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

Performance Review

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

Period to October 31, 2019	Benchmark* Return	IRL NAV Return	IRL NAV Return Relative to Benchmark
Quarter	+6.15%	+8.53%	+2.38%
Six months	+1.23%	+0.53%	-0.70%
1 year	+6.40%	+5.38%	-1.02%
3 years	+7.73%	+2.45%	-5.28%
5 years	+7.01%	+4.88%	-2.13%
Since inception	+7.06%	+7.11%	+0.05%

*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 Ireland, having been a relatively poor performer up to the summer, has bounced quite strongly over the recent quarter. While positive, Ireland is generally still lagging the US and broader Euro Stoxx indices over 12 months, so it arguably has further to go to catch-up. Ireland has generally been quite correlated to the UK index.

Market	Quarter ended October 31, 2019 Returns		Year ended October 31, 2019 Returns	
	Local	**US $**	**Local**	**US $**
Ireland SE Overall (ISEQ)	+7.4%	+7.6%	+8.5%	+6.8%
MSCI All Ireland Capped	+5.9%	+6.2%	+8.1%	+6.4%
US Equities (S&P 500)	+2.4%	+2.4%	+14.3%	+14.3%
US Equities (NASDAQ)	+1.7%	+1.7%	+14.8%	+14.8%
UK Equities (FTSE 100)	-3.1%	+2.4%	+6.5%	+7.8%
Japan Equities (TOPIX)	+7.6%	+8.0%	+3.9%	+8.4%
European (Euro STOXX 50)	+4.3%	+4.5%	+16.9%	+15.1%
German Equities (DAX 30)	+5.6%	+5.8%	+12.4%	+10.7%
French Equities (CAC 40)	+4.0%	+4.2%	+16.3%	+14.5%

Note-Indices are total gross return

Investment Overview

Portfolio

The Fund has posted a very positive quarter returning 8.53% and ahead of the benchmark by 238 basis points. Of note, the Fund's NAV return is now in positive territory over every period in the table above. All in all, a very positive turnaround helped by positive signs surrounding US- China trade, and of direct relevance to Ireland, Brexit clouds lifting.

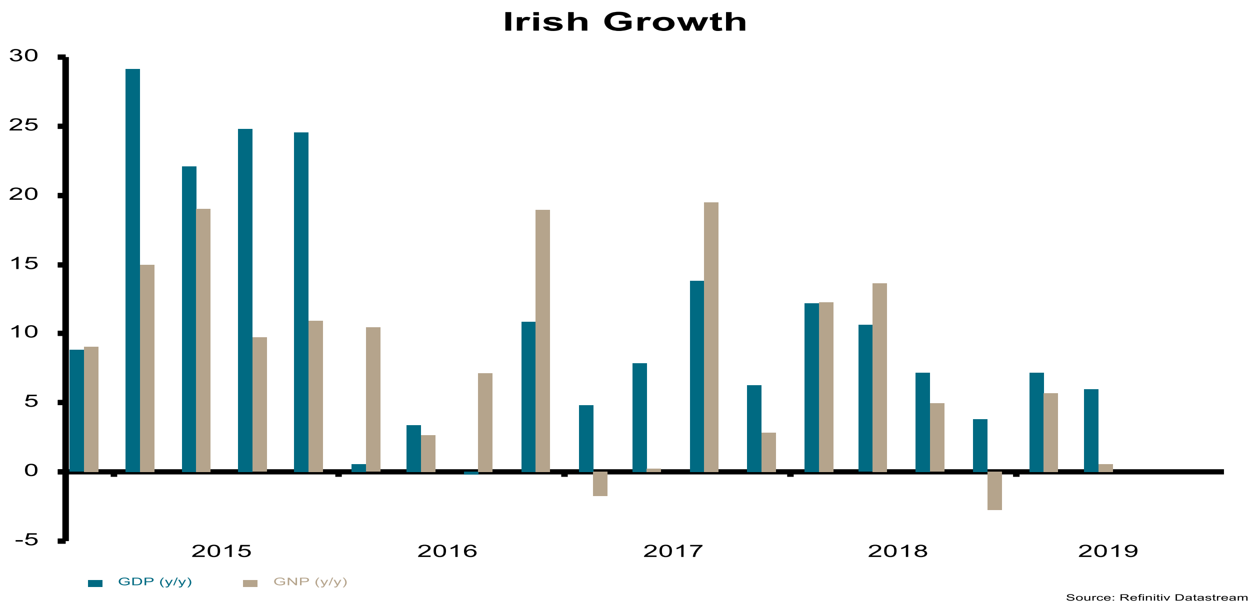
The year has certainly been a volatile one with quarterly performance whipsawed more by sentiment than fundamentals. For Ireland, Brexit has been the strongest influence on performance as the markets moved from the despair and fears of a 'no deal' Brexit during the late summer months to, of late, a more confident expectation (while recognizing nothing yet agreed!) of an 'agreed Brexit' deal between the UK and EU. A change of course from tightening to now easing of interest rates by the US Federal Reserve, as well as announcements of easier monetary conditions in Europe by the ECB has also materially helped markets over recent months.

