The New Ireland Fund, Inc.
Portfolio Manager Commentary
Quarter ended October 31, 2018

Performance Review

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

Period to October 31, 2018	Benchmark* Return	IRL NAV Return	IRL NAV Return Relative to Benchmark
Quarter	-11.38%	-13.71%	-2.33%
6 months	-11.85%	-17.23%	-5.38%
1 year	-9.77%	-21.54%	-11.77%
3 years	+3.15%	-1.26%	-4.41%
5 years	+5.93%	+4.28%	-1.65%
Since inception	+7.09%	+7.17%	+0.08%

*Benchmark is the ISEQ ex Bank of Ireland up to July 31, 2011, the ISEQ from August 1, 2011 up to July 30, 2015, combined with MSCI All Ireland Capped Index ("MSCI Ireland") from August 1, 2015.

While Ireland is performing poorly this year, it is pretty much in line with the overall broad Euro Stoxx 50 index and the UK FTSE 250 indices for the 3 and 12-month periods.

Investment Overview:

Portfolio

Performance wise the portfolio had a negative return for the quarter in absolute and relative terms and for the calendar YTD. The Irish market has experienced its most difficult year since the global financial crisis. As distinct from 10 years ago when the Irish downturn was largely self-inflicted, the Irish market is more a victim of global events and generally negative sentiment. The following reasons are pertinent to highlight, especially as Ireland is a small open economy with a stock-market that is vulnerable to swings in either global fundamentals or sentiment:

- Fears escalating for a global trade war from US-China dispute;
- A slowdown in the European economy from the ~3% growth rates seen at the beginning of the year to much slower ~1% growth has caused fears of a return to recession in Europe;
- Playing into these European fears were concerns such as about Turkey or Italian politics;
- The big issue pertinent to Ireland remains Brexit and the roller coaster of mainly fear it has induced and which has garnered increased attention as the deadline looms;
- Economically sensitive stocks were generally under pressure because of the above. The Irish stock market tends to have little by way of defensive stocks or sectors. Stock specific names such as CRH, Ryanair and the banks have also weighed negatively on the index;
- Global investors have taken record amounts of money out of European equities over recent quarters due to both political and economic concerns per surveys.

- From the Investment Manager’s perspective, Irish economic fundamentals and the portfolio have remained robust, albeit at a disconnect with market performance of late.

Top performers for the quarter were dominated by defensive consumer staple names Glanbia, Greencore and Kerry Group along with high yielders such as Greencoat Renewables and Green REIT. While underperforming stocks were dominated by stock specific stories such as Hostelworld, Glenveagh Properties, UDG Healthcare, Malin Corporation and Mincon.

