

CAPITA



CF Seneca Investment Funds

Annual Report and Financial Statements
31 March 2017

CF Seneca Diversified Growth Fund
CF Seneca Diversified Income Fund

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CF SENECA INVESTMENT FUNDS
ACD'S REPORT
FOR THE YEAR ENDED 31 MARCH 2017

AUTHORISED STATUS

CF Seneca Investment Funds ('the Company') is an investment company with variable capital incorporated in England and Wales under registered number IC000342 and authorised by the Financial Conduct Authority ('FCA') with effect from 5 October 2004. The Company has unlimited duration.

Shareholders are not liable for the debts of the Company. Shareholders are not liable to make any further payment to the Company after they have paid the price on purchase of the shares.

The Company is a UCITS scheme and the base currency of the Company and each sub-fund is Pounds Sterling.

IMPORTANT INFORMATION

With effect from 21 July 2016, the address of the registrar has changed to Arlington Business Centre, Millshaw Park Lane, Leeds LS11 0PA, and the address for all correspondences to PO Box 389, Darlington DL1 9UF.

With effect from 16 December 2016, the fund accounting of the Company has changed from Capita Financial Administrators Limited to The Bank of New York Mellon (International) Limited.

With effect from 1 July 2017, the minimum periodic fee charged by the BNY Mellon Trust & Depositary (UK) Limited ('the Depositary') to each of the sub-funds of the Company for acting as Depositary was increased. Please refer to the Charges, Fees and Expenses section of the Fund's Prospectus for further details regarding the charge.

Please be advised that Capita Financial Managers Limited will no longer produce and send the interim and annual short report to investors following a change in regulation.

The full set of annual and interim Report and Financial Statements will remain available to all investors on our website (www.capitafinancial.com) and also upon request at our head office, 40 Dukes Place, London EC3A 7NH.

CROSS HOLDINGS

No sub-funds had holdings in any other sub-fund of the Company at the end of the year.

REMUNERATION POLICY

Capita Financial Managers Limited ('CFML') is committed to ensuring that its remuneration policies and practices are consistent with, and promote, sound and effective risk management. CFML's remuneration policy is designed to ensure that excessive risk taking is not encouraged by or within CFML including in respect of the risk profile of the funds it operates, to manage the potential for conflicts of interest in relation to remuneration (having regard, inter alia, to its formal conflicts of interest policy) and to enable CFML to achieve and maintain a sound capital base.

The UCITS-related remuneration requirements to which CFML is subject result from the amendments to the UCITS directive that came into force on 18 March 2016. Certain of these requirements will only apply from the start of CFML's first full performance period commencing after that date. This will be 1 January 2017 to 31 December 2017. Consequently, in respect of the remuneration disclosures required by COLL 4.5.7 R (7), CFML believes that such information as is presently available would not necessarily be materially relevant or reliable, or provide investors with a proper basis for comparison. Accordingly, and in line with applicable FCA guidance, the disclosures required under COLL 4.5.7 R (7) have not been included in this report.

CFML delegates portfolio management for its funds to various investment management firms. The investment managers' fees and expenses for providing investment management services are paid by the ACD out of its own remuneration under the ACD agreement. The investment management firms generally also make information on remuneration publicly available in accordance with the disclosure requirements of Pillar 3 of the Capital Requirements Directive.

SECURITIES FINANCING TRANSACTIONS

The Company has the ability to utilise Securities Financing Transactions (being transactions such as lending or borrowing of securities, repurchase or reverse repurchase transactions, buy-sell back or sell-buy back transactions, or margin lending transactions). No such transactions have been undertaken in the period covered by this report.

CAPITA FINANCIAL MANAGERS LIMITED

ACD of CF Seneca Investment Funds
17 July 2017

CF SENECA INVESTMENT FUNDS DIRECTOR'S STATEMENT

This report has been prepared in accordance with the requirements of the Collective Investment Schemes Sourcebook as issued and amended by the Financial Conduct Authority.

N. BOYLING

CAPITA FINANCIAL MANAGERS LIMITED
ACD of CF Seneca Investment Funds
17 July 2017

STATEMENT OF ACD'S RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The ACD is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland with early application of Amendments to FRS 102 – Fair value hierarchy disclosure, issued in March 2016.

The Financial Conduct Authority's Collective Investment Schemes Sourcebook (the 'COLL Sourcebook') requires the ACD to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company, comprising each of its sub-funds, and of the net revenue/expense and of the net capital gains/losses on the scheme property of the Company's sub-funds for that year. In preparing those financial statements, the ACD is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements in accordance with the requirements of the IA SORP; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The ACD is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company's sub-funds and to enable it to ensure that the financial statements comply with the COLL Sourcebook. The ACD is also responsible for safeguarding the assets of the Company's sub-funds and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the ACD is aware:

- there is no relevant audit information of which the Company's Auditor is unaware; and
- the ACD has taken all steps that it ought to have taken to make itself aware of any relevant audit information and to establish that the Auditor is aware of that information.

STATEMENT OF DEPOSITARY'S RESPONSIBILITIES

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended, the Financial Services and Markets Act 2000, as amended, (together 'the Regulations'), the Company's Instrument of Incorporation and Prospectus (together 'the Scheme documents') as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

- the Company's cash flows are properly monitored and that cash of the Company is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the value of shares of the Company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the ACD, which is the UCITS Management Company, are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that the Company is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Company.

REPORT OF THE DEPOSITARY FOR THE YEAR ENDED 31 MARCH 2017

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the ACD:

- (i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's revenue in accordance with the Regulations and the Scheme documents of the Company; and
- (ii) has observed the investment and borrowing powers and restrictions applicable to the Company.