Top performers for the quarter saw a mix of cyclical names such as Ryanair, Glenveagh and Dalata perform strongly alongside names driven more from an M&A angle such as the top performer Amryt and Flutter. Flutter announced their proposed merger with Toronto based Stars Group to become the largest on-line gaming company globally. On the negative side defensive names such as Covanta underperformed as did Glanbia, Mincon and AIB Group all of who had relatively downbeat earnings reports.

Quarter ending October 31, 2019 (MSCI Ireland +6.2%)			
Strongest portfolio returns		**Weakest portfolio returns**	
Amryt Pharma plc	+67.9%	Covanta Holdings Corp	-14.9%
Flutter Entertainment plc	+30.6%	Glanbia plc	-14.7%
Ryanair Holdings plc	+25.3%	Mincon Group plc	-10.0%
Glenveagh Properties plc	+15.1%	AIB Group plc	-5.6%
Dalata Hotel Group plc	+15.0%	Origin Enterprises plc	-4.8%
12 months ending October 31, 2019 (MSCI Ireland +6.4%)			
Strongest portfolio returns		**Weakest portfolio returns**	
Amryt Pharma plc	+45.6%	Glanbia plc	-35.9%
C&C Group plc	+38.7%	AIB Group plc	-30.7%
Veolia Environnement SA	+37.8%	Bank of Ireland plc	-30.1%
Green, REIT plc	+31.3%	Total Produce plc	-22.2%
UDG Healthcare plc	+26.2%	IPL Plastics plc	-18.0%

