The New Ireland Fund, Inc.
Portfolio Manager Commentary
Quarter Ending April 30, 2019

Performance Review

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

Period to April 30, 2019	Benchmark* Return	IRL NAV Return	IRL NAV Return Relative to Benchmark
Quarter	+8.25%	+8.69%	+0.44%
Six months	+5.11%	+4.82%	-0.29%
1 year	-7.24%	-13.23%	-5.99%
3 years	+4.15%	-1.18%	-5.33%
5 years	+4.14%	+2.37%	-1.77%
Since inception	+7.15%	+7.21%	+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.

Investment Overview:

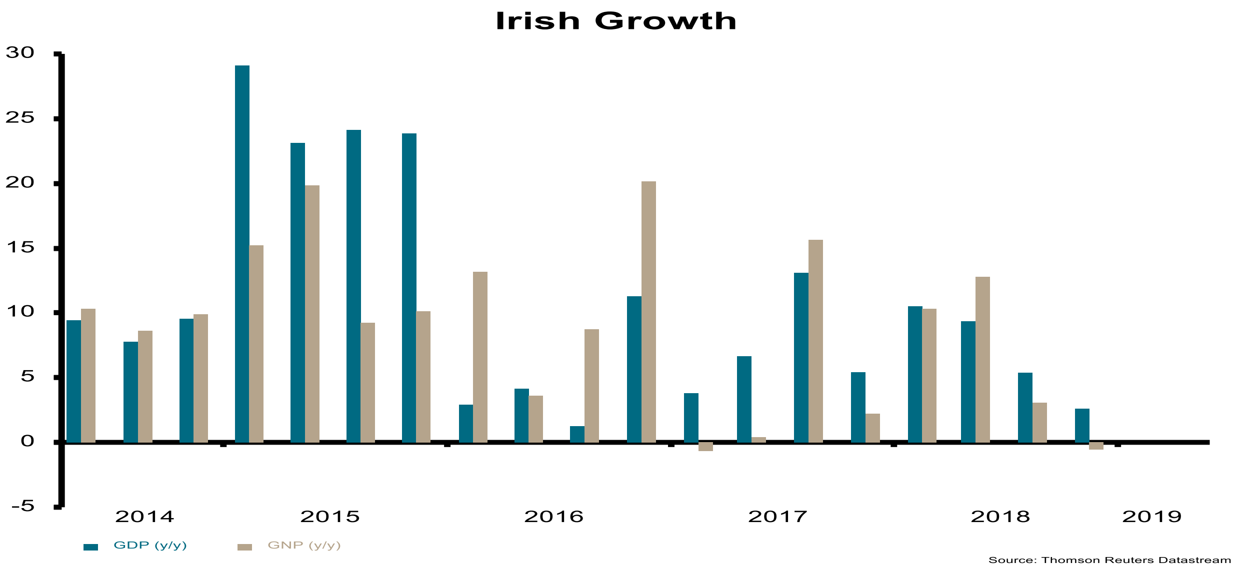
Performance wise the portfolio had a very strong return for the second fiscal quarter. The Irish market had its most difficult year since the financial crisis in 2018 but has bounced strongly since.

Top performers for the quarter were again dominated by a bounce-back in some of the more quality cyclical names across the property and construction sectors. Amryt, a relatively illiquid name, was much weaker along with some defensive Food sector names such as Greencore and Origin Enterprises. IPL Plastics was also weaker after a very strong previous quarter.

Quarter ending April 30, 2019 (MSCI Ireland +8.3%)			
Strongest portfolio returns		**Weakest portfolio returns**	
Kingspan Group	+28.6%	Amryt Pharma	-31.2%
Grafton Group	+20.8%	Applegreen	-18.5%
CRH	+18.7%	IPL Plastics	-10.6%
Greencore Group	+18.2%	Hostelworld Group	-8.8%
Saint Gobain	+18.2%	Total Produce	-7.2%

Irish Economic Review

In the latest available data, for Q4 2018, Ireland's GDP grew by 2.6% relative to the same quarter of the previous year, while GNP declined by 0.5% over the same period. This was a significant decline in the pace of growth from previous quarters, as the chart shows.



However, GDP and GNP statistics for Ireland can be somewhat misleading 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 have grown steadily, with the noticeable exception of March of 2018, when Ireland was hit by severe weather. The most recent data shows a year-on-year growth rate of 5.0%, for March, a very solid growth rate by historical standards.

Consumer Confidence

Consumer confidence had been very strong, helped by a strong labor market, but 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 Brexit may be a significant factor.

