division). Amazon's relentless cost and customer focus has enabled them to be a formidable force in both categories. They are now the largest company by revenue in the Fortune 500. Despite this, there is a lot of opportunity ahead for Amazon to grow. Andy Jassy, CEO of Amazon, opined in his latest annual letter to shareholders that roughly 80% of global retail sales still happens in physical stores and 85% of global IT spend remains on premise. Both divisions are still growing in the double digits and Amazon trades on a forward earnings estimate of 28X. In addition, Amazon are a key infrastructure partner to both OpenAi and Anthropic. If the AI investment boom continues, Amazon has the potential to be a key beneficiary, and if it does not, Amazon is better positioned than most to absorb any excess capacity internally over time.

ASML

ASML builds, supplies and services advanced lithography machines to firms that manufacture semiconductors. These tools are essential pieces of equipment in the fabrication of "chips". Akin to a very highly engineered photocopier their latest machines are among the most complicated and difficult to manufacture on earth. It took them decades and countless manhours to develop the critical technology to succeed in creating their modern marvel, the Extreme Ultraviolet scanner. They are the sole suppliers of this machine to leading chip manufacturers TSMC, Samsung and Intel. No other company committed the time, money and engineering talent as the challenge was so difficult. ASML operates in adjacent processes to existing holding Applied Materials. Within their respective categories they command very high market shares, a result of years of accumulated and retained technical expertise. As a result, it's very hard to dislodge incumbents. At the time of our initial purchase of Applied Materials we determined that both ASML and Applied Materials were in very strong positions, but Applied Materials was a better investment opportunity. Over the last year however, Applied Materials has outperformed ASML by over 90%. Having revisited the investment prospects of both businesses we decided to initiate a small position in ASML funded from a trim of Applied Materials.

Bentley Systems

Bentley Systems are a provider of software products that enable users to create, manage and publish architectural, engineering and construction content. The software they provide enables engineers to design, build and deliver an infrastructure project. Increasingly they offer solutions to the owners and operators of the assets also. The main end markets that they serve are public works/utilities, roads and bridges, rail, municipal and water and waste. They also sell software products used in mining & resources, industrial and commercial applications. Engineering software tools are a must for the engineering profession enabling engineers to deliver projects accurately and on time and on budget. Much of the western world's infrastructure needs to be upgraded over the next 2 decades so Bentley should be in an excellent position to capture this spend. Recently however, many software companies have seen their share prices fall significantly as the threat of AI looms large. This has not affected the operating results of Bentley, yet. Recent results have shown continued revenue growth in the double digits. We think it's probable Bentley will be able to integrate AI tools and features into their products and benefit over the medium term. We are also seeing the emergence of potential new competitors in the form of "AI natives". Jeff Bezos has just completed a \$12Bn fund raising round for his project Prometheus which is looking to utilise AI to solve engineering problems. To mitigate this risk, we started with a small position (50bps of the strategy) and will monitor the competitive threat over the coming months and years.

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Nintendo

The primary business of Nintendo is its very successful video games platform. They also increasingly are monetising their valuable Intellectual property (IP) in other areas like movies, theme parks and merchandising through retail. Nintendo have been a leading player in the console industry since its emergence in the late 1970s and early 1980s. They focused heavily on the creative side and gameplay building fun characters and storylines. This focus and dedication to fun has served them well and as such they have amassed a massive library of characters from which to base future games on. The library includes but is not limited to Donkey Kong, Mario & Luigi, Zelda, Pokémon, Animal Crossing and Splatoon. The console market has matured with 2 leading players Nintendo and Sony. Sony are a strong competitor, with their PlayStation family of consoles, but lack the deep IP library that Nintendo has built up. Nintendo released their latest console the Switch 2 in June last year as a follow-up to their hugely successful Switch 1. The market initially reacted positively sending the shares to just over Y14,000. Since then, the surge in demand for AI memory has squeezed capacity and increased pricing for this component. Nintendo have recently announced price increases for the Switch 2. In addition, Nintendo's recent annual games conference, showed a games slate that was perhaps lighter than the market expected. Over time though we think Nintendo's strong game development studio should result in a continued pipeline of game hits. Recent share price weakness gave us the opportunity to add a small position in the strategy.

Verisk

Verisk is the dominant provider of critical data, analytics and technology to the insurance industry. It serves a growing market that sees Verisk as a partner that can solve the many difficulties it faces, such as accurate pricing, reducing operational inefficiencies, spotting fraud and making the claims process more accurate and streamlined. Barriers to entry are exceptionally high, due to massive and unique data, network effects, deep client relationships, and broad industry / regulator acceptance. Most of the revenue is subscription based. Verisk has a very strong position in the US P&C market and have been broadening out the product set in recent years. If they can broaden their product set out to penetrate life and international markets they could have some nice tailwinds over the medium term. Recently, however the stock has de-rated. This likely reflects a general de-rating of quality stocks, a slight decline in organic growth and AI disruption fears for firms that are in the business of providing data. We think, for now, Verisk's proprietary data sets, product sets and customer relationships should mean they are well protected. That said, we are mindful of the risks AI poses and potential emergence of new competitors not just for Verisk but for our other software and data services holdings.

Source: Bloomberg, quoted share price as of 06.11.25

Estee Lauder

We sold our residual position in Estee Lauder in early 2Q. While we like the beauty space, the company's decision to explore a combination with Spanish beauty group Puig, which would have been its largest acquisition to-date, whilst in the middle of an important restructuring program, raised our concerns that the company's strategy under the new CEO has not evolved.

David Byrne, Portfolio Manager.

Important Information

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

The Global Equity Fund is managed by Setanta Asset Management and is a representative account of the Global Equity strategy. The performance shown is the performance of a representative account (ILA/CLI Setanta Global Equity Fund [P-GLB1]). 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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