Irish Economic Review

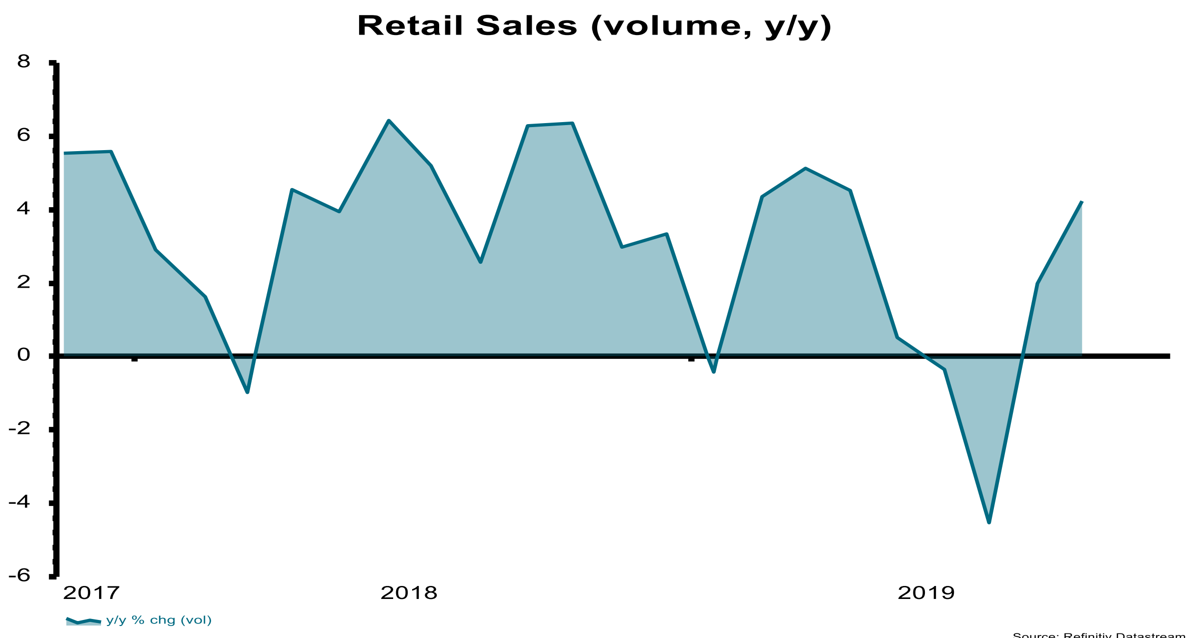
In the latest available data, for Q2 2019, Ireland's GDP grew by 6.0% relative to the same quarter of the previous year, while GNP rose by 0.6% over the same period.



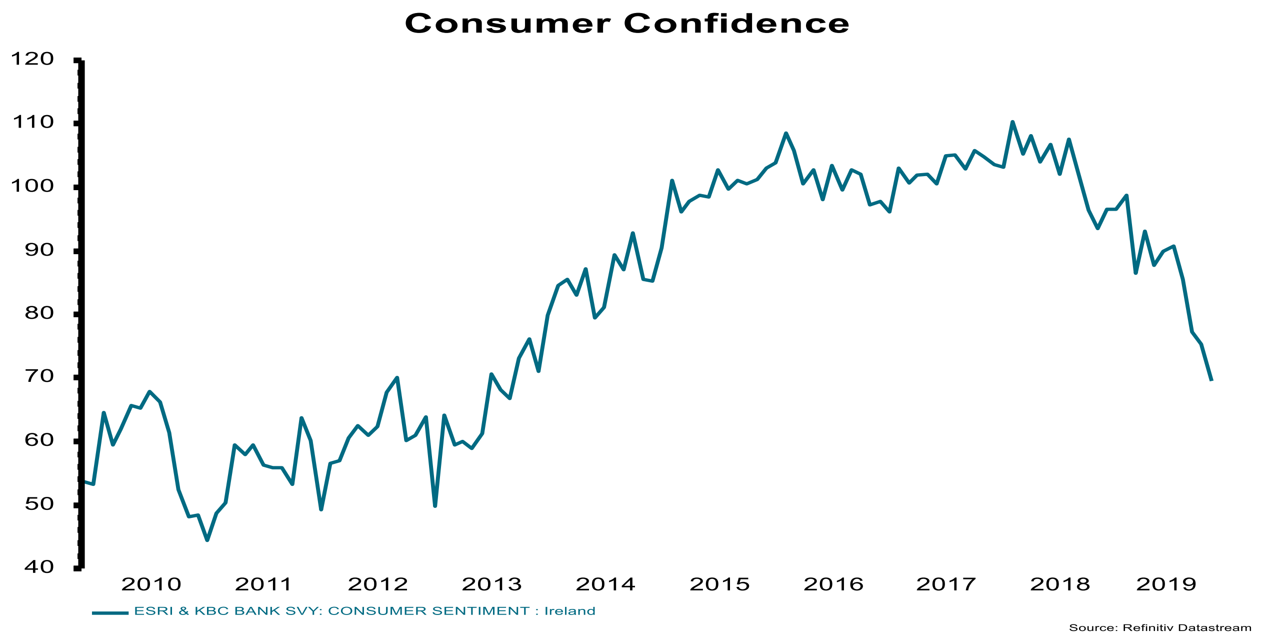
However, as frequently mentioned in these reports, GDP and GNP statistics for Ireland can be somewhat misleading. It is not that the statistics are in error, it is that GDP and GNP are no longer as useful in measuring the real change of activity in Ireland's economy, which is very open to international capital and trade flows. 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 volume growth has been quite erratic in recent months, being as high as 5.1% (in year on year terms) in March, and as low as -4.5% in July – and the most recent data point shows a rise of 4.2% in the year to September. While the volatility makes it difficult to be confident in assessing the overall trend, in our view it is likely that growth is slowly declining, as sentiment has been negatively affected by Brexit issues and uncertainty in the wake of global trade tensions.