BNY MELLON TRUST & DEPOSITARY (UK) LIMITED
Depositary of CF Seneca Investment Funds
17 July 2017

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CF SENECA INVESTMENT FUNDS

We have audited the financial statements of CF Seneca Investment Funds ('the Company') for the year ended 31 March 2017 which comprise the accounting policies of the Company, the Statement of Total Return, the Statement of Change in Net Assets Attributable to Shareholders, the Balance Sheet, the related notes and the Distribution Tables for each of the Company's sub-funds. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Standards applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, pursuant to Paragraph 4.5.12 of the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE AUTHORISED CORPORATE DIRECTOR (ACD) AND AUDITOR

As explained more fully in the ACD's responsibilities statement set out on page 6, the ACD is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the ACD; and
- the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the financial position of the Company comprising each of its sub-funds as at 31 March 2017 and of the net revenue and the net capital gains on the scheme property of the Company comprising each of its sub-funds for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

OPINION ON OTHER MATTERS PRESCRIBED BY THE RULES OF THE COLLECTIVE INVESTMENT SCHEMES SOURCEBOOK OF THE FINANCIAL CONDUCT AUTHORITY

In our opinion:

- the financial statements have been properly prepared in accordance with the Statement of Recommended Practice relating to Authorised Funds, the rules of the Collective Investment Schemes Sourcebook of the Financial Conduct Authority and the Instrument of Incorporation;
- the information given in the ACD's report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- there is nothing to indicate that proper accounting records have not been kept or that the financial statements are not in agreement with those records; and
- we have received all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of our audit.

ERNST & YOUNG LLP

Statutory Auditor

London

17 July 2017

1. ACCOUNTING POLICIES

The principal accounting policies, which have been applied to the financial statements of the sub-funds in both the current and prior year, are set out below. These have been applied consistently across all sub-funds unless otherwise stated in the Notes to the Financial Statements of each sub-fund.

(a) *Basis of accounting*

The financial statements of each sub-fund have been prepared under the historical cost basis, as modified by the revaluation of investments and in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland including early application of Amendments to FRS 102 – Fair value hierarchy disclosures, issued in March 2016. The financial statements have been prepared in accordance with the Statement of Recommended Practice ('SORP') for Financial Statements of UK Authorised Funds issued by the Investment Association ('IA') in May 2014.

(b) *Recognition of revenue*

Dividends on quoted equities and preference shares are recognised when the securities are quoted ex-dividend.

Distributions from collective investment schemes are recognised when the schemes are quoted ex-distribution. Equalisation returned with the distribution is deducted from the cost of the investment in the scheme and does not form part of the distributable revenue.

Reportable income from funds with 'Reporting Fund' status for UK tax purposes is recognised when the information is made available by the Reporting Fund.

Revenue from unquoted equity investments is recognised when the dividend is declared.

Rebates of annual management charges (AMC rebates) from underlying investments are accounted for on an accruals basis and are recognised as revenue, or capital in line with the allocation of the annual management charge between capital and revenue of the underlying investments.

Underwriting commission is wholly recognised as revenue when the issue takes place, except where the Company is required to take up all or some of the shares underwritten, in which case an appropriate proportion of the commission received is deducted from the cost of those shares.

Interest on bank and other cash deposits is recognised on an accruals basis.

Revenue is recognised gross of any withholding taxes but excludes attributable tax credits.

Where appropriate, certain permitted financial instruments such as derivatives or forward currency contracts are used for efficient portfolio management. Where such financial instruments are used to protect or enhance revenue, the revenue and expenses derived therefrom are included in 'Revenue' in the Statement of Total Return. Where such financial instruments are used to protect or enhance capital, the gains and losses derived therefrom are included in 'Net capital gains or losses' in the Statement of Total Return.

(c) *Treatment of stock and special dividends*

The ordinary element of stock received in lieu of cash dividends is credited to capital in the first instance followed by a transfer to revenue of the cash equivalent being offered and this forms part of the distributable revenue of the Fund.

1. ACCOUNTING POLICIES (*continued*)

(c) *Treatment of stock and special dividends (continued)*

Special dividends are reviewed on a case by case basis in determining whether the dividend is to be treated as revenue or capital. Amounts recognised as revenue will form part of the distributable revenue. Amounts recognised as capital are deducted from the cost of the investment. The tax accounting treatment follows the treatment of the principal amount.

(d) *Treatment of expenses*

All expenses, except for those relating to the purchase and sale of investments, are charged initially against revenue.

(e) *Allocation of revenue and expenses to multiple share classes and sub-funds*

Any revenue or expense not directly attributable to a particular share class or sub-fund will normally be allocated pro-rata to the net assets of the relevant share classes and sub-funds, unless a different allocation method is more appropriate.

All share classes are ranked pari passu and have no particular rights or terms attached, including rights on winding up.

(f) *Taxation*

Corporation tax is provided at 20% on taxable revenue, after deduction of allowable expenses.

Offshore income gains, from funds without reporting status, are liable to corporation tax at 20% and any resulting charge is deducted from capital.

Where overseas tax has been deducted from overseas revenue that tax can, in some instances, be set off against the corporation tax payable by way of double tax relief and where this is the case the offset is reflected in the tax charge.

Deferred tax is provided using the liability method on all timing differences arising on the treatment of certain items for taxation and accounting purposes, calculated at the rate at which it is anticipated the timing differences will reverse. Deferred tax assets are recognised only when, on the basis of available evidence, it is more likely than not that there will be taxable profits in the future against which the deferred tax asset can be offset.

(g) *Basis of valuation of investments*

All investments are valued at their fair value as at close of business on 31 March 2017, being the last business day of the financial year. As at 31 March 2016, all investments were valued at their fair value as at 12.00pm being the last business day of the financial year.

Quoted investments are valued at fair value which generally is the bid price.

Collective investment schemes are valued at published bid prices for dual priced funds and at published prices for single priced funds.

Structured products for which a price can only be obtained from the issuer are valued at the fair value per the issuer and the value is confirmed by an independent price provider by reference to the terms as defined in the term sheet of the structured product.

