The New Ireland Fund, Inc.
Portfolio Manager Commentary
Quarter Ending October 31, 2021

Performance Review

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

Period to October 31, 2021	Benchmark* Return	IRL NAV Return	IRL NAV Return Relative to Benchmark
3 months	+1.91%	+1.53%	-0.38%
1 year	+45.02%	+44.25%	-0.77%
3 years	+14.64%	+18.84%	-0.81%
5 years	+12.10%	+10.01%	-2.09%
Since inception	+7.79%	+8.09%	+0.30%

*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, while the Irish market's rebound was strong, it wasn't as strong as that experienced by the broad S&P 500 index in the US or the broad EuroStoxx 50 index in Europe. Ireland did fare much better than the UK's large cap FTSE100 or mid-cap FTSE250 indices against which many Irish companies compete. The US dollar was relatively flat versus the Euro over the 12 months.

	3 Months Perf		6 Months Perf		12 Months Perf	
NAME	Local	USD $	Local	USD $	Local	USD $
IRELAND SE OVERALL (ISEQ)	3.0	0.5	6.0	1.9	34.5	33.6
MSCI ALL IRELAND CAPPED $	4.4	1.9	7.6	3.4	46.0	45.0
S&P 500 COMPOSITE	5.1	5.1	10.9	10.9	42.9	42.9
NASDAQ COMPOSITE	5.8	5.8	11.4	11.4	43.0	43.0
FTSE 100	4.1	2.7	5.8	4.7	34.5	42.6
TOPIX	6.1	2.2	6.5	2.1	29.4	18.6
EURO STOXX 50	4.3	1.8	8.5	4.3	47.3	46.3
DAX 30 PERFORMANCE	0.9	-1.5	3.7	-0.4	35.8	34.9
FRANCE CAC 40	3.5	1.0	10.8	6.5	52.2	51.2
AEX INDEX (AEX)	8.3	5.7	16.2	11.7	55.1	54.1
FTSE 250	1.2	-0.2	3.8	2.8	36.9	45.2

Note-Indices are total gross return
Source: Datastream

Irish Economic Review

In response to COVID as the vaccination rate in Ireland reached very high levels towards the end of the Summer (well in excess of 90% for adults), the government removed almost all the remaining legal restrictions on economic and social activity, although a mask mandate remains in place for shops, public transport, and medical facilities. However, case numbers and (less so) hospitalisations have remained high, and while the government has stated that it strongly opposes reimposing restrictions on activity, rising case numbers mean that this cannot be completely ruled out and indeed some measures have recently been outlined.

Corporate activity over the quarter has been relatively quiet and the primary focus has been on H1 earnings updates and a sense of 'return to normal' for corporate management teams. They haven't however been willing to give much guidance into 2022, not least with lingering concerns surrounding COVID probably limiting their willingness to 'stick their necks' out at this point. It's expected that this may arise atyear end reporting and pre-close update statements which should bring a new wave of confidence and momentum into 2022.

Brexit

Following the UK's departure from the EU, a trade agreement was put in place to allow tariff-free trade between the UK and EU. But while tariffs were avoided, Brexit did create a significant increase in paperwork and administrative requirements for trade, which has had 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 as we are well through the final quarter of theyear it does not appear as if the magnitude of the disruption is large enough to lead forecasters to materiallychange their forecasts for economic growth for 2021 or more importantly at this point in future years. However, a further complication has emerged in recent months, whereby a dispute over the unique treatmentof Northern Ireland in the EU/UK trade agreement has led the UK to threaten to suspend those provisions ofthat agreement, with Article 16 being the specific reference point. In turn, the EU has signaled that it may suspend the trade deal in its entirety if the UK suspends the provisions relating to Northern Ireland. A "tradewar" between the UK and the EU still seems unlikely, but cannot be ruled out, and would have negative implications for the Irish economy if it materialized.

Corporate Taxation Trends

Ireland is sometimes seen to be a tax haven of sorts, and while this is objectively untrue, it is the case that it has a low headline rate of corporation tax (12.5%) and that means that some large international companies use complex corporate structures to ensure that they pay tax in Ireland rather than in other countries where they carry out more of their actual activity. The recent international agreement to set a minimum corporate tax rate of 15% will force Ireland to raise its rate (from 12.5% to 15%), but other associated changes relating to where taxes should be paid will lead to a reduction in Irish tax revenues, on anet basis. Initial estimates indicate that the lost revenue could amount to approx. $2.5bn – though given the many uncertainties this must be regarded as being a very tentative estimate. While this lost revenue would be an unwelcome development, it amounts to well under 1% of GDP, so it would amount to a problem ratherthan a crisis.

Economic Growth

Growth is expected to be very strong again for the calendar year 2021, following on from the strong growth of the economy, as measured by GDP in 2020. The Central Bank of Ireland expects a GDP growth of 15.6%, with Davy Stockbrokers forecasting 15% (up from 3.5% some months ago). In addition,Goodbody's Stockbrokers has also revised upwards their forecast to +16.7%. GDP is an imperfect measureof economic activity in Ireland therefore it is more appropriate to focus on an alternative measure of activitysuch as the +5.25% forecast for the domestic economy itself as issued by the Central Bank of Ireland.

Equity Market Review

2021 was a very strong year for the equity market. Returns were generally frontloaded with a very strong first half of the year followed by a more pedestrian second half. For the first half there was a strong rebound from the COVID driven fears of 2020. The rollout of vaccination programs and subsequent re-opening of economies and societies were the primary catalysts for the strong market rebound. Over the second half of the year, a battle played out between the pessimists and optimists on various topics from growth slowdown and inflation to the resurgence of the COVID pandemic particularly during the fourth quarter. From a micro company perspective, a further dynamic unfolded with uncertainties emanating from company-specific and industry-specific comments pertaining to supply chain bottlenecks, labor shortages and raw material price increases.

Irish Market Outlook

Looking forward, we believe that after a decade of central banks flooding the global system with liquidity to counter deflationary forces, a ‘regime change’ lies ahead and we should expect and plan for a reversal in those forces and for a period of central banks increasing short term interest rates and ‘tapering’ their bond purchases. It has already begun, with several countries already raising short term interest rates during the final quarter of 2021.

For equity markets such a transition period or regime change poses a real time to think and consider how we should invest. Investment terms that have been almost forgotten about or overlooked such as lower beta, equity income and dividend growth, and downside protection could well be beneficiaries from the new regime. As ever, we continue to live in uncertain times including the path of the COVID epidemic, which is not yet over.

For Ireland, there is light at the end of the tunnel on the COVID pandemic but it certainly hasn’t been defeated. At the time of writing, governments across Europe are again concerned with a further negative increase in COVID cases. Ireland in fact is currently at the vanguard of this and the government is again strongly cautioning society about limiting their social activities. On a positive note, given the extremely high vaccination rate there is a material disconnect when it comes to hospitalizations and ICU numbers and especially when compared to previous waves. It is not at this point impacting the stock market or economic outlook to any material extent.

The portfolio is much less defensively positioned than in prior periods and over the past 12-18 months we very much reduced positioning from more expensive growth type stocks and re-invested towards cheaper more value-oriented value and cyclical names. This is consistent with our continued positive outlook for the economy and stock-market as well as reflecting the more attractive valuation of such names.

Noel O’Halloran
Nov 25, 2021

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