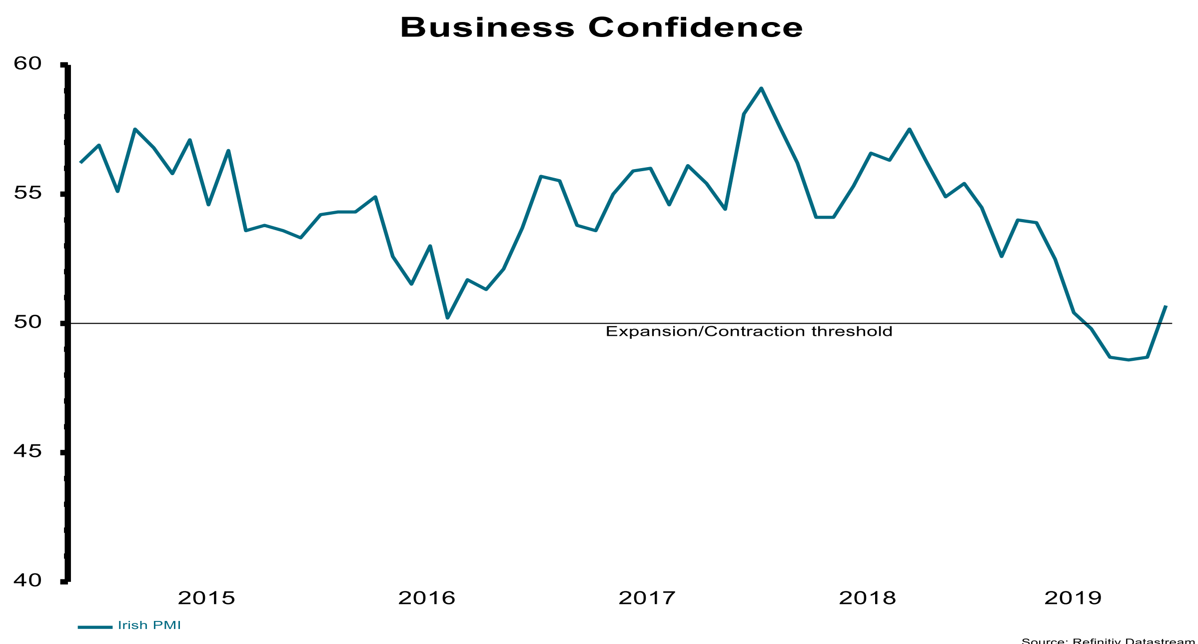


Consumer confidence has declined considerably over the last few months. Concern about Brexit may again be a significant factor, as are global trade tensions. The most recent consumer confidence level is at its lowest point since August 2013.