For investments for which there is no quoted price or for which the quoted price is unreliable, fair value is determined by the ACD, taking into account, where appropriate, latest dealing prices, valuations from reliable sources, financial performance, maturity of the company and other relevant factors.

CF SENECA INVESTMENT FUNDS

Financial Statements (continued)

As at 31 March 2017

1. ACCOUNTING POLICIES (*continued*)

(h) *Exchange rates*

The base and functional currency of the sub-funds is Pounds Sterling. Transactions in foreign currencies are recorded in sterling at the rate ruling at the date of the transactions. Assets and liabilities expressed in foreign currencies at the end of the accounting period are translated into sterling at the exchange rate prevailing at close of business on the last business day of the financial year, whereas at 31 March 2016, these were translated into Sterling at the exchange rate prevailing at 12.00pm on the last business day of the financial year.

(i) *Dilution levy*

The ACD may require a dilution levy on the purchase and redemption of shares if, in its opinion, the existing shareholders (for purchases) or remaining shareholders (for redemptions) might otherwise be adversely affected. For example, the dilution levy may be charged in the following circumstances: where the scheme property of a sub-fund is in continual decline; on a sub-fund experiencing large levels of net purchases relative to its size; on 'large deals' (typically being a purchase or redemption of shares to a size exceeding 5% of the Net Asset Value of the relevant sub-fund); in any case where the ACD is of the opinion that the interests of existing or remaining shareholders require the imposition of a dilution levy.

(j) *Direct transaction costs*

Direct transaction costs may consist of fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Indirect transaction costs may be incurred on transactions in underlying schemes but these do not form part of the direct transaction costs disclosures. Direct transaction costs do not include any difference between the quoted bid and offer prices or internal administrative or holding costs. The average portfolio dealing spread disclosed is the difference between the bid and offer prices of investments at the balance sheet date, including the effect of foreign exchange, expressed as a percentage of the value determined by reference to the offer price.

2. DISTRIBUTION POLICIES

Surplus revenue after taxation, as disclosed in the financial statements, after adjustment for items of a capital nature, is distributable to shareholders. Any deficit of revenue is deducted from capital.

Interim distributions may be made at the ACD's discretion. Final distributions are made in accordance with the COLL Sourcebook.

Distributions which have remained unclaimed by shareholders for more than six years are credited to the capital property of the sub-fund.

CF SENECA DIVERSIFIED GROWTH FUND

ACD'S REPORT

FOR THE YEAR ENDED 31 MARCH 2017

IMPORTANT INFORMATION

Refer to the 'Important Information' section on page 4.

INVESTMENT OBJECTIVE AND POLICY

The investment objective of CF Seneca Diversified Growth Fund ('the Fund') is to achieve long-term capital growth by investing in a balanced and well diversified portfolio of UK and international equities, and fixed interest securities including government and corporate bonds. Investments will also be made in regulated collective investment schemes, money markets and cash deposits to provide further diversification to the Fund in accordance with applicable regulations.

CAPITA FINANCIAL MANAGERS LIMITED

ACD of CF Seneca Diversified Growth Fund

17 July 2017

CF SENECA DIVERSIFIED GROWTH FUND

ACD's Report (continued)

For the year ended 31 March 2017

INVESTMENT MANAGER'S REPORT

INVESTMENT APPROACH

Seneca Investment Managers is a fund management company specialising in multi-asset investing. This form of investing combines traditional securities, such as equities and bonds, with non-traditional approaches, such as alternative investments* to deliver specific outcomes.

Our investment approach differs in that we make decisions using a value investing ethos. We believe this approach makes it easier to achieve investor objectives and offers the prospect of superior long term returns and avoidance of permanent loss of capital.

The bible of value investing is Security Analysis, written by Benjamin Graham and David Dodd in 1934. They set out a framework for assessing the intrinsic value of stocks, then proposed that investors should only buy stocks below their intrinsic value.

At Seneca we use these principles to assess different asset classes, select stocks and when picking third party funds, to choose managers who employ value investing techniques. Our value investing approach means that our funds are actively managed and different, both from common benchmarks and from the competition.

Successful active management involves finding patterns in financial assets and taking advantage of them. Performing well for our investors is about finding value in multi-asset investing and making better decisions than other investors.

ASSET ALLOCATION

FUND ASSET STRUCTURE AS AT 31 MARCH 2017

There have been no changes to the strategic asset allocation for the Fund over the year. The strategic asset allocation has been set to achieve the Fund's investment objectives over the long term and, as such, is likely to change infrequently, being subject to review every 12 months.

Asset Class	Fund %	Strategic Asset Allocation %
Equities	61.5	60.0
UK	23.6	20.0
North America	4.1	8.0
Europe	8.9	8.0
Japan	8.0	8.0
Emerging Markets	4.6	8.0
Asia (exc. Japan)	10.5	8.0
Other Overseas	1.8	–
Fixed Income	9.9	15.0
Specialist Assets	22.5	25.0
Cash	6.1	–
Total	100.0	100.0

Source: Seneca Investment Managers Limited.

During the year, equity exposure was reduced from 65.9% to 61.5%, with proceeds moving mostly into cash. This reduction was carried out fairly gradually throughout the year as markets moved up and valuations became less compelling. Furthermore, the reduction came almost entirely from Europe ex UK, with the weighting there falling from 13.4% to 8.9%. Political risk within the European Union ('EU') appeared to be rising not falling, which it was felt could impact longer term growth prospects.

Although the overall equity weight was reduced, the Fund remains overweight in relation to strategic asset allocation. This is because while valuations are less attractive than they were a year ago, they remain reasonable. Dividend yields are generally quite close to long term averages, and low long term interest rates add to their appeal.

Within equities, we are most overweight in the UK. UK equities are, we think, attractive given stronger corporate competitiveness provided by the weak pound. Furthermore, we continue to find many bottom up opportunities in the mid cap space which we tend to focus on.

