The New Ireland Fund, Inc.
Portfolio Manager Commentary
Quarter Ending October 31, 2020

Performance Review

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

Period to October 31, 2020	Benchmark* Return	IRL NAV Return	IRL NAV Return Relative to Benchmark
Six months	+19.18%	+20.76%	+1.58%
1 year	-2.36%	-2.98%	-0.62%
3 years	-2.13%	-7.79%	-5.66%
5 years	+2.66%	-1.37%	-4.03%
Since inception	+6.74%	+5.85%	-0.89%

*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 been resilient and strongly outperformed the broader European EuroStoxx 50 over the quarter and over the past 12 months. Interestingly as a mostly small-mid cap market, Ireland has also outperformed the comparable domestic exposed FTSE 250 index of smaller-mid cap UK equities now over all the below periods. The US S&P 500 has been a major outperformer compared to all European indices (and indeed global indices) over all periods. This is reflective of the strength of the US Technology sector in general and the dominance of the tech giants (Facebook, Apple, Amazon, Netflix, Microsoft and Google) in particular.

		3 Months Perf		6 Months Perf		12 Months Perf	
	NAME	Local	USD $	Local	USD $	Local	USD $
ISEQUIT	IRELAND SE OVERALL (ISEQ)	5.8	4.2	14.9	22.2	-0.3	4.1
MSIRAC$	MSCI ALL IRELAND CAPPED $	3.4	1.9	12.1	19.2	-6.5	-2.4
S&PCOMP	S&P 500 COMPOSITE	0.4	0.4	13.3	13.3	9.7	9.7
NASCOMP	NASDAQ COMPOSITE	1.8	1.8	23.3	23.3	32.8	32.8
FTSE100	FTSE 100	-4.6	-6.0	-4.0	-1.5	-20.5	-20.5
TOKYOSE	TOPIX	6.5	7.7	8.9	11.4	-2.9	0.3
DJES50I	EURO STOXX 50	-6.5	-7.9	2.9	9.4	-15.7	-11.9
DAXINDX	DAX 30 PERFORMANCE	-6.1	-7.6	6.4	13.1	-10.2	-6.2
FRCAC40	FRANCE CAC 40	-3.8	-5.2	2.2	8.7	-17.9	-14.3
AMSTEOE	AEX INDEX (AEX)	-1.4	-2.9	5.3	12.0	-5.2	-1.0
FTSE250	FTSE 250	2.3	0.8	5.7	8.3	-12.3	-12.4

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. A gradual re-opening of the service elements of the economy most affected by Coronavirus such as tourism related (airlines, hotels, retail etc.) will be a strong contributor to 2021 growth and market outlook.

'Coronavirus'

While Ireland has been hit less severely than its closest neighbour, the UK, and far less than the US, it has had more than 2000 deaths, and economic activity has been severely impacted since early March. New cases fell to very low levels in the summer, allowing much of the economy to reopen, but this was followed by a "second wave" of infections that led to the reimposition of a complete national lockdown in mid-October, with shelter-in-place orders in effect, scheduled to remain in place until late November. As of the time of writing, this seemed to be partially effective as case numbers approximately halved during the first four weeks of these restrictions, although the authorities had hoped for a steeper decline.

Nonetheless, Ireland has the third-lowest rate of COVID incidence in Europe, and this should allow a reopening of many parts of the economy. Indeed, 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 (e.g. pharmaceuticals, financial services, IT). The fiscal impact will be large, as undoubtedly huge sums will 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.

'Brexit'

The UK left the European Union on January 31, 2020. However, to date there has been no direct impact on growth as an 11-month transition period is in effect, during which in practice the UK remains a member of the European Union in all but name. This transition period ends on December 31, 2020, and the EU and UK are engaged in negotiations to determine the trade arrangements that will be in place following that date. At the time of writing, those negotiations seemed to be nearing finality, though it was still unclear if any deal would be reached. A failure to reach any agreement on future trade arrangements would undoubtedly have a material negative impact on the Irish economy.

Equity Market Review

The year has certainly been a volatile one with quarterly performance whipsawed by the Coronavirus which began to take hold during March. This led to a significant drawdown in global stock markets during the Spring months. By the end of August, primarily due to a combination of the significant monetary and fiscal policy actions by central banks and governments around the world, equity stock markets had clawed back much of the earlier losses. Strong index returns since the market lows of March mask the extraordinary returns from a handful of technology stocks. Remarkably, five stocks – Apple, Microsoft, Amazon, Facebook and Alphabet/Google now account for almost a quarter of the market value of the S&P 500. Globally growth sectors have trounced value sectors and larger mega capitalisation stocks have strongly outperformed smaller capitalisation counterparts.

As COVID infections remain a global headline issue, global monetary and fiscal support remain to the forefront. Cheap and available liquidity found its way more into Growth-oriented 'stay at home beneficiaries', be they technology, consumer staples or indeed healthcare stocks, while on the other side more Value-oriented 'return to office' stocks and industries such as restaurants, airlines, hotels and financials remained out of favour. By the end of the quarter this discrepancy between Growth and Value had extended to unprecedented historic levels. The good news is that the global economy itself grew strongly during the most recent quarter from the lows of a negative calendar second quarter. This better fundamental news was generally ignored by markets which were more driven by liquidity and larger mega cap US equity names.

Our baseline scenario for the final quarter of this extraordinary year of 2020 is that equity markets are likely to make little further progress. We expect a continued moderate pick-up in economic growth globally and do not expect a double-dip recession. There are heightened expectations that it could indeed be more of a roller-coaster with the expected drama of the US election and any follow-on, as well as the persistent challenges of COVID second phase eruptions.

Looking beyond such events there are reasons to be more confident as we look ahead to 2021. In an environment where confidence improves and the macro and earnings growth outlook becomes more apparent, combined with distribution of a COVID vaccine, there is the potential for 2021 to be the opposite of 2020, where stocks 're-connect' again with fundamentals. While global monetary and fiscal support will remain as a backstop, they are not the driver of returns as was the case in 2020. Such a scenario provides the stage for a large rotation within equity markets as we return towards a more 'normal' global economy and stock markets.

Irish Market Outlook:

For Ireland, we continue to highlight that we are at the beginning of a new economic cycle. For many more value or cyclical-oriented stocks and industries which have had very negative earnings for 2020, in some cases they do not look particularly cheap on 2020 or even 2021 earnings but they have ample room to grow as the next cycle develops out into 2022/23 and beyond. As long-term investors we are at extremes of valuation within equity markets and at a point where value and cyclicality should prevail over growth and defensiveness—Ireland is very well placed for such a rotation. A more positive outlook for the broader European economy is also a positive for Ireland, not to mention that finally, after almost 5 years, we will finally lift the Brexit cloud.

Our focus has continued to be on 'what we can control' rather than overly focused on what we have no control over. In that context we have continued to focus much effort on bottom-up stock picking and analysis. 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, many which have seen their share prices decline as a result of COVID, but which represent good entry points for the medium term, in our opinion.

A theme we have been gradually adding to over recent years has been that of providing the portfolio with some 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. This theme we believe, is here to stay and exciting from a portfolio perspective.