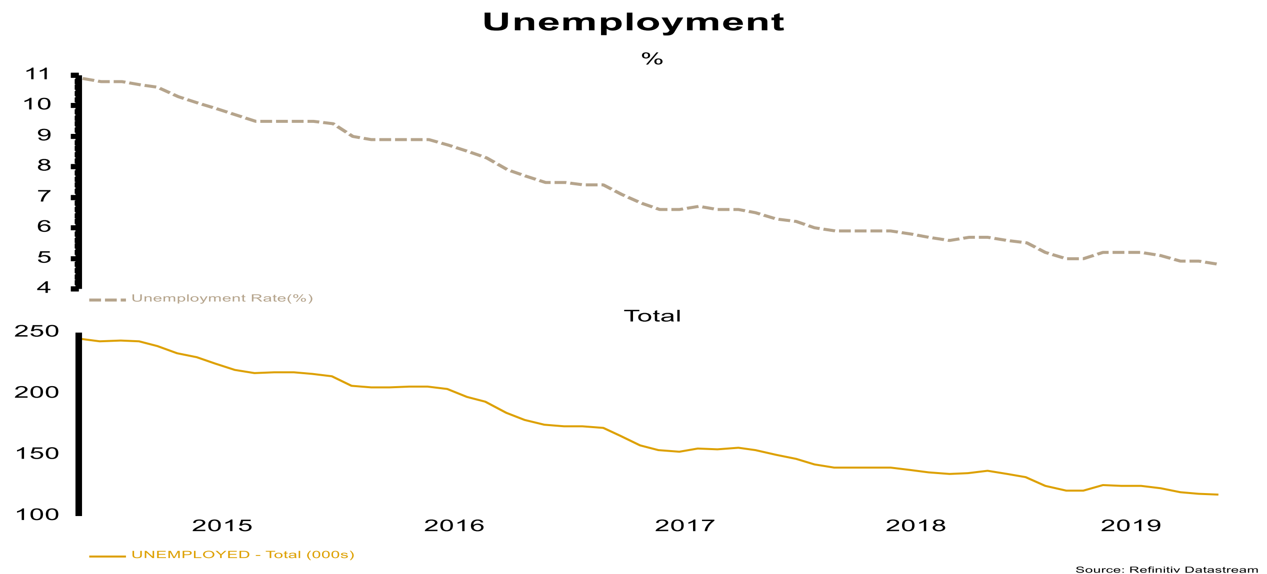
Business confidence

The pattern of manufacturing sector confidence is similar to that of consumer confidence. In the aftermath of the UK's referendum on Brexit (in 2016), business confidence was unaffected by the issue, but the combination of global trade tensions and the perceived increased likelihood of a disorderly Brexit over the summer and fall had an adverse impact on business confidence, as the key Purchasing Managers Index fell below the neutral level of 50 for the first time since 2013. However, data from September and October improved somewhat, as global trade tensions eased.