The Fund remains underweight fixed income, predominantly due to our view that developed economy government bond yields offer little in the way of value at current low yields, despite the rise seen in the latter part of 2016. However, reasonable yields can still be found in specific areas of the credit market, such as short duration high yield bonds and emerging market debt. The Fund is invested in both of these areas.

Specialist assets continue to offer attractive income yields backed by real assets, such as aircraft leasing, renewable energy and targeted areas of the property market.

* Property, private equity, specialist financial and infrastructure.

CF SENECA DIVERSIFIED GROWTH FUND

ACD's Report (continued)

Investment Manager's Report (continued)

For the year ended 31 March 2017

PORTFOLIO ACTIVITY

UK EQUITIES

A new investment was made in Essentra, a global manufacturer and distributor of high volume, small, but essential components, cigarette filters and specialist health and personal care packaging solutions. Many of the markets in which the company operates are highly fragmented, providing significant scope for growth. The shares had de-rated materially, following what we believe will prove to be a temporary setback, largely as a result of a delay in integrating a recent acquisition. A new CEO is now at the helm whom should be able to improve returns for shareholders. Thomas Cook was exited to fund the investment. Although the company has made significant progress in recent years, the operating environment has deteriorated, due to external factors outside of the company's control.

Phoenix Group Holdings was another new investment. The company is a closed life assurance fund consolidator. Phoenix acquired Abbey Life from Deutsche Bank in a transformational deal that quickly followed in the wake of buying assets from AXA. The cash flow that will be generated from both acquisitions enables the dividend to be increased by 10%. The shares yielded close to 7% at the time of investment.

A new investment was also made in specialist mortgage lender, OneSavings Bank ('OSB'). The company predominantly lends to professional buy-to-let ('BTL') landlords in the South East of England, but outside of central London. The bank is the lowest cost operator in its sector and generates a high Return on Equity (ROE) benefitting from the retracement of high street banks which are now focused on standardised, high volume, automated mortgage lending. All mortgages are manually underwritten by OSB and the company has plenty of scope to grow, given that its lending currently accounts for a fraction of the total BTL mortgage market. The shares were on a depressed valuation, despite the bank being well capitalised.

Conviviality Retail was another new investment. The company is the UK's largest independent distributor of alcohol. The on-trade business operates mainly through Matthew Clark, serving hotels, bars and restaurants, whilst the retail business operates through Bargain Booze which has a strong northern presence and is seeking to expand southward. The company is highly cash generative and the business model earns a high return on invested capital. Market share stands at just 11% and 6% for the on-trade and retail divisions, respectively, so there is significant scope for growth. The shares were purchased on close to a 5% dividend yield.

Royal Dutch Shell was exited on valuation grounds, having performed well since the Fund's investment in January 2016. The dividend yield was still high and more likely than not safe, however, cover from earnings and cash flow was low, meaning that there was still a risk of a cut should the operating environment deteriorate further. The shares were trading above book value at the time of exiting the position, despite the company struggling to earn a return higher than its cost of equity. High profit margins within the refining division look vulnerable.

There was significant volatility in the UK equity market, post the UK's vote to exit the EU in June. This provided a good opportunity to increase the commonality of holdings across the funds we manage.

Prudential was exited and the proceeds invested in Legal & General Group. Shares in Legal & General were exceptionally weak relative to Prudential after the UK's vote for Brexit, providing an opportunity to invest at a yield of over 7%. The dividend is supported by a strong balance sheet and healthy cash generation.

A new investment was also made in Intermediate Capital Group after the UK's vote to leave the EU. The company uses its own capital to invest in various alternative assets across the globe, including lending to medium sized corporates and investing in private equity. It also has a capital light, fee earning, asset management business that is growing at a healthy pace. Alternative assets is an expanding asset class, because investors are seeking to diversify their portfolios in a world of low interest rates and populations are ageing.

Oxford Instruments was exited, having held up well relative to Intermediate Capital Group. The company has recently been struggling to grow organically, not helped by persistent weakness in its less technically advanced Industrial Products division. Net debt is manageable, but higher than desirable, given the uncertainty created by Brexit. The company also has limited revenue visibility and orders tend to be erratic within its Nanotechnology Tools division.

Premier Foods, owner of brands such as Ambrosia, Mr Kipling and Sharwoods was exited, in order to initiate a new position in Dairy Crest Group, the producer of Cathedral City cheese. The former had performed relatively poorly since the start of the year and de-rated. Dairy Crest has a much stronger balance sheet and offers a higher dividend yield.

OVERSEAS EQUITIES

There were significant changes across the Fund's overseas equities exposure during the year. The rationale for this was to exit specialist funds and focus on regional ones, increase positions sizes in our favoured holdings and introduce funds which employ a value investment philosophy, as we do at Seneca.

In North America, exits were made in the iShares MSCI USA Dividend IQ UCITS ETF, Pershing Square Holdings and Polar Capital Biotechnology Fund. The iShares ETF Index was purchased during the period in order to provide temporary exposure to the region whilst we completed our research on a new holding, the Heptagon Yacktman US Equity Fund, which is now the Growth Fund's sole holding in North America. Yacktman was founded in 1992 and is a boutique investment manager based in Austin, Texas. Since that time, the team have produced a creditable long term track record, with impressive performance over full market cycles. The portfolio invests in a concentrated selection of high quality businesses that exhibit a number of characteristics such as a high market share in their products or services. One of Yacktman's mottos is "it's almost always about the price", a value philosophy that is aligned with ours.

In Europe, we completed an exercise of consolidation where we sold both the BlackRock Continental European Income Fund and Schroder European Alpha Income Fund. The proceeds were reinvested into the existing holdings of the Invesco Perpetual European Equity Income Fund and European Assets Trust. During the first quarter of this year, the Invesco Perpetual European Equity Income Fund was reduced following a decrease in the tactical asset allocation weight to European equities.

