Setanta Income Opportunities 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 again became navigable to commercial shipping. Crude oil and oil product prices, such as diesel sold in Europe, thus fell sharply by quarter end (Brent crude oil ended around $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. Against this backdrop, the European Central Bank raised interest rates for the first time since 2023. Given weak economic growth in key European countries, such as France, some prominent commentators have mentioned the spectre of stagflation, that is, inflation combined with stagnation.

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 Fed is being eroded by the Trump administration.

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, 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 its shares being listed.

Key Factors in Fund Performance

The Fund had a strong quarter, rising 5.1%, with positive contributions from its equities, bonds, property and cash investments. **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. Samsung's revenues and profit margins have increased reflecting very strong demand and extreme rises in the prices of many memory chips, which are widely used in personal devices as well as Artificial Intelligence (AI) servers. For largely similar reasons (very high semiconductor prices, driven by AI-related demand), **TSMC**, the leading manufacturer of process semiconductors, was also a material contributor to the Fund's strong performance. Swiss luxury goods company, **Richemont**, and US health insurer and health service provider, **UnitedHealth Group (UNH)**, also had strong quarters.

[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*

Richemont's shares rose in the quarter as it reported very strong sales growth (up 11% compared to the prior-year quarter), and robust profitability despite headwinds, such as a much higher gold price, US tariffs on Swiss exports and unfavourable foreign exchange trends, while UNH benefited from a favourable adjustment to regulated Medicare Advantage rates and general improvement in operating trends. Among the detractors, **CME,** an operator of financial exchanges, fell in value as the outlook for volatility, and transaction volumes, in many of the main markets in which it operates, softened, dampening earnings expectations. This was exacerbated by emerging news of regulatory changes that could lead to increased competition from alternative players.

As noted above, the European Central Bank increased interest rates. Despite this headwind, longer-term inflation expectations in the euro area remain well anchored, helped by the ECB's firm stance, and government bond yields declined across much of the maturity spectrum. In currency markets, the US dollar strengthened against the euro and most other major currencies. Within this environment, the Fund's bond portfolio made a positive contribution to overall returns, increasing in value by 2% over the period, with a solid contribution from income. We were active during the quarter, adding a number of bonds that we consider attractively valued and increasing the Fund's overall allocation to fixed income. As a result, the portfolio's sensitivity to interest rate movements and its average bond maturity both rose slightly.

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 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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