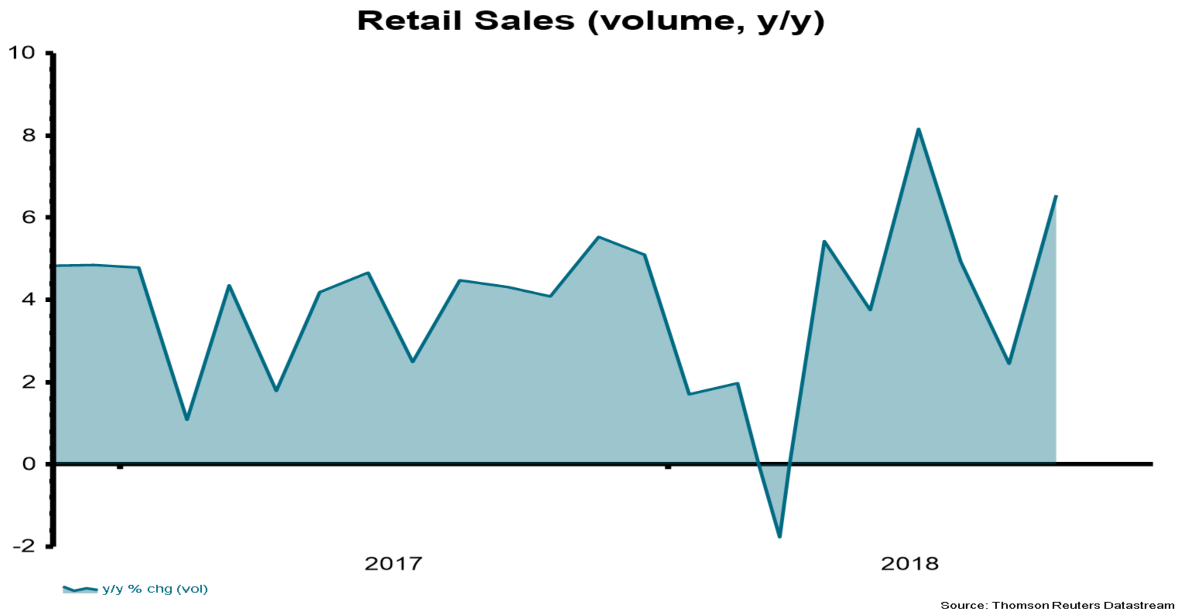
Quarter ending October 31, 2018 (MSCI Ireland -11.4%)			
Strongest portfolio returns		Weakest portfolio returns	
Glanbia	+7.7%	Hostelworld Group	-31.0%
Greencore Group	+4.3%	Glenveagh Properties	-27.7%
Greencoat Renewables	-1.3%	UDG Healthcare	-26.6%
Irish Continental Group	-2.9%	Malin Corporation	-25.6%
Kerry Group	-3.1%	Mincon Group	-22.0%

Irish Economic Review

In the latest available data, for Q2 2018, Ireland’s GDP grew by 9.1% relative to the same quarter of the previous year, while GNP grew by 12.0%. The performance of both measures has been consistently strong, though extremely volatile, for some time. There are a range of other indicators which give us a good sense of what is happening in the economy, as below.

Retail Sales

Retail sales have generally been very strong so far this year, with the exception of March, when Ireland was hit by severe weather, with a major adverse impact on consumer spending. As of September the year-on-year growth rate was 6.5%, exceptionally strong by historical standards.



Consumer confidence had been very strong, helped by a strong labor market, but there was a significant drop from July onwards. Although it is not possible to be sure of the reason for this decline, concern about 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 vote to leave the European Union. But, after a trough in July 2016 (immediately after the UK referendum result), it recovered quite well, and it has remained reasonably strong since then.

Labor Market

There continues to be a steady trend downwards in unemployment. The unemployment rate has declined to 5.5% (also October data), down from a peak of 16.0%. Ireland's unemployment rate is now substantially below the eurozone average of 8.1%.

Credit Growth

Credit to households and non-financial corporations is growing very slowly, after many years of declines. Mortgage lending grew by only 1% in the year to September, while loans to the non-financial corporate sector grew by just 2.1% in the same period. The overall pattern is that while growth remains strong, it is certainly not debt-fueled. Both the corporate and household sector have significantly reduced their debt, in absolute terms, since the peak of the last cycle in 2009.

Government Finances

The government deficit is estimated to have been 0.2% of GDP in 2017, a 0.4% of GDP improvement relative to 2016. A deficit of just 0.1% of GDP is projected for 2018, and the budget is expected to be in balance in 2020 before moving into modest surplus in later years.

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

“Brexit”

In mid-November 2018, agreement was reached between the UK government and the European Union on a Withdrawal Agreement that would 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. However, it is far from clear whether the agreement will be ratified by the UK Parliament. Failure to ratify the agreement could result in the disorderly exit of the UK from the EU, which we believe would be very likely to result in significant, 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.

If a reasonably orderly exit is achieved, some parts of the Irish economy may gain (financial services in particular), however we believe the overall impact is likely to be negative, but modest.