In Japan, we exited the Jupiter Japan Income Fund and reinvested into the existing positions of the Goodhart Partners Horizon Michinori Japan Equity Fund and CC Japan Income & Growth Trust.

Over the earlier part of the period, there was significant change across the portfolio's Asian exposure in an effort to consolidate capital into our favoured holdings. Fidelity China Special Situations, Ocean Dial Gateway to India Fund and Atlantis China Healthcare Fund were all exited. The proceeds were initially reinvested into the Prusik Asian Equity Income Fund and Stewart Investors Asia Pacific Leaders Fund, two long term holdings that have been excellent stewards of investor capital historically.

CF SENECA DIVERSIFIED GROWTH FUND

ACD's Report (continued)

Investment Manager's Report (continued)

For the year ended 31 March 2017

OVERSEAS EQUITIES (continued)

Following this period of consolidation in Asia, we have made two important further changes. Firstly, we increased the weighting to the Halley Asian Prosperity Fund. The fund, usually closed to new investment, was open temporarily after the payment of the fund's annual dividend in December. We feel the fund offers a significant opportunity to invest in ignored parts of the Asian market. For example, the manager has a large allocation to Vietnam. In recent years some of the larger listed businesses in the country have become popular with institutional investors. Halley however, fishes in a different pond, focusing on the smaller cap end of the market. Here, the manager can find high return on equity operations trading at significant discounts to conservative estimates of the net asset valuation of the business. The fund's restriction on assets under management allows the manager to invest in these areas and also provides us with further evidence of the manager's intention to align his interests with our clients. We seek asset managers rather than asset gatherers.

More recently, a new investment was made in the Pacific Assets Investment Trust, run by the Stewart Investors' Asia Pacific team. Having held our investment in the Stewart Investors Asia Pacific Leaders Fund since 2006, we decided to exit the fund and reallocate the majority of the proceeds to the Trust. Following a recent call with the manager, the "predictability of capital" that an investment trust provides, allows the team to invest in the more illiquid areas of Asian markets. Over 55% of the Pacific Assets portfolio is invested in businesses with a market capitalisation below £5 billion, around five times more than the Stewart Investors Asia Pacific Leaders Fund, which is restricted by its size. Given a wider opportunity set to identify high quality businesses at reasonable valuations, we believe the Trust is the more attractive investment for clients. To ensure the Fund has comfortable levels of liquidity, we reallocated a small portion of the Stewart Investors Asia Pacific Leaders Fund weight to the existing investment in the Prusik Asian Equity Income Fund.

Finally, in Asia Pacific ex Japan, we switched the Prusik Asian Equity Income Fund from a sterling hedged share class into a US dollar unhedged one. We have decided that all overseas equities holdings will remain unhedged, unless we have strong conviction regarding the relative overvaluation of a particular overseas currency.

There were several changes in Emerging Markets, with the exit of the Baillie Gifford Emerging Markets Growth Fund, db x-trackers MSCI EM Healthcare ETF Index and Bellevue BB African Opportunities Fund. To replace the above funds, we introduced the MI Somerset Emerging Markets Dividend Growth Fund. The manager, Edward Lam, seeks businesses that can sustain above average returns on capital where company management are aligned with the interests of outside shareholders. In addition, he looks for businesses with attractive dividend growth prospects. The above philosophy fits nicely with the approach we employ at Seneca.

FIXED INTEREST

There were only relatively small changes made to Fixed Income positions during the year, with corporate high yield bonds still preferred to developed market sovereign bonds such as gilts.

The Fund's investment in the TwentyFour Select Monthly Income Fund, a closed end vehicle, was added to with the shares offering a yield of just over 7%. The fund is able to invest in less liquid bonds due to its closed end status, with such bonds often offering higher yields than more liquid bonds. Funding for this purchase was provided by a 'top slicing' of the position in the Royal London Short Duration Bond Fund; whilst we still like the defensive characteristics of this fund, we felt it offered less potential for overall returns.

The only other major transaction over the period was a small reduction in Templeton Emerging Markets Bond Fund in mid-December following strong bounce from February 2016 lows, which had taken the holding to an overweight position against the target portfolio weighting.

SPECIALIST ASSETS

We conducted a degree of rotation within the REIT space which was largely driven by valuation but also reflected our intention to gain exposure to areas of the property sector that were not represented. Specifically, we exited Ediston Property Investment in order to reduce the amount of retail property exposure in our portfolio and due to a degree of overlap with two of our other REITs, namely AEW UK REIT and Custodian REIT which we wished to retain.

Two new REIT holdings were introduced. Civitas Social Housing, which was a new REIT launched on the market focussed on owning general needs and supported living social housing assets. Typically purchased from Housing Associations and Local Authorities so that those organisations can recycle their capital and increase supply of this much needed resource, this is a theme that is set to grow in the UK. Primary Health Properties was introduced to the portfolio in order to broaden our exposure into GP surgeries and local health centres. The REIT has been in existence for 20 years and has a good track record of consecutive dividend growth and has built up a portfolio of prime assets valued at £1.2 billion.

In private equity we continue to own A J Bell Holdings as our main exposure to unlisted equities. However, we felt the portfolio would benefit from a diversified listed private equity fund run by a specialist manager. The combined strategy of investing in third party private equity vehicles and holding direct 'co-investments' in the most attractive private equity companies, such as Dell made Aberdeen Private Equity Fund of particular attraction. At the time of initial investment in July 2016 the shares were trading at 95p. This equated to a 27% discount to the NAV of 130.47p at the time. We took further heart from the AGM announcement in September where the company announced it will ordinarily pay a minimum of 4p in annual dividend, we felt a diversified fund paying a reasonable level of income was a sensible addition to our portfolio.

In our Specialist Financial assets, we took the decision to exit FP Argonaut Absolute Return Fund which had suffered a disappointing run of performance and we did not have sufficient confidence in a potential turn around given the likely market conditions ahead. The holding in NB Distressed Debt Investment was sold as we felt the manager's timing in the distressed debt cycle was not as attractive as other investments we were looking. Furthermore, the absence of an income stream was not as attractive as other value driven investments that offered income as well as growth returns.