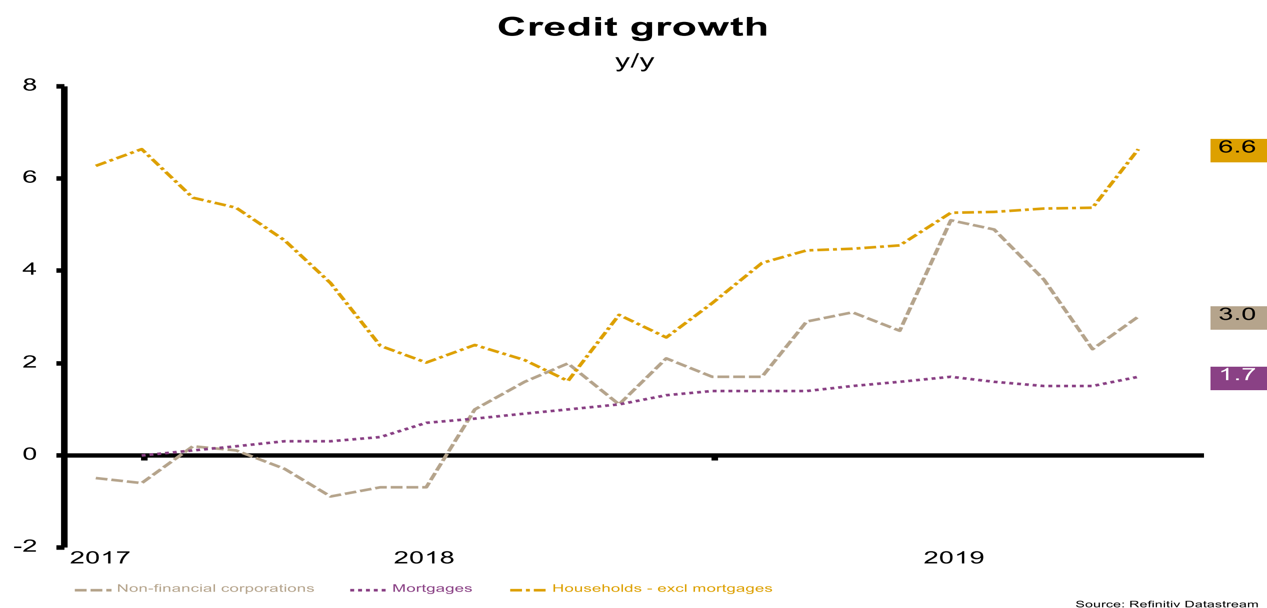
Labor Market

There continues to be a steady trend downwards in unemployment. The number of unemployed has fallen from a peak of 356,000 in January 2012 to 117,300 in October 2019. The unemployment *rate* has also declined and stands at 4.8% (October data), down from a peak of 16.0%. Ireland's unemployment rate is now substantially below the eurozone average of 7.5%.



Credit Growth

Credit is growing modestly, after many years of declines. Mortgage lending grew by only 1.7% in the year to September, while loans to the non-financial corporate sector grew by 3.0% 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 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 about 0.1% of GDP, the first surplus since 2007. This represented a small, but significant, improvement from the modest deficit of 0.3% seen in 2017. Brexit-related uncertainties create considerable difficulties in forecasting the fiscal outcome in 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, the Irish government has announced that it will undertake targeted additional steps to offset the negative impact, leading to a budget deficit in 2020. This is a sensible approach in our view, and it would be entirely reasonable to run a modest fiscal deficit in circumstances where the economy is hit by a significant adverse shock.

The debt/GDP ratio is estimated to have peaked in 2013, at about 120%, and we estimate that it fell to about 63% at the end of 2018 - although this overstates the real level of indebtedness as it excludes large cash-on-hand balances. 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 to leave the European Union will have significant ramifications for the Irish economy. While nothing is quite certain yet, it is very likely that the UK will leave both the EU Customs Union and the European Single Market. This is the least welcome outcome for Ireland, as it means that there would have to be customs controls on goods moving between Ireland and the United Kingdom, which could be quite disruptive to trade.

However, the eventual shape of Brexit is still quite unclear. In late October, the EU and UK reached agreement, whereby the UK would exit the EU Customs Union and the Single Market, but special arrangements would be put in place whereby there would be no customs checks on the land border between Ireland and Northern Ireland. This agreement received parliamentary approval in principle in the UK, but before the formal ratification process could proceed further, a general election was called, which brought the approval process to a halt.

Much now depends on the outcome of the UK election. Most analysts expect the ruling Conservative party, led by Boris Johnston, to win a comfortable majority, and then move to formally ratify the deal reached with the EU in late October. But it has to be recognized that this cannot be taken for granted, and other options (including a second referendum, or the outright cancellation of Brexit) are possible, though unlikely, depending on the results of the election. Still, a reasonable assumption is that the outgoing government is re-elected in December, and ratifies the existing deal with the EU, followed by an exit from the EU in early 2020.

We believe that a disorderly ("no deal") 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 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, with potential for a considerably higher level of impact, although this should be seen in the context of an economy which is probably growing at close to 5% per annum. As previously mentioned, it is likely that the Irish government would move to ease fiscal policy through targeted support measures for sectors most affected by the disruption of trade, most notably the agribusiness sector. An orderly Brexit, seems a more likely outcome at the time of writing. That scenario would lead to some negative impact on the Irish economy, but significantly less than from a disorderly Brexit.

