Setanta Dividend Fund
Q2 2026 Commentary

Market Background

The geopolitical conflict centred around the Straits of Hormuz, a name now familiar to many, continued well into the second quarter of 2026. After numerous apparent breakthroughs, an agreement of sorts was reached between America and Iran, under which the Straits became navigable again to commercial shipping. Crude oil and oil product prices, such as diesel sold in Europe, thus fell sharply by quarter end (Brent crude oil was $72, having neared $120 at the start of the quarter). The price of LNG, for delivery to Europe, also fell, but remained elevated compared to its price pre-conflict.

Elsewhere, Kevin Warsh became Chairman of the Federal Reserve (Fed). Having been seen as sympathetic to President Trump's oft-stated desire for lower interest rates, he immediately stated his belief in the importance of the Fed monetary policy being "*strictly independent*" while adopting a hawkish stance on interest rates, reflecting inflationary pressures emerging from the Straits of Hormuz conflict. Around the same time, the US Department of Justice dropped its criminal probe into outgoing Fed. Chair, Jerome Powell, while a US Supreme Court ruled that a Federal Reserve member, Lisa Cook, may remain in her position, contrary to the stated position of President Trump. All told, these developments are likely to be received positively by those fearful that the political independence of the Federal Reserve is being eroded by the Trump administration. In Europe, the European Central Bank raised interest rates for the first time since 2023, acknowledging the threat of rising inflation. Given weak economic growth in key countries, such as France, some prominent commentators have mentioned the spectre of stagflation, that is, inflation combined with stagnation.

The generally positive upward trend of equity markets resumed in the quarter. Some stock exchanges rose more than 10% in local terms, including the US's S&P 500, the Nikkei 225 in Japan and the Eurostoxx 50. Looking at the MSCI World High Dividend Yield index, cyclical sectors, such as Information Technology (IT), Financials, and Industrials, performed the strongest, while less cyclical sectors, such as Utilities and Communication Services were among the weakest. Energy was the weakest sector, reflecting the developments in the Straits of Hormuz. While not directly relevant to the world of income investing as SpaceX, a company associated with Elon Musk that has interests in space exploration and satellite technology, was publicly-listed, becoming one of the world's highest valued companies, albeit based on a small portion of it shares being listed.

Key Factors in Fund Performance

The Fund had a very strong quarter, rising 7.8%. **Samsung** (Preference Shares)**,** the Korean conglomerate with a key position in semiconductors, was for a third successive quarter a leading contributor to the Fund's performance. It reported Q1 quarterly operating income of 57 trillion Korean Won (roughly €33b). Not only does this amount exceed Samsung's operating income from every quarter over the past decade, it exceeds Samsung's annual operating income from all but one year of that period. As Samsung's revenues have increased over the past year, its costs have largely remained flat, leading to a huge increase in its profit margin, and thus in its profits. As reported last quarter, this reflects extreme rises in the prices of many memory chips, which are widely used in personal devices as well as Artificial Intelligence (AI) servers. We further reduced the Fund's position in Samsung, reflecting these exceptional conditions. **TSMC**, the leading manufacturer of process semiconductors,

[1] *For example, Olli Rehn, ECB council member, on 30th June 2026.*
https://www.cbsnews.com/news/kevin-warsh-fed-chair-hearing-independence-trump-rates/
[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*

was also a material contributor to the Fund's strong performance. It too benefitted from high semiconductor prices, as it continued to benefit from AI-related demand.

Swiss luxury goods company, **Richemont**, whose stock price had suffered as a result of the Straits of Hormuz conflict made a material positive contribution to performance. Aside from achieving very strong sales growth (up 11% compared to the prior-year quarter), it reported robust profitability despite headwinds, such as a much higher gold price, US tariffs on Swiss exports and unfavourable foreign exchange trends (a weak dollar versus the Swiss Franc). Its contribution was boosted by our decision to increase the position following the stock's prior-quarter weakness.

UnitedHealth Group, the US health insurer and health service provider, a recent position for the Fund, also contributed materially to Fund performance. It benefited from a favourable adjustment to regulated Medicare Advantage rates, a key service that the company provides. This, along with some improvement in industry trends, contributed to an increase in the company's earnings' guidance for the financial year.

CME, an operator of financial exchanges**,** was the largest detractor from the Fund's performance. As the situation in the Straits of Hormuz somewhat normalised, so did transaction volumes in, and expectations for, many of the main markets that CME operates, such as metals, interest rates, and energy products, softening earnings expectations. This was exacerbated by emerging news of regulatory changes that could lead to increased competition from alternative players in a number of CME's key markets.

Stock Feature – Air Liquide

Aside from the substantial work that is typically undertaken when investing in a new position, we endeavour to comprehensively assess existing holdings every few years. Recently, we reviewed **Air Liquide**, a stock acquired for the Fund during Q2 2020, prompted by a sharp fall in its share price during the COVID pandemic. Air Liquide is a French-based provider of industrial gases, which are used in many industries, playing an often imperceptible, but vital, role. There are many gases, each often having multiple uses, such as oxygen, used in heavy industries, such as steel-making as well as for respiratory support in healthcare settings; nitrogen, used to preserve food, but also as a fire suppressant; and argon, used in double glazed windows as well as semiconductor manufacturing.

Many of the attractive industry, and company, attributes that we identified six years ago, continue to prevail today. Air Liquide is one of two truly global industrial gas companies. Being a large incumbent means that it benefits from network economics, enabling it to connect new customers to its gas network infrastructure at a lower cost than peers. It has a relatively defensive profile, due to contracts that have minimum volume purchase requirements; clauses with customers that allow it to pass on energy prices (very relevant in the recent environment); and a healthcare business, that generates gas volumes, that by their nature, are unlikely to decline in economic downturns. Since our initial work, the dominance of Air Liquide (and its main peer, Linde) has become greater, further boosting its pricing power. Growth opportunities are as appealing as before, if not greater. This is due to the specific demand in the semiconductor industry for gases of which Air Liquide is a leading producer; possibilities to increase network density via bolt-on acquisitions; continued new applications for industrial gases; and the long-term potential for a shift from self-production of gases to outsourcing to specialist providers, such as Air Liquide. Since our original purchase for the Fund in Q2 2020 , we estimate that the company has, to date, provided a total return of around 10% per annum, of which roughly a fifth has come from income generation and the remainder from price appreciation.

**All figures are in euro unless stated; performance figures are gross of fees.*

Important Information

The Dividend Equity Fund is managed by Setanta Asset Management and is a representative account of the Dividend Equity strategy. The performance shown is the performance of a representative account (ILA/CLI Setanta Dividend Equity Fund [IEC7601]). 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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