Another investment exited was SQN Asset Finance Income. The shares had been trading at premium to NAV of more than 10% yet the NAV per share had not grown beyond its launch price of 100p. The premium was supported purely due to the relatively high level of income. What concerned us in particular was an uncomfortably large number of leased assets in the portfolio that were falling into some degree of difficulty. Market appetite for the shares was undimmed, hence the premium rating in the share price. We took this as an opportunity to exit in order to preserve capital. A new vehicle was brought to our attention, RM Secured Direct Lending which we felt was a suitable alternative to SQN Asset Finance Income but without foreign currency risk and a level of security of capital and income that should prove more resolute.

CF SENECA DIVERSIFIED GROWTH FUND

ACD's Report (continued)

Investment Manager's Report (continued)

For the year ended 31 March 2017

SPECIALIST ASSETS (continued)

Within listed infrastructure a new holding for the portfolio was the introduction of International Public Partnerships. This is a diversified listed vehicle owning a range of assets such as Thames Tideway Super Sewer, UK school, military housing, transport assets and offshore power transmission cables. It gives a high level of inflation linkage to its revenue stream and has consistently grown its dividend since inception 10 years ago.

OUTLOOK

Business cycles in the US and the UK appear well advanced, with inflation now above central bank targets. In Japan and Europe, inflation pressures are still somewhat subdued but getting stronger. This means we are probably now in a global monetary policy tightening environment, with the US leading the way. That said, there may be good reasons why the global business cycle will last longer than might be expected. Business expansions tend to reflect the severity of the downturn that preceded them. Since the 2008/9 downturn was very severe in terms of the impact on unemployment and confidence, it is possible that employment conditions can continue to improve for another 2-3 years. This would make the current expansion one of the longest on record.

Specifically, we think that the US and the UK are now in expansion phase, with Europe and Japan nearing the end of their recovery phases. Given that equity performance deteriorates during expansion phases, it is likely we will soon be moving to underweight equities. Asia ex Japan and emerging markets tend to be driven more by structural than cyclical forces, and anyway are less efficient markets so naturally there are more investment opportunities. We are thus likely to remain decently positioned in these two regions.

As for safe haven bonds, we believe that current yields can only be justified by an extremely grim economic outlook, one that we do not think likely. We thus continue to maintain our underweight position in this area.

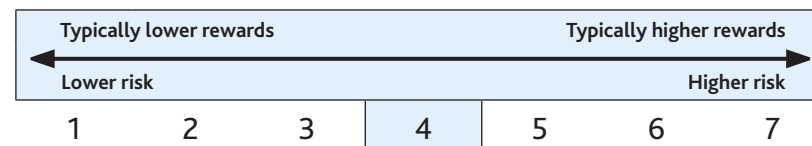
SENECA INVESTMENT MANAGERS LIMITED

Investment Manager

21 April 2017

FUND INFORMATION

RISK AND REWARD PROFILE



This indicator shows how much a fund has risen and fallen in the past, and therefore how much a fund's returns have varied. It is a measure of a fund's volatility. The higher a fund's past volatility the higher the number on the scale and the greater the risk that investors in that fund may have made losses as well as gains. The lowest number on the scale does not mean that a fund is risk free.

The Fund has been classed as 4 because its volatility has been measured as average.

This indicator is based on historical data and may not be a reliable indication of the future risk profile of this Fund.

The risk and reward profile shown is not guaranteed to remain the same and may shift over time.

Fixed interest securities are affected by trends in interest rates and inflation. If interest rates go up the value of capital may fall and vice versa. Inflation will also decrease the real value of capital. The value of a fixed interest security is also affected by its credit rating.

Liquidity Risk: Smaller companies' securities are often traded less frequently than those of larger companies which means they may be more difficult to buy and sell. Their prices may also be subject to short term swings.

Currency Risk: As the Fund invests in overseas securities movements in exchange rates may, when not hedged, cause the value of your investment to increase or decrease.

For full details of the Fund's risks, please see the Prospectus which may be obtained upon application and can be found on the ACD's website, www.capitafinancial.com, by following the link 'Fund Information'.

CF SENECA DIVERSIFIED GROWTH FUND

ACD's Report (continued)

Fund Information (continued)

COMPARATIVE TABLES

Where the Fund has significant investment in collective investment schemes, the operating charges take account of the ongoing charges incurred in the underlying schemes, calculated as the expense value of such holdings at the period end weighted against the net asset value of the share class at that date.

	31.03.17 (p/share)	31.03.16 (p/share)	31.03.15 ¹ (p/share)
'A' Accumulation shares			
Change in net assets per share			
Opening net asset value per share	214.08	223.07	209.15
Return before operating charges*	42.43	(4.70)	18.99
Operating charges	(4.46)	(4.29)	(5.07)
Return after operating charges	37.97	(8.99)	13.92
Distributions	(5.36)	(3.53)	(2.88)
Retained distributions on accumulation shares	5.36	3.53	2.88
Closing net asset value per share	252.05	214.08	223.07
* after direct transaction costs of:	0.36	0.48	0.94
Performance			
Return after charges	17.74%	(4.03)%	6.66%
Other Information			
Closing net asset value (£'000)	43,367	44,040	75,917
Closing number of shares	17,205,884	20,571,482	34,032,648
Operating charges	1.93%	1.96%	1.98% ²
Direct transaction costs	0.15%	0.22%	0.37% ²
Prices			
Highest share price	253.57	230.42	225.33
Lowest share price	207.65	198.68	195.32

¹ 14.5 month period due to change of annual accounting date.

² Annualised figure.

