The New Ireland Fund, Inc.
Portfolio Manager Commentary
Quarter Ending April 30, 2021

Performance Review

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

Period to April 30, 2021	Benchmark* Return	IRL NAV Return	IRL NAV Return Relative to Benchmark
3 months	+18.56%	+18.85%	+0.29%
1 year	+67.07%	+72.28%	+5.21%
3 years	+8.73%	+6.49%	-2.24%
5 years	+9.38%	+7.53%	+1.85%
Since inception	+7.80%	+8.19%	+0.39%

*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 the EuroStoxx50 over the past 3 & 12 months, returning +18.6% and +67.1% versus +14.0% and +53.4% respectively. The US equity markets returned S&P 500 +13% and Nasdaq + 7% over the quarter, so while positive in absolute terms over the quarter US markets have finally begun to lag and especially so the previous technology growth winners. Early days, but equally noteworthy that on the 12-month basis Ireland is also ahead of both US indices for the first time in quite a while. The UK FTSE250 index has been a strong performer, +12.7% over the quarter and delivered +53% over 12 months ending April 30, 2021.Finally, currency has been a factor and local currency returns are not as strong over 12 months while only a modest variation on the quarter. For the 12-month period ending April 30, 2021 the US dollar has weakened by approx. 15% against the Euro which has benefitted US investors.

	3 Months Perf		6 Months Perf		12 Months Perf	
NAME	Local	USD $	Local	USD $	Local	USD $
MSCI ALL IRELAND CAPPED $	19.6	18.6	35.6	40.2	52.0	67.1
S&P 500 COMPOSITE	13.0	13.0	28.9	28.9	46.0	46.0
NASDAQ COMPOSITE	7.0	7.0	28.4	28.4	58.3	58.3
FTSE 100	10.1	11.1	27.2	36.2	22.2	34.1
TOPIX	5.9	1.4	21.5	16.2	32.3	29.5
EURO STOXX 50	15.0	14.0	35.7	40.3	39.6	53.4
DAX 30 PERFORMANCE	12.7	11.7	31.0	35.4	39.4	53.2
FRANCE CAC 40	16.5	15.5	37.4	42.0	40.4	54.3
AEX INDEX (AEX)	11.7	10.7	33.5	38.0	40.6	54.5
FTSE 250	11.8	12.7	31.9	41.3	39.4	53.0

Note-Indices are total gross return
Source: Datastream

Irish Economic Review

In the most recent three month period ended April 30, 2021, the impact of the COVID pandemic declined steadily in Ireland, as cases fell sharply, the vaccine rollout accelerated, and restrictions on economic activity eased moderately. By the end of April, almost 30% of the adult population had received at least one dose of vaccine, and the pace of vaccine administration was rising quickly as supply constraints eased. In addition, all schools had reopened fully, and much construction activity had restarted, with further significant easing of restrictions scheduled through May and June.

Ireland is perhaps well placed in a relative sense, due to the large exposure to sectors which are among the least affected by the pandemic (e.g., pharmaceuticals, financial services, IT) and GDP rose by 3.4% in 2020, despite the impact of COVID. GDP is an imperfect measure of economic growth given the structure of the Irish economy however even allowing for this distortion the economy performed very well in a relative sense. The fiscal impact of COVID will be large, as undoubtedly huge sums were borrowed by the Irish government to finance various measures it took 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 also helped 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 remains very low, at less than 0.2% at the end of the period under review.

Brexit:

After almost five years of considerable uncertainty, the UK finally left the European Union "in practice" at the end of December 2020, and the UK and EU agreed, with just days to spare, a basic free trade deal to minimize – but certainly not eliminate – barriers to trade flows of goods between the EU and UK. However, services are not included in the agreement, and 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.

Corporate taxation trends:

A number of international initiatives are under way to restructure the current corporation tax system, on an agreed international basis, and/or to impose a minimum rate of tax. While Ireland has a low headline rate of corporation tax (12.5%), if these international initiatives come to fruition, it could potentially have a significant impact on fiscal revenues in Ireland. The Irish government has estimated that the lost revenue could amount to approximately $2.5bn annually, however given the many current uncertainties, this should be regarded as a very tentative estimate. While this potential lost revenue would be an unwelcome development for Ireland, it amounts to well under 1% of GDP, so it would likely be regarded as more of a problem than a crisis.

