The New Ireland Fund, Inc.
Portfolio Manager Commentary
Quarter Ending January 31, 2019

Performance Review

The New Ireland Fund, Inc.'s ("Fund") returns are summarized in the table below.

Period to January 31, 2019	Benchmark* Return	IRL NAV Return	IRL NAV Return Relative to Benchmark
Quarter	-2.90%	-3.56%	-0.66%
Six months	-13.95%	-16.78%	-2.83%
1 year	-17.20%	-23.06%	-5.86%
3 years	+3.14%	-2.51%	-5.65%
5 years	+4.32%	+2.55%	-1.77%
Since inception	+6.91%	+6.97%	+0.06%

*Benchmark is the MSCI All Ireland Capped Index ("MSCI Ireland") from August 1, 2015. Prior to July 31, 2015 the benchmark was the Irish Stock Exchange Index ("ISEQ"). Prior to July 31, 2011 it was the ISEQ ex Bank of Ireland.

From the table below, it is quite clear that while Ireland performed poorly over the past 12 months, it is pretty much in line with the German DAX 30 and to a lesser degree the broad Euro Stoxx 50 index. The US has been a strongly outperforming market for most of 2018 albeit not outperforming as much over recent months. The US dollar strengthened by over 1% and almost 7% over the past 3 and 12 months respectively, reflecting the global risk aversion of investors and the US dollar acting as a safe haven.

Market	Quarter ended January 31, 2019 Returns		Year ended January 31, 2019 Returns	
	Local	US $	Local	US $
Ireland SE Overall (ISEQ)	-6.1%	-4.9%	-15.7%	-22.3%
MSCI All Ireland Capped	-4.1%	-2.9%	-10.1%	-17.2%
US Equities (S&P 500)	+0.3%	-0.3%	-2.3%	-2.3%
US Equities (NASDAQ)	0.0%	0.0%	-0.7%	-0.7%
UK Equities (FTSE 100)	-1.6%	+1.3%	-3.5%	-10.8%
Japan Equities (TOPIX)	-4.6%	-1.1%	-12.8%	-12.5%
European (Euro STOXX 50)	-0.6%	+0.6%	-9.1%	-16.3%
German Equities (DAX 30)	-2.4%	-1.2%	-15.3%	-22.0%
French Equities (CAC 40)	-1.6%	-0.4%	-5.9%	-13.3%

Note-Indices are total gross return

Investment Overview:

Portfolio

Performance wise the portfolio had a marginally negative return for the first fiscal quarter and was slightly behind the benchmark. For the calendar YTD, we have seen a strong start to the year in absolute terms and performance is slightly ahead of the benchmark. The Irish market experienced its most difficult year since the global financial crisis during 2018. Ireland was much unloved during 2018 having been hit by a confluence of negative global concerns, with Brexit fears chief amongst them for Ireland itself.

From the investment manager’s perspective we continue to report a strong fundamental background for both the Irish economy and the health of stock holdings held in the portfolio. There was an increasingly noticeable disconnect between the negative sentiment and the strong fundamentals of Ireland with the former winning out during 2018. Calendar YTD we have already seen a strong reversal of this prior trend and note a strong bounce in the performance of the market and many of the stocks held.