	31.03.17 (p/share)	31.03.16 (p/share)	31.03.15 ¹ (p/share)
'B' Accumulation shares			
Change in net assets per share			
Opening net asset value per share	126.95	131.42	122.24
Return before operating charges*	25.22	(2.78)	11.19
Operating charges	(1.76)	(1.69)	(2.01)
Return after operating charges	23.46	(4.47)	9.18
Distributions	(4.08)	(2.92)	(2.66)
Retained distributions on accumulation shares	4.08	2.92	2.66
Closing net asset value per share	150.41	126.95	131.42
* after direct transaction costs of:	0.22	0.28	0.55
Performance			
Return after charges	18.48%	(3.40)%	7.51%
Other Information			
Closing net asset value (£'000)	70,433	64,154	52,876
Closing number of shares	46,828,264	50,534,728	40,235,744
Operating charges	1.28%	1.31%	1.33% ²
Direct transaction costs	0.15%	0.22%	0.37% ²
Prices			
Highest share price	151.29	135.78	132.73
Lowest share price	123.33	117.71	114.73

¹ 14.5 month period due to change of annual accounting date.

² Annualised figure.

CF SENECA DIVERSIFIED GROWTH FUND

ACD's Report (continued)

Fund Information (continued)

COMPARATIVE TABLES (continued)

	31.03.17 (p/share)	31.03.16 (p/share)	31.03.15 ¹ (p/share)
'N' Accumulation shares			
Change in net assets per share			
Opening net asset value per share	125.59	130.33	121.61
Return before operating charges*	24.94	(2.74)	11.08
Operating charges	(2.08)	(2.00)	(2.36)
Return after operating charges	22.86	(4.74)	8.72
Distributions	(3.69)	(2.58)	(2.27)
Retained distributions on accumulation shares	3.69	2.58	2.27
Closing net asset value per share	148.45	125.59	130.33
* after direct transaction costs of:	0.21	0.28	0.55
Performance			
Return after charges	18.20%	(3.64)%	7.17%
Other Information			
Closing net asset value (£'000)	93	52	72
Closing number of shares	62,523	41,089	55,108
Operating charges	1.53%	1.56%	1.58% ²
Direct transaction costs	0.15%	0.22%	0.37% ²
Prices			
Highest share price	149.33	134.65	131.64
Lowest share price	121.93	116.49	113.91

¹ 14.5 month period due to change of annual accounting date.

² Annualised figure.

FUND PERFORMANCE TO 31 MARCH 2017 (%)

	1 year	3 years	5 years
CF Seneca Diversified Growth Fund	17.17	22.94	47.16

The performance of the Fund is based on the published price per 'A' Accumulation share which includes reinvested income.

The performance of the Fund disclosed in the above table may differ from the 'Return after charges' disclosed in the Comparative Table due to the above performance being calculated on the latest published price prior to the year end, rather than the year end return after operating charges.

Details of the distributions per share for the year are shown in the Distribution Table on pages 45 and 46.

RISK WARNING

An investment in an open-ended investment company should be regarded as a medium to long term investment. Investors should be aware that the price of shares and the income from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

CF SENECA DIVERSIFIED GROWTH FUND

ACD's Report (continued)

PORTFOLIO STATEMENT

AS AT 31 MARCH 2017

Holding	Portfolio of Investments	Value £'000	31.03.17 %
	FIXED INCOME INVESTMENTS – 9.86% (31.03.16 – 9.62%)		
	<i>CORPORATE BONDS – 7.74% (31.03.16 – 7.57%)</i>		
2,875,000	Royal London Short Duration Global High Yield Bond Fund ¹	2,660	2.33
3,170,000	Royal London Sterling Extra Yield Bond Fund ¹	3,344	2.94
2,950,000	TwentyFour Select Monthly Income Fund ¹	2,817	2.47
		<u>8,821</u>	<u>7.74</u>
	<i>EMERGING MARKET DEBT – 2.12% (31.03.16 – 2.05%)</i>		
279,465	Templeton Emerging Markets Bond Fund ¹	2,412	2.12
	TOTAL FIXED INCOME INVESTMENTS	<u>11,233</u>	<u>9.86</u>
	EQUITY & EQUITY RELATED – 61.46% (31.03.16 – 65.92%)		
	UNITED KINGDOM – 23.58% (31.03.16 – 23.16%)		
372,500	Arrow Global Group	1,326	1.16
130,000	Bovis Homes Group	1,097	0.96
220,000	Britvic	1,425	1.25
365,000	BT Group	1,162	1.02
140,000	Clinigen Group ²	1,111	0.97
214,500	Conviviality Retail ²	585	0.51
187,000	Dairy Crest Group	1,035	0.91
104,000	Diploma	1,100	0.97
216,000	Essentra	1,134	1.00
305,000	Halfords Group	1,081	0.95
144,000	Intermediate Capital Group	1,020	0.90
70,000	Kier Group	957	0.84
465,000	Legal & General Group	1,150	1.01
325,000	Marks & Spencer Group	1,095	0.96
965,000	Marston's	1,295	1.14
376,573	Morgan Advanced Materials	1,217	1.07
300,000	National Express Group	1,080	0.95
295,000	OneSavings Bank	1,191	1.05
130,000	Phoenix Group Holdings	971	0.85
290,000	Polypipe Group	1,105	0.97
140,000	RPC Group	1,094	0.96