Business Confidence

Over the last two to three years, business confidence has been quite strong, and well above the neutral level. The ongoing uncertainties around Brexit do not appear to have had a substantial impact on business confidence, perhaps surprisingly.

Labor Market

There continues to be a steady trend downwards in unemployment. The unemployment rate has declined to 5.4% (April data) from a peak of 16.0%. Ireland's unemployment rate is now substantially below the eurozone average.

Credit Growth

Credit is growing modestly, after many years of declines. The overall pattern is that while growth remains strong, it is certainly not debt-fueled. Both the corporate and household sectors have significantly reduced their debt, since the peak of the last cycle in 2009.

Government Finances

The government is estimated to have achieved a small budget surplus in 2018 of less than 0.1% of GDP. 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 the Irish government would undertake targeted spending and modest tax cuts, leading to a budget deficit this year and next.

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

“Brexit”

The UK is very likely to leave the European Single Market and may also leave the Customs Union. This is the least welcome option for Ireland and could be quite disruptive to trade.

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. However, the UK government has been unable to get parliamentary ratification for this agreement, which has led to an extension of the proposed Brexit date until the end of October 2019, while negotiations continue.

A disorderly exit of the UK from the EU could have a negative impact on economic growth in Ireland of at least 1% of GDP, with potential for a higher level of impact, although this should be seen in the context of an economy which is in reality probably growing at close to 5% per annum.

Outlook:

For 2019, the Central Bank of Ireland is forecasting GDP growth of 4.2%, led by capital investment in particular. However, forecasts are highly dependent on the outcome of the Brexit process (unknown at the time of writing), 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

After a difficult final quarter to 2018, equity market returns were extremely strong for the first months of 2019. In a nutshell, the strong rally was predominantly a mirror reflection of what occurred during Q4. Positive sentiment winning out, helped by:

- A de-escalation of fears for a global trade war resulting from US-China trade tensions;
- Central banks turning more dovish
- An extension of the Brexit deadline
- Within equity markets and across asset classes, riskier sectors and assets generally outperformed with large US and Emerging Market tech stocks re-emerging as a winner.

Our central view is that fundamentals remain supportive for further gains in global equity markets but expect returns to be more modest. Economic growth has been slowing but the major world economies are growing and policymakers are market friendly in the absence of inflationary fears!

We continue to believe that fears of a global recession are overblown. Reassurance on fundamentals over coming months should support higher global equity markets and pressure bond yields higher. Returns available on cash and yields on fixed income are negligible while global investor surveys show that investors are positioned defensively with above-average cash holdings.

Markets are 'desperately seeking reassurance' on three fronts:

1) Geopolitical: positive deal-making between China and the US; progress on Brexit;
2) Macro: confirmation of a growing not slowing global economy; and
3) Micro: companies to provide comfort on the outlook for their earnings.

With markets far from complacent we continue to monitor the various downside risks with our core expectation remaining that a gradually reassuring outlook will support further market gains.

Irish Market Outlook

The medium- and longer-term outlook remains positive for both the Irish economy and stock-market. The next number of months will have the Brexit outcome hanging over it. Near term sentiment looks set to be dominated by US-China trade negotiations. In managing the portfolio, we continue to focus on fundamentals rather than attempting to second guess near term events.

We believe the support from equities will be dependent on fundamentals more than sentiment from here. We believe earnings growth will be the most crucial driver from here, helped by a continuation of the global economic expansion, albeit at a slower pace.

In our opinion, overall valuations are at fair value levels after 10 years of a bull market. Across sectors globally we are concerned by the extent of the over-valuation of select pockets such as elements of the technology sector. However, Ireland is immune from this sectoral exposure.

It is crucial to see stabilization of the European economy. We expect to see corporate leadership via increased M&A activity. Buybacks and dividends should also support stocks.

We continue to have a bottom up stock picking emphasis, seeking superior growth at attractive valuations and not compromising on quality. We have faith in the existing themes:

- Attractive dividend income---Greencoat Renewables; Covanta; REITS.
- Quality cyclicals---Ryanair; Kingspan.
- European recovery --- Saint Gobain, Veolia.
- Irish domestic economy recovery--- Applegreen; Dalata Hotel; Grafton Group, Glenveagh.
- Idiosyncratic bottom up picks---Mincon; IPL Plastics; Amryt Pharma; Malin Corporation.

For the portfolio, we remain confident but also ever vigilant as there are some near term political events that may challenge the outlook.

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