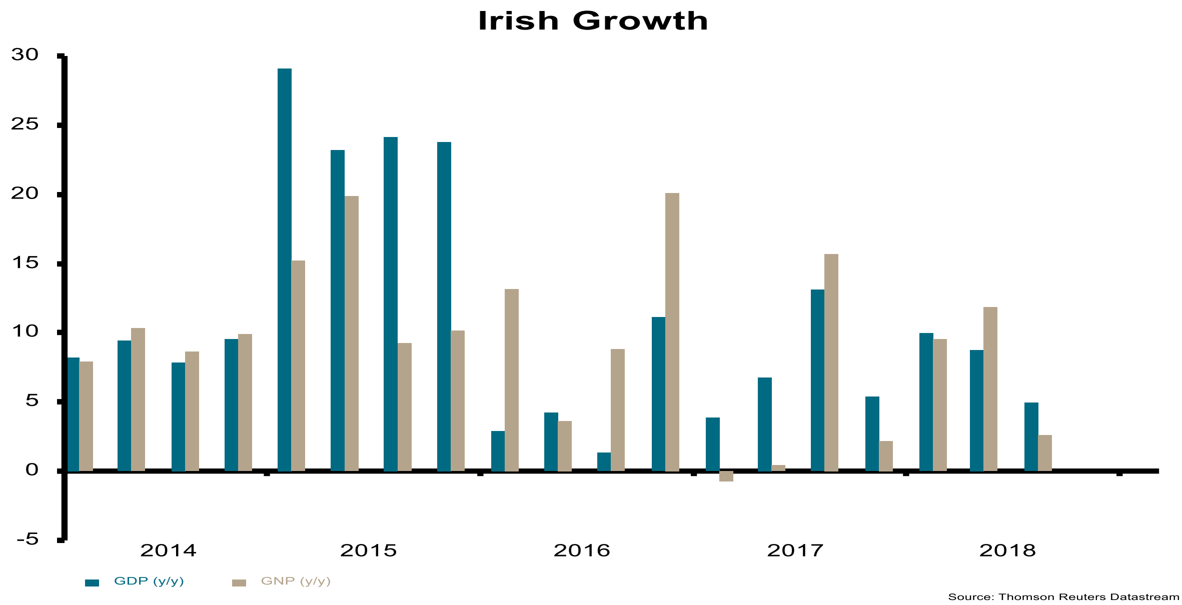
Top performers for the quarter were again dominated by more defensive healthcare and consumer staples names. We saw a strong bounce back in relatively illiquid names such as Amryt Pharma and Malin Corporation as well as Glanbia, Applegreen and Greencore. Higher yielding utilities such as Covanta and Veolia also performed well.

Underperforming stocks were dominated by a mixture of financial stocks such as Bank of Ireland and AIB Group as well as cyclical names Smurfit Kappa, Saint Gobain and Ryanair.

Quarter ending January 31, 2019 (MSCI Ireland -2.9%)			
Strongest portfolio returns		**Weakest portfolio returns**	
Amryt Pharma	+41.8%	Bank of Ireland	-15.0%
Malin Corp.	+29.5%	Smurfit Kappa	-11.4%
Covanta Holding	+11.6%	Total Produce	-8.9%
Applegreen	+9.1%	Saint Gobain	-8.2%
Glanbia	+8.7%	AIB Group	-6.8%
12 months ending January 31, 2019 (MSCI Ireland -17.2%)			
Strongest portfolio returns		**Weakest portfolio returns**	
Glanbia	+13.5%	Hostelworld	-45.2%
Covanta Holding	+5.2%	Malin Corp.	-43.1%
C&C Group	+4.5%	Ryanair Holdings	-39.2%
Applegreen	+0.8%	Saint Gobain	-38.9%
IPL Plastics	+0.0%	Glenveagh Properties	-38.2%

Irish Economic Review

In the latest available data, for Q3 2018, Ireland's GDP grew by 5.0% relative to the same quarter of the previous year, while GNP grew by 2.6%. The performance of both measures has been consistently strong, though extremely volatile, for some time, as the chart shows.

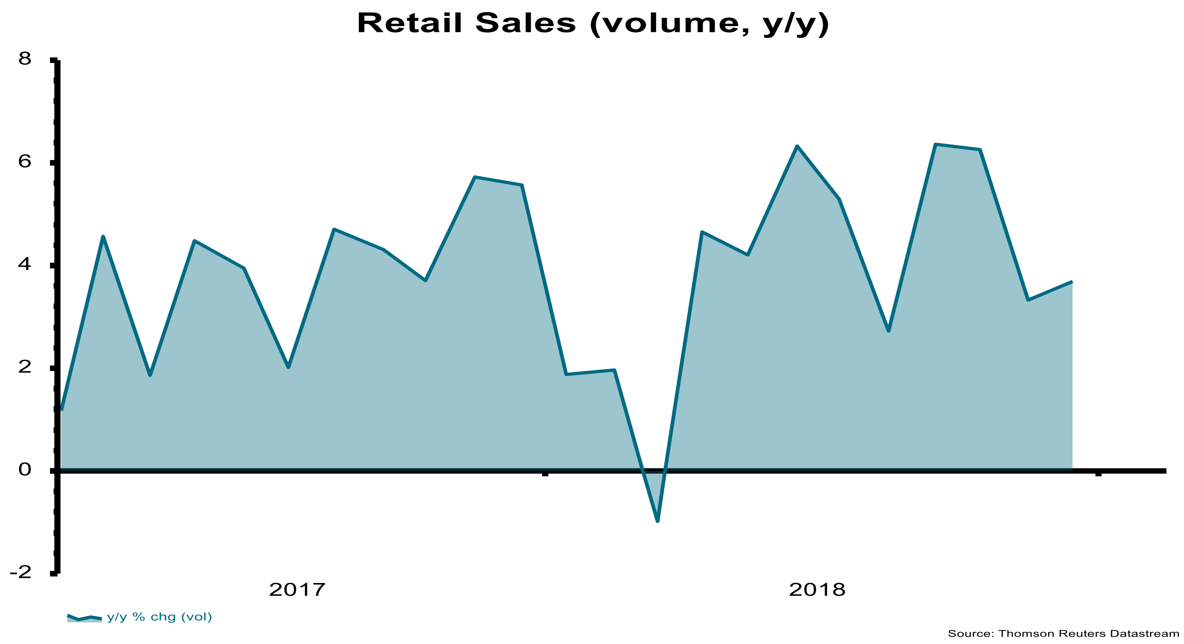


However, as frequently mentioned in these reports, GDP and GNP statistics for Ireland have become somewhat misleading. The issue is not that the statistics are in error, per se, it is that GDP and GNP are no longer as useful as they once were in measuring the real change of activity in an economy, such as Ireland's, which is very open to international capital and trade flows of many kinds.

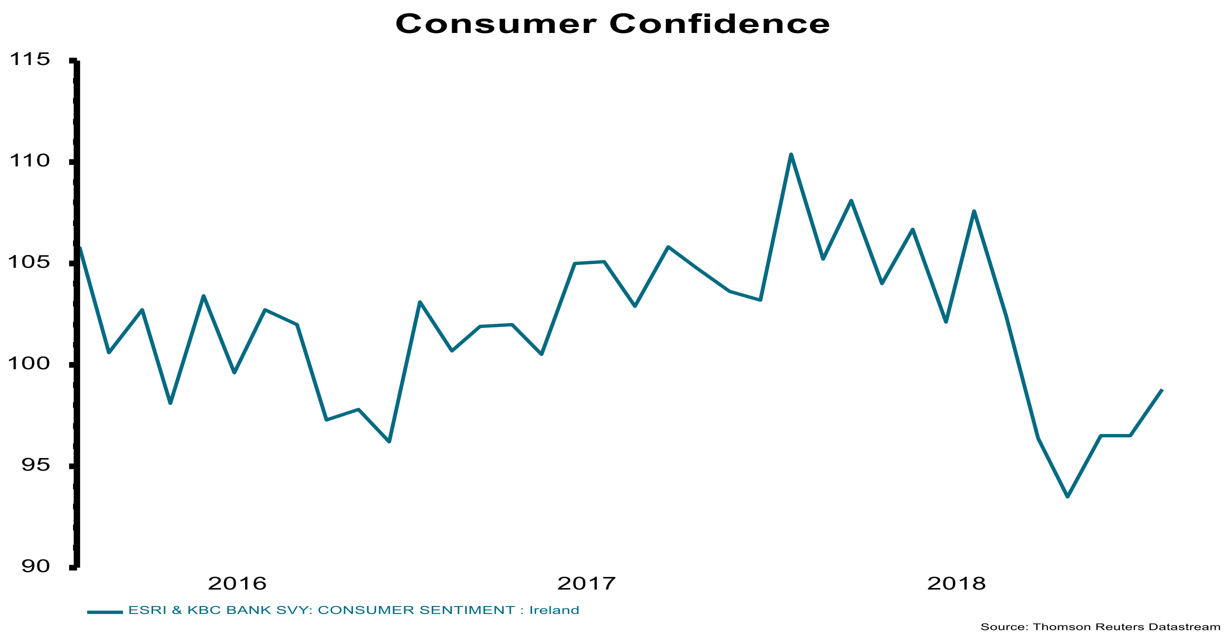
Fortunately, there are a range of other indicators which can be used to give us a good sense of what really is happening in the economy, as below.

Retail Sales

Retail sales (shown in the chart following) were very strong last year, with the noticeable exception of March, when Ireland was hit by severe weather, which had a major adverse impact on consumer spending. The most recent data shows a year-on-year growth rate of 3.7%, for December, a very solid growth rate by historical standards.



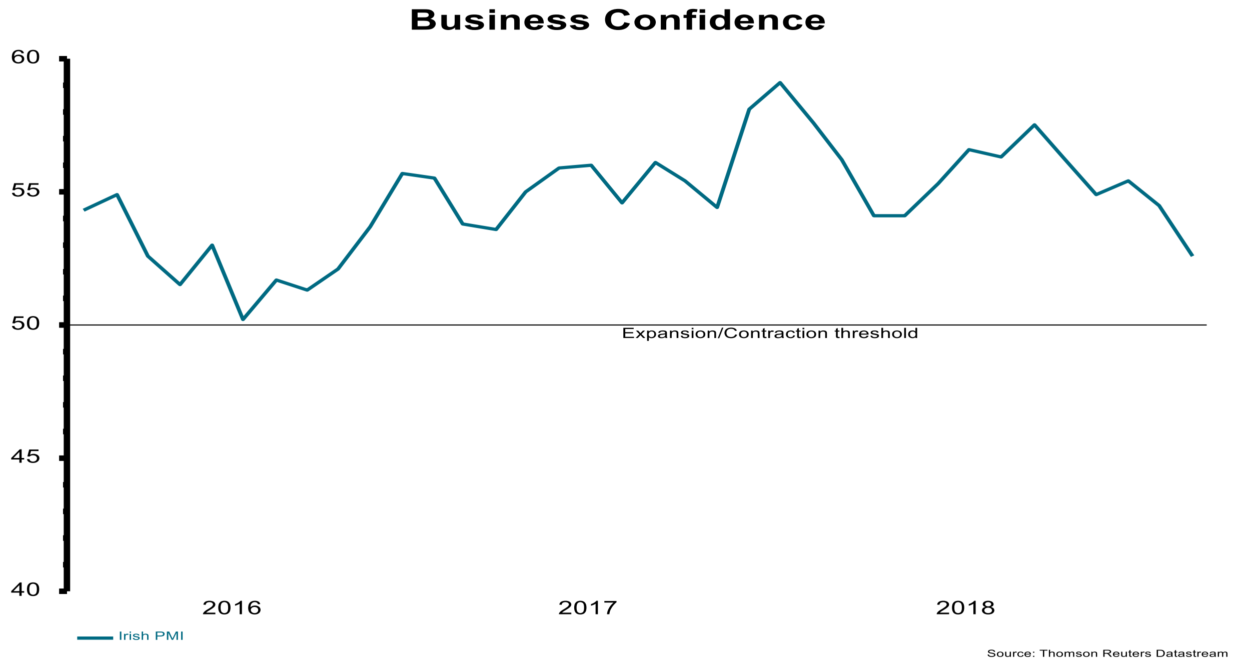
Consumer confidence had been very strong, helped by a strong labor market, but as the chart shows there was a significant drop from July 2018 onwards. Although it is not possible to be sure of the reason for this decline, concern about the UK's withdrawal from the European Union ('Brexit') may have been a significant factor.



