The New Ireland Fund, Inc.
Portfolio Manager Commentary
Quarter Ending January 31, 2021

Performance Review

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

Period to January 31, 2021	Benchmark* Return	IRL NAV Return	IRL NAV Return Relative to Benchmark
Six months	+20.46%	+19.13%	-1.33%
1 year	+10.81%	+12.10%	+1.29%
3 years	+1.56%	-1.34%	-2.90%
5 years	+6.78%	+2.56%	-4.22%
Since inception	+7.27%	+6.43%	-0.84%

*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, Ireland has performed relatively strongly versus Europe over the past 12 months, however it lagged the EuroStoxx50 over the quarter which was +18.0% versus +23.1%. The US equity markets returned S&P 500 +14% and Nasdaq + 20%, so while lagging over the quarter were the strong outperformers over 12 months returning +17.2% and +44.1% respectively. The UK FTSE250 index has been a strong performer returning +25.3% over the quarter however it has been big underperformer over 12 months. So, while Europe has been out of favor versus US equities, Ireland has held its own within Europe and if anything, an outperformer.

		3 Months Perf		6 Months Perf		12 Months Perf	
	NAME	Local	USD $	Local	USD $	Local	USD $
ISEQUIT	IRELAND SE OVERALL (ISEQ)	9.7	14.4	16.1	19.3	2.2	12.0
MSIRAC$	MSCI ALL IRELAND CAPPED $	13.4	18.2	17.2	20.5	1.1	10.8
S&PCOMP	S&P 500 COMPOSITE	14.0	14.0	14.5	14.5	17.2	17.2
NASCOMP	NASDAQ COMPOSITE	20.0	20.0	22.1	22.1	44.1	44.1
FTSE100	FTSE 100	15.5	22.6	10.2	15.3	-9.2	-5.4
TOKYOSE	TOPIX	14.7	14.6	22.1	23.3	10.0	13.9
DJES50I	EURO STOXX 50	18.0	23.1	10.3	13.3	-1.8	7.6
DAXINDX	DAX 30 PERFORMANCE	16.2	21.2	9.1	12.1	3.5	13.4
FRCAC40	FRANCE CAC 40	17.9	22.9	13.5	16.6	-4.8	4.3
AMSTEOE	AEX INDEX (AEX)	19.5	24.7	17.8	21.0	10.6	21.2
FTSE250	FTSE 250	18.0	25.3	20.7	26.3	-2.5	1.6
	Ishares MSCI Ireland ETF	12.8	17.7	17.3	20.5	-0.3	10.8

Note-Indices are total gross return
**** Source: Datastream***

Irish Economic Review

For Ireland and the Irish equity market, as an open economy and stock market it is totally exposed to global developments. The large presence of more defensive sectors such as technology and pharmaceuticals are a great positive for the economy and while final data is not yet available, economists expect that GDP growth in Ireland was the fastest in the developed world in 2020. GDP is an imperfect measure of economic growth given the structure of the Irish economy but even allowing for that distortion it is clear that the economy performed very well in a relative sense. The fiscal impact of the COVID crisis will be large, as undoubtedly huge sums have been, and will continue to be, borrowed by the Government to finance various measures it has taken to support consumer incomes and businesses most affected by the slowdown. The various measures taken by the European Central Bank to enhance the ability of banks to continue to provide credit to the private sector are also helping to offset the worst of the impact, and its large-scale purchases of European government bonds, including Irish government bonds, are helping to keep Government borrowing costs at extraordinarily low levels. In fact, the Irish Government ten-year bond yield has been negative for some time.

'Coronavirus'

A relaxation of restrictions over Christmas, combined with the spread of the B.1.1.7 variant from the UK, which is significantly more infectious than previous variants, led to an extremely rapid and substantial surge in cases, in late December 2020 and January 2021. In turn, this resulted in the imposition of very severe restrictions of movement, socialization and economic activity, and the government and public health authorities indicated that these restrictions are very likely to stay in place until at least March. At the same time, however, Ireland began its vaccination program at the end of December and is aiming to have all over-65s vaccinated by late Spring, and to have the bulk of the population vaccinated by the Autumn. By the end of January, the number of cases and the testing positivity rate had more than halved from the early January peak, although both still remained very high in comparison with previous waves in Ireland. Nonetheless, Ireland is perhaps well placed in a relative sense, due to the large exposure to sectors which are among the least affected by the crisis as highlighted above.