Holding	Portfolio of Investments	Value £'000	31.03.17 %
	UNITED KINGDOM – 23.58% (31.03.16 – 23.16%) (continued)		
665,000	Senior	1,369	1.20
56,000	Ultra Electronics Holdings	1,160	1.02
57,500	Victrex	1,093	0.96
	TOTAL UNITED KINGDOM	<u>26,853</u>	<u>23.58</u>
	OVERSEAS – 37.88% (31.03.16 – 42.76%)		
	NORTH AMERICA – 4.08% (31.03.16 – 3.56%)		
29,400	Heptagon Yacktman US Equity Fund ¹	4,644	4.08
	CONTINENTAL EUROPE – 8.95% (31.03.16 – 13.42%)		
300,000	European Assets Trust ¹	3,435	3.01
1,610,000	Invesco Perpetual European Equity Income Fund ¹	6,765	5.94
	TOTAL CONTINENTAL EUROPE	<u>10,200</u>	<u>8.95</u>
	JAPAN – 7.97% (31.03.16 – 8.18%)		
2,160,000	CC Japan Income & Growth Trust ¹	2,846	2.50
226,651	Goodhart Partners Horizon Michinori Japan Equity Fund ¹	6,228	5.47
	TOTAL JAPAN	<u>9,074</u>	<u>7.97</u>
	ASIA PACIFIC (EXCLUDING JAPAN) – 10.50% (31.03.16 – 11.11%)		
14,700	Halley Asian Prosperity Fund ¹	4,647	4.08
1,385,000	Pacific Assets Investment Trust ¹	3,379	2.97
26,000	Prusik Asian Equity Income Fund ¹	3,931	3.45
	TOTAL ASIA PACIFIC (EXCLUDING JAPAN)	<u>11,957</u>	<u>10.50</u>
	EMERGING MARKETS – 4.60% (31.03.16 – 4.80%)		
3,175,000	MI Somerset Emerging Markets Dividend Growth Fund ¹	5,235	4.60
	OTHER OVERSEAS – 1.78% (31.03.16 – 1.69%)		
587,500	BlackRock World Mining Trust ¹	2,027	1.78
	TOTAL OVERSEAS	<u>43,137</u>	<u>37.88</u>
	TOTAL EQUITY & EQUITY RELATED	<u>69,990</u>	<u>61.46</u>

CF SENECA DIVERSIFIED GROWTH FUND

ACD's Report (continued)

Portfolio Statement (continued)

As at 31 March 2017

Holding	Portfolio of Investments	Value £'000	31.03.17 %
	ALTERNATIVE INVESTMENTS – 22.51% (31.03.16 – 22.25%)		
	<i>HEDGE FUNDS – 0.00% (31.03.16 – 1.88%)</i>		
1,250,000	PSolve Alternatives PCC ^{1,3}	–	–
	<i>PRIVATE EQUITY – 4.81% (31.03.16 – 2.90%)</i>		
545,000	A J Bell Holdings ⁴	3,804	3.34
1,440,000	Aberdeen Private Equity Fund ¹	1,681	1.47
		<u>5,485</u>	<u>4.81</u>
	<i>PROPERTY – 5.27% (31.03.16 – 3.78%)</i>		
1,330,000	AEW UK REIT	1,290	1.13
1,050,000	Civitas Social Housing	1,129	0.99
1,125,000	Custodian REIT	1,254	1.10
800,000	LondonMetric Property	1,277	1.12
955,000	Primary Health Properties	1,051	0.93
18,750,000	Speymill Deutsche Immobilien Company ^{1,3}	–	–
		<u>6,001</u>	<u>5.27</u>
	<i>OTHER ALTERNATIVE – 12.43% (31.03.16 – 13.69%)</i>		
1,475,000	Blue Capital Global Reinsurance ¹	1,215	1.07
968,889	Doric Nimrod Air Two <i>preference shares</i>	2,093	1.84
1,490,000	DP Aircraft	1,239	1.09
2,230,358	Fair Oaks Income ¹	1,766	1.55
865,000	Greencoat UK Wind ¹	1,023	0.90
945,000	International Public Partnerships ¹	1,474	1.29
1,230,000	John Laing Environmental Assets Group ¹	1,338	1.17
8,000,000	Lehman Brothers 0% 23/10/2008 (linked to Tate & Lyle, Wolseley and Land Securities Group) ^{5,6}	–	–
55,000	Ranger Direct Lending Fund ¹	578	0.51
1,150,000	RM Secured Direct Lending ¹	1,162	1.02
973,420	Sequoia Economic Infrastructure Income ¹	1,068	0.94
1,260,000	UK Mortgages ¹	1,203	1.05
		<u>14,159</u>	<u>12.43</u>
	TOTAL ALTERNATIVE INVESTMENTS	<u>25,645</u>	<u>22.51</u>
	<i>CASH EQUIVALENT INVESTMENTS – 4.59% (31.03.16 – 1.19%)</i>		
5,221,928	Invesco Sterling Liquidity Portfolio ¹	5,222	4.59

	Value £'000	31.03.17 %
Portfolio of investments	112,090	98.42
Net other assets	1,803	1.58
Net assets	<u>113,893</u>	<u>100.00</u>

The investments have been valued in accordance with note 1(g) of the Accounting Policies and are ordinary shares listed on a regulated market unless stated otherwise.

¹ Collective investment scheme.

² Quoted on the Alternative Investment Market (AIM).

³ Delisted security.

⁴ Unlisted security.

⁵ Structured product.

⁶ Illiquid security.

CF SENECA DIVERSIFIED GROWTH FUND

ACD's Report (continued)

SUMMARY OF MATERIAL PORTFOLIO CHANGES FOR THE YEAR ENDED 31 MARCH 2017

Total purchases for the year £'000 (note 15) 58,049

Major purchases	Cost £'000
Invesco Perpetual European Equity Income Fund	5,154
MI Somerset Emerging Markets Dividend Growth Fund	4,390
Heptagon Yacktmann US Equity Fund	4,350
iShares MSCI USA Dividend IQ UCITS ETF	4,203
Prusik Asian Equity Income Fund	3,527
Fair Oaks Income	3,452
Pacific Assets Investment Trust	3,435
Goodhart Partners Horizon Michinori Japan Equity Fund	2,303
Stewart Investors Asia Pacific Leaders Fund	2,049
Aberdeen Private Equity Fund	1,455
International Public Partnerships	1,436
Essentra	1,276
Legal & General Group	1,224
Halley Asian Prosperity Fund	1,188