Business confidence

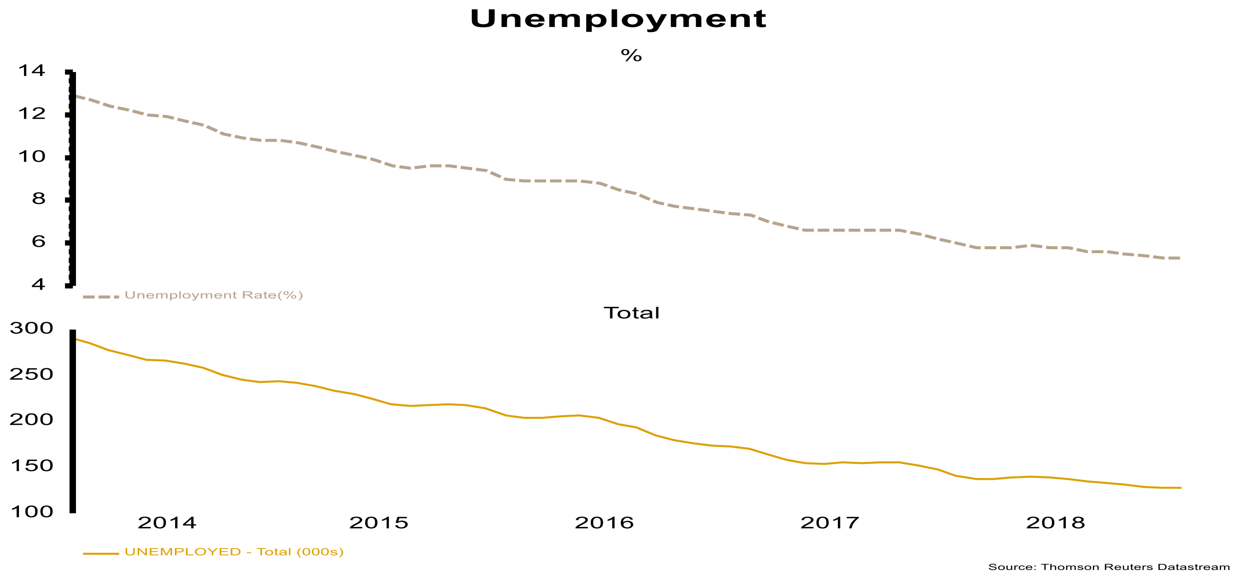
The pattern of business confidence is somewhat different to that seen in consumer confidence. Business confidence fell quite sharply in the immediate run-up to, and the aftermath of, the UK electorate's vote to leave the European Union. But, after a trough in July 2016 (immediately after the UK referendum result), it recovered quite well and remained reasonably strong for some time.

However, in the most recent data a distinct downward trend is evident, which is very likely to be as a result of the extraordinary uncertainty about the timing and processes of the UK's exit from the EU, and how this may impact on trade with the UK, and via the UK to other countries.



Labor Market

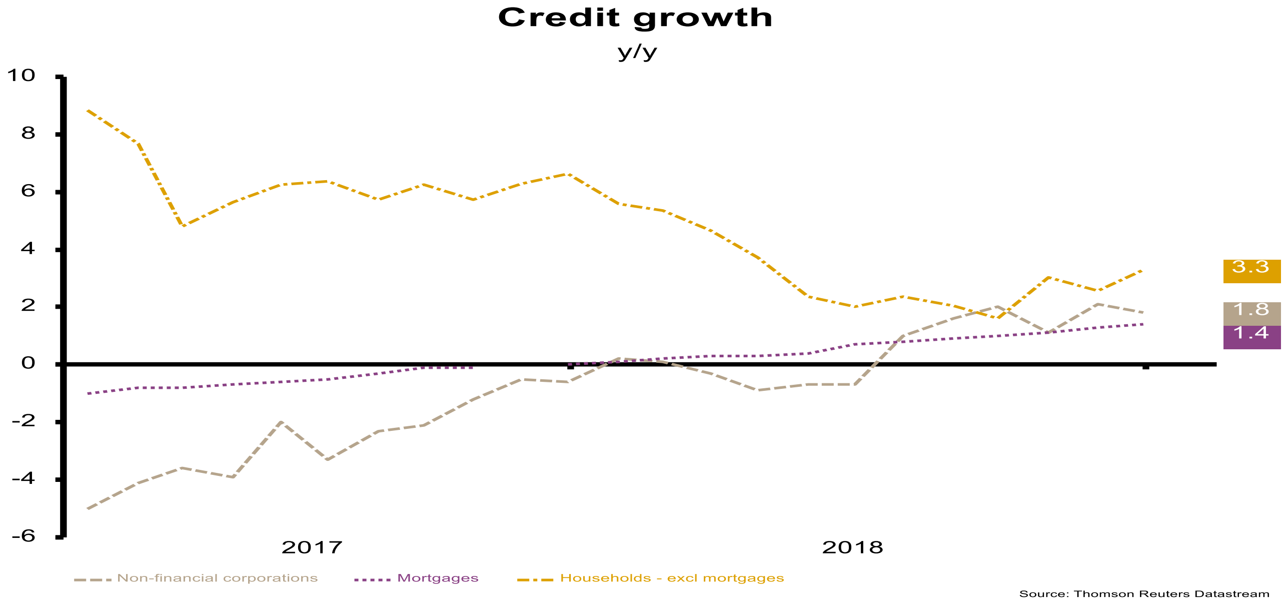
There continues to be a steady trend downwards in unemployment. The number of unemployed on this measure has fallen from a peak of 356,000 in January 2012 to 127,300 in January of this year. The unemployment *rate* has also declined and stands at 5.3% (also January data), down from a peak of 16.0%. Ireland's unemployment rate is now substantially below the eurozone average. However, it is noticeable that there has been a slight 'flattening' of the pace of decline in recent months. This may be due to uncertainty about Brexit.