Outlook:

For 2018, the Central Bank of Ireland estimates GDP growth of 6.7% (revised up from 4.7% last quarter) as consumer spending and exports lead the way. We believe that this revised forecast is reasonable, although we recognize that risks remain elevated given the Brexit situation.

Looking ahead to 2019, we expect GDP growth of about 5%, assuming that the Brexit process is reasonably well-managed by the UK authorities, as assumption which is increasingly open to question.

Global Market Outlook

The global bull market continues and is now one of the longest bull markets in history with one constant being investors’ persistent penchant to be ‘worried’ about something! For ten years the financial headlines have tended to be on the gloomy side, yet the market continues to climb apart from some recent days in October. 2018 is proving to be a year with material performance divergence between the ‘haves and have-nots’. We can see a large divergence between the strength of the US equity market and the weakness in Europe and Emerging Markets. The relatively poor performance of Europe and Emerging Markets reflects some slowdown in growth, as well as concerns over US trade policy and European politics, while the US market has sailed on merrily.

Our central scenario is constructive, and we forecast a more balanced and positive outlook for the global economy in 2019. We believe the US economy will continue to grow strongly above trend, and that the European economy will grow at or above trend, though at a somewhat slower pace than earlier this year. We expect that Emerging Markets in general will be solid, while there may be 'accidents' in smaller, Emerging Market economies. In the US, we believe the Federal Reserve will continue to raise interest rates, with inflation trending higher but not at an alarming rate. Of course, the greatest risk to this scenario would be a material escalation of the trade war between the US and China.

For equity investors, fundamentals of earnings growth, dividend growth, corporate activity etc., have been strong during 2018 and certainly not as unbalanced as divergent market returns suggest. From our analysis, it is predominantly investor sentiment that has driven this divergence. At this juncture we believe the US market is 'priced for perfection' while Europe or Emerging Markets increasingly are priced for quite a pessimistic scenario.

We expect further gains in US equities over coming quarters. But we do expect to see better returns outside the US. Relative valuations, positive earnings growth and undervalued currencies are key fundamental supports to this with improved sentiment the most likely catalyst for developed markets, while for Emerging Markets a clear resolution of trade wars will be required.

We will continue to monitor various issues but for now we remain reasonably constructive on equity markets though we continue to favor non-US markets. We are encouraged by the fact that so many market participants worry about when this economic cycle will end – this shows that markets are not ignoring important risks.

Asset class outlook: Equities

In our view, a material deterioration in US-China relations on trade remains the largest equity market risk event. We are ever conscious that we are at the mature stages of a long bull market and as such downside protection is more important than ever. To that end we continue to emphasize quality stocks in our portfolios and focus consistently on items such as not owning:

- Companies carrying excessive debt on their balance sheets;
- Excesses of valuation e.g. certain technology stocks; and
- Companies funded by more expensive corporate credit

Irish Market Outlook:

We believe the medium-term outlook remains very positive for both the Irish economy and stock-market. In the near term there are a couple of binary events that are impossible to predict, 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. 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.

The views expressed are those of KBI Global Investors (North America) Ltd (KBI) and should not be construed as investment advice. KBI does not represent that this information is accurate or complete and it should not be relied upon as such. Opinions expressed herein are subject to change without notice.

This material is provided for informational purposes only and does not constitute an offer to sell or the solicitation of an offer to purchase any security, product or service including the Fund, any group trust or other fund managed by KBI Global Investors (North America) Ltd., or any of its affiliates (collectively, "KBIGI"). The information contained herein does not set forth all of the risks associated with this Fund, and is qualified in its entirety by, and subject to, the information contained in other applicable disclosure documents relating to the Fund. Past performance is not a reliable guide to future performance and the value of investments may go down as well as up.

It should not be assumed that the future performance of any company identified in this document will equal its prior performance or that any future recommendation regarding the securities of any such company will be profitable. These stocks do not necessarily reflect current recommendations and are not selected based on profitability.