Outlook:
For 2019, the Central Bank of Ireland is forecasting GDP growth of 5.0%, 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% but we caution that there is considerable uncertainty even around that lower forecast.

Global Market Outlook

We enter the final quarter of 2019 with global equity markets remaining resilient to geopolitical events and genuine concerns of global economic and earnings slowdown. The continued easing actions of global central banks have acted as a positive counterbalance for markets once again with the recent rate cuts by the US Federal Reserve, the ECB and many other central banks helping globally. For much of 2019 we have highlighted that markets would be 'desperately seeking reassurance' on three fronts, namely – Geopolitics; Macro outlook and earnings outlook. Six months on this remains the core issue that investors are grappling with.

We have, over recent months, seen evidence of growth slowing across major economies but continue to believe that fears of a global recession are overblown at this point. Indeed, much of the recent slowing is more related to sentiment surveys such as confidence rather than hard economic data. The blame for this softening is placed on the US-China trade spat and Brexit to a lesser extent. There is increasingly an inability for business or consumers to plan in such an environment.

We have been of the view all year that there won't be a full-scale escalation of the trade spat, but rather a kicking of the can down the road. As the clock ticks by and the US 2020 Presidential election comes into focus, the stakes rise as the risk of a genuine recession increases due to this prolonged uncertainty! For the President, the question of a truce versus causing a recession is looming large, we believe. This binary event is the largest issue over coming months to drive markets in either direction. Logic suggests that bad news on the US economy may well increase the odds of agreeing a trade deal. This should help sentiment and markets as they anticipate a better earnings growth outlook for 2020.

While our core expectation remains that an eventual lessening of geo-political uncertainty and a gradually reassuring outlook will support further market gains into 2020, we continue to monitor various downside risks of slowing growth and earnings prospects, trade tensions and geopolitics.

On a more sobering note, we recognize with equities at all-time highs (US at least), we are late in the cycle which itself is probably tired and while global growth expectations might expect gentle reflation over coming months/quarters (assuming trade tensions disappear) any such rebound is likely to be modest.

Irish Market Outlook

Our outlook has not changed materially since last quarter and it is worth repeating that the medium- and longer-term outlook remains very positive for both the Irish economy and stock-market. We have continuously suggested 'patience' for the past frustrating 2.5 years since the June 2016 Brexit referendum. After all the debating about what will happen, we do appear to be getting clarity and a Brexit deal is likely before January 31, 2020 at the latest. After that, the highly technical phase 2 of trade deals, passporting arrangements, border arrangements etc. will drag on for years but, importantly, we believe markets won't be bogged down in such detail and rather leave this to politicians and bureaucrats and will instead move on to focusing on fundamentals again. From an economic perspective, we believe the fundamentals underpinning Ireland, whether it be its economic growth, earnings growth or company valuations, remain very compelling to any investor with a medium to long term perspective. For 2020, we hope that investors move beyond Brexit clouds and focus back on fundamentals.

That said, we still see better relative value in more cyclical areas of the market such as building materials and homebuilders rather than defensive names that don't appear as attractive e.g. Kerry Group. Overall, the market appears to be fairly valued, we believe, and therefore the key to progress during 2020 will be earnings growth. This bottom up earnings focus will be key to stock selection we believe rather than a belief that there is much undervaluation at an aggregate level.

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 continue to build the portfolio in a balanced way and playing on many of the same themes at present, as we have over the last year. In fact, we have kept the faith in the existing themes with little change:

- Attractive dividend income---Greencoat Renewables; Covanta
- Quality cyclicals---Ryanair; Kingspan.
- Attractive quality growth--- Uniphar Group; C&C Group
- 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.

IMPORTANT DISCLOSURES: 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.