Credit Growth

Credit to households and non-financial corporations is growing very slowly, after many years of declines. Mortgage lending grew by only 1.4% in 2018, while loans to the non-financial corporate sector grew by less than 2% over the same period.

The overall pattern is that while growth remains strong, it is certainly not debt-fueled. Both the corporate and household sector has very significantly reduced their debt, in absolute terms, since the peak of the last cycle in 2009.



Government Finances

The government is estimated to have achieved a small budget surplus in 2018, the first surplus since 2007, with a surplus of 0.1% of GDP. This represented a small, but significant, improvement from the modest deficit of 0.4% seen in 2017. Brexit-related uncertainties create considerable difficulties in forecasting the fiscal outcome in 2019 and 2020, but if a Brexit ‘crash’ is avoided, there should continue to be modest surpluses in the years ahead. In the event of the UK leaving the EU with no withdrawal agreement in place, it is likely that the Irish government would undertake targeted additional spending and perhaps some modest tax cuts to offset the negative impact, leading to a budget deficit this year and next.

The debt/GDP ratio is estimated to have peaked in 2013, at about 120%, and we estimate that it fell to about 64% at the end of 2018 - though this overstates the real level of indebtedness as it excludes large cash-on-hand balances of almost 9% of GDP. On the other hand, distortions to the actual size of GDP are exaggerating the scale of the improvement. On balance, these issues make it difficult to be definitive about the size of the improvement but there can be no doubt that the fiscal situation has improved drastically over the last number of years.

All major credit rating agencies now rate Ireland in the “A” range.

"Brexit"
The decision of the UK electorate to vote to leave the European Union may have significant ramifications for the Irish economy. The UK is very likely to leave the European Single Market and may well leave the Customs Union. This is the least welcome option for Ireland, as it means that there may have to be customs controls and checks on the land border between the Republic of Ireland and Northern Ireland, which could be quite disruptive to trade between the two parts of the island.

In November 2018, agreement was reached between the UK government and the European Union on a Withdrawal Agreement that would, if implemented, result in reasonably free trade between the UK and EU for several years. If this deal is ratified by the UK and EU parliaments, there would still be some negative impact on the UK and Irish economies, but this impact would be quite limited and disruption would be kept to a fairly low level.

However, at the time of writing (mid-February) it is far from clear whether the agreement will be ratified by the UK Parliament, or whether an amended agreement will be ratified, or if the departure of the UK from the EU will be delayed allowing further time for negotiations, or if the UK will depart the EU without any transition agreement. All these outcomes (and others) remain possible, and even though we are just a matter of weeks away from the UK's scheduled departure on March 29th it is impossible to forecast with confidence which of these scenarios is most likely to occur.

What we can forecast, however, is that a disorderly exit of the UK from the EU would be very likely to result in significant, or perhaps even severe, disruption to international trade between the UK and the EU (including Ireland) for a period of time likely to be at least weeks, and possibly months. We estimate that there could be a negative impact on economic growth in Ireland amounting to at least 1% of GDP in 2019, with potential for a higher level of impact, although this should be seen in the context of an economy which is currently growing at close to 5% per annum.