'Brexit'

The largest Ireland specific event for the quarter was the signing of the Brexit trade deal (remembering the Brexit deal itself was formally ratified on January 31st, 2020). It is early days but clearly the removal of Brexit trade uncertainty is not seen as an immediate 'silver bullet' to unleash sudden international interest in Irish stocks. That said, the free trade agreement between the UK and the European Union is important firstly because it removes, permanently, the considerable uncertainty that was affecting both economic activity in Ireland and market sentiment towards Ireland. Ireland's exports and imports are very high relative to the size of its economy, so uncertainty as to what, if any, tariffs and other impediments to trade would apply to trade with Ireland's closest neighbor and largest trading partner had a very significant adverse impact on the ability of companies to plan for 2021 and beyond.

Furthermore, that agreement means that there will be "free trade" between Ireland and the UK to minimize – but certainly not eliminate – barriers to trade flows of goods between the EU and UK. Although tariffs are set to zero for all goods, there has been considerable disruption to trade given the need of exporters/importers to comply with complex paperwork requirements. At this stage it appears that, as expected, there has been a negative impact on Irish exports to the UK, and some limited disruption to supply chains, although far less so than if a trade deal had not been agreed. Over time, these negative impacts should reduce, and to date it does not appear as if the magnitude of the disruption is large enough to lead forecasters to materially change their forecasts for economic growth this year or in future years. Meanwhile, the exclusion of financial services from the trade agreement means that the very large UK financial services sector, based around the City of London, faces considerable challenges selling its services to EU customers, and Ireland may benefit from a further relocation of activity from the UK to Ireland in order to serve the large EU market.

Equity Market Review

2020 was a truly extraordinary year with global equity markets on a rollercoaster ride, from the COVID pandemic-driven collapse in Q1 2020 to the subsequent rapid recovery. The strength of the final quarter proved no less surprising, with new optimism from the positive vaccine news and, to a lesser extent, the outcome of the US election. We enter 2021 with much hope and confidence for a return to 'normal'.

While very concerning COVID news continues to dominate global headlines, global markets have entered 2021 with the same optimism that dominated the final months of last year. This optimism, fuelled by the strong combination of central bank liquidity, increasing signs of governments opening their fiscal taps and now, the very tangible evidence and expectation of vaccine rollout that will accelerate over coming months.

Our central scenario is that from late spring onwards the global economy and company earnings will experience strong recoveries from the pandemic-induced declines of last year. We expect investor rhetoric to be very different to 2020 as we now speak of vaccine and not virus; fundamentals-driven rather than liquidity-driven; reflation rather than deflation; re-opening rather than closing; return to work rather than from work from home etc. Such an outcome is consistent with further positive returns from global equities while expecting fixed income markets to struggle and underperform.

The performance of the year ahead will be very dependent on investor confidence in the recovery envisioned above, but also importantly that the recovery is sustained into 2022 and beyond. This central assumption provides strong fundamental conditions for active managers to find investment opportunities in a rotation towards new winners such as value sectors, smaller capitalisation stocks and, for example, non-US developed as well as emerging markets.

Undoubtedly challenges remain, not least potential delays in vaccine rollout and/or further severe COVID relapses. Inflation may grab more attention which could itself pressurise low bond yields, resulting in a steepening of yield curves, and consequently undermining of equity markets. We will also continue to monitor geo-political fallout from Brexit and the myriad of US political events.

Irish Market Outlook:

For Ireland, the beginning of a new economic cycle and acceleration in global growth from late Spring onwards should be very supportive. A positive macro environment should turn into a positive tailwind for many more value or cyclical-oriented stocks and industries. While aggregate valuations of equity markets are not seen as cheap in absolute terms, as long-term investors we are at a point where value and cyclicality should prevail over growth and defensiveness and Ireland is very well placed for such a rotation. As we are at the beginning of a new economic cycle for Europe, we also will look beyond 2021 earnings and discount further earnings growth through 2022 and 2023. This positive momentum of earnings will be crucial for further market progress and a focus for stock selection.

We have continued to focus much effort on bottom-up stock picking and analysis. As this rotation should also benefit domestic Irish names that have been 'crushed' by the COVID pandemic, we have gradually been adding to the portfolio's exposure to domestic Ireland exposed stocks such as banks & homebuilders over the quarter. The portfolio is actively managed and while gradual, the incremental moves have been to take profits from the more expensive growth stocks and re-invest in more quality value cyclicals.

A theme we have been gradually adding to over recent years has been that of providing the portfolio with exposure to the alpha potential of 'Green impact/climate change'. Interestingly, the fiscal spend by governments from the USA to Europe to China has been a strong one focused on green infrastructure. The Irish government has also been actively been speaking more broadly to the decarbonizing economy theme of late and with a commitment to a net-zero carbon economy by 2050. This theme we believe is here to stay, exciting from a portfolio perspective and we would hope will result in new IPOs etc. over time for the portfolio.

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