Growth:

Growth is expected to be strong again this year, following on from the strong growth of the Irish economy, as measured by GDP, in 2020. The Central Bank of Ireland expects a GDP growth rate of 2.8% for 2021, while the independent Economic and Social Research Institute forecasts 4.4%, Davy stockbrokers forecast 3.5%, and Goodbody stockbrokers forecast 3.5%. As previously mentioned, GDP is an imperfect measure of economic activity in Ireland however alternative measures of activity will likely show a far larger improvement between 2020 and 2021.

Equity Market Review

Our central scenario remains that from late spring onwards both the global economy and company earnings will experience strong growth. We expect to see strong economic growth numbers from the US, to be followed later in the summer by Europe, including Ireland. The highly accommodative policy mix, both fiscal and monetary remains in place, but overtaken in 2021 by a more dominant focus on fundamentals as expected. This should remain and not just support equity markets themselves, but more materially support a continued rotation to 'new winners' such as value and cyclical oriented equity stocks and sectors. Consistent with this environment, we expect bond markets to continue to struggle and underperform as yields remain under upward pressure. Such yield rises may be moderate however as the US Fed have indicated that they will remain patient and keep rates 'lower for longer' as they view any inflation pressures as 'temporary'. Against this however, the Biden Administration's US fiscal stimulus is a significantly bigger than expected policy development.

With equity markets trading near all-time highs, there is a sense that most of the strong gains are already behind us. The markets to a large extent have already factored in the anticipated strong macro growth leaving little room for positive surprises. So, while market returns themselves should be more modest, the key focus is likely to be on bottom-up company fundamentals with the key driver likely to be earnings growth and momentum of same.

At an aggregate valuation level equity markets are expensive compared to history. For now, at least, there is little on the horizon to change this. We continue to note that equities are attractive compared to the alternates such as bonds. We also note that it is the valuation extremes of growth equites that is of most concern within equity markets with value and income equities trading at considerable discounts compared to history. Ireland is relatively well insulated from such expensive growth exposure.

We believe that the rotation towards cyclical and value sectors is far from complete as we now enter an environment that should better reward stock-picking. As the year progresses and bond yields likely drift higher again, that next phase may then be one where attractively priced equity dividend income could well be sought and rewarded.

<u>Irish Market Outlook:</u>

For Ireland, light at the end of the tunnel on the COVID pandemic and at the same time an acceleration in global growth from Spring/early Summer onwards should remain a very supportive backdrop. We have for some time argued that a 'regime change' away from liquidity driven and back towards more fundamental driven equity markets should benefit more value, cyclical and smaller-cap oriented stocks and sectors over the mega-capitalization, growth & momentum styles that dominated over recent years. The Irish market continues to be well placed for this rotation. While aggregate valuations of equity markets are not seen as cheap in absolute terms, as a long-term investor we look out to continued economic and earnings growth not just in 2021 but further out and at least to 2023 which allows for further market advancement. This positive earnings momentum will continue to be crucial for further market progress and the first quarter earnings season of 2021 certainly benefitted from very positive earnings reports as well as delivering strong earnings upgrade momentum.

We have continued to focus much effort on bottom-up stock picking and analysis. Since the end of 2020 we have seen a notable rotation that has certainly benefitted domestic Irish names such as the main banking stocks and construction related names. We have gradually been adding to Domestic Ireland exposed stocks such as banks & homebuilders over the previous quarter in anticipation of such a move. The Fund is actively managed and while gradual, the incremental moves continued to see the Fund take profits from the more expensive growth stocks and re-invest in more quality value cyclicals. While we have seen styles such as value and cyclicality rewarded it is worth pointing out that dividend income has so far at least only seen modest reward in the rotation. This may well be something to focus on as we go through the cycle.

Through all the panic and commotion over the last year, we continue to remain steadfast with the investment approach, and build the portfolio in an active and balanced way, focusing on many of the same themes at present, as we have over the last year.

Noel O'Halloran
June 1, 2021

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