Outlook:
For 2019, the Central Bank of Ireland estimates GDP growth of 4.8%, led by capital investment in particular. However, forecasts are highly dependent on the outcome of the Brexit process, and while the Central Bank's forecast is reasonable in a "benign Brexit" scenario, in our view growth will be materially lower if the UK leaves the EU in a disorderly fashion. In that scenario, we would tentatively forecast growth of no more than 3.5%.

Global Market Outlook

The final calendar quarter of 2018 proved to be a challenging one for global equity markets with the bulls of the previous decade's strong equity markets over-run by a combination of fears, notably focused on geopolitical concerns regarding US-China trade and Brexit, and in parallel a sudden hyped-up fear of an imminent and earlier than expected global recession. The market returns were negative, the more cyclical sectors performed poorly, and the negative market also proved a catalyst for the 'bursting' of the FANG bubble with many of the previously high-flying technology names falling sharply back to earth. The final quarter proved to be a battle between fundamentals and sentiment with the latter proving victorious.

So where to from here? We believe that fears of a global recession are overblown at this point and that fundamentals will prove constructive for further gains in global equity markets. That said, the bull market is quite mature by now, so expect more modest returns from here. Central banks - who for the previous decade have been the prime drivers of markets through their quantitative easing and easy monetary policy – have notably changed their policy stance, starting with substantially higher interest rates in the US, and this has rightly put some focus on some of the more extremely overvalued sectors or stocks within equity markets – a trend that is likely to continue. The 'easy money' days are over but equally there is not a hostile outlook from central bankers.

Over coming months, a key area of focus will be the geopolitical issues of Brexit and US-Chinese trade negotiations. Globally, the latter is a far more significant issue for markets and it is noteworthy that investors appear to be positioning for a more positive resolution so far in 2019, but we caution that such sentiment may prove unfounded and the negotiations may drag on for much longer than many might hope for. In Europe, the Brexit negotiations remain as perplexing as ever with even the most knowledgeable experts being very uncertain as to how this may play out. From a fundamentals perspective, while we believe recession fears are overblown, it is reasonable to conclude that the global GDP growth rates of early 2018 have moderated and we will see more modest growth rates that will likely see some earnings downgrades during the first quarter reporting season. Much of this should already be in stock prices but there may be some vulnerability to downgrades depending on market sentiment at the time of release. Beyond these short-term hurdles that may hold markets at bay, we believe fundamentals do remain supportive for equity market progress based on:

- a continuation of the global economic expansion, albeit likely moderated
- continued earnings and dividend growth
- valuations that are at fair value levels and in some cases cheap (e.g. Emerging Markets)
- relatively muted inflation, which will limit central bank tightening
- progress in trade talks between China and the US
- eventual clarity on the nature of the UK's exit from the EU
- signs of a stabilization of the European economy led by Germany and France
- corporate leadership manifest by increased M&A activity, buybacks and higher dividends

As we have written about previously, the bull market has been characterized by investors continuously worried about some 'issue or other' for a decade. We always get asked what the next market crisis will be or when the next recession will occur. From our perspective, there are currently no major market or valuation extremes such as characterized and predated other market crashes, and therefore expect that this bull market and economic expansion will remain a slower and more moderate cycle, without the global crisis of 2008 or indeed the market crash of the early 2000s.

Irish Market Outlook:

The medium-term outlook remains very positive for both the Irish economy and stock-market. In the near term a couple of binary events that are impossible to predict will dominate, namely Brexit and US-China trade negotiations. This is a reason for us to remain patient while managing the portfolio and looking to the medium term rather than attempting to second guess near term events. The tone of markets has improved of late with some hope for macro and more importantly a very positive response from stocks to earnings releases. The earnings are proving strong and stock prices are responding positively and in particular those that were overly punished during the second half of 2018.

We continue to focus on the portfolio with a strong bottom up stock picking emphasis, always seeking superior growth at attractive valuations and not compromising on quality. We remain confident but also ever vigilant as there are some near term binary events on the political front that may challenge the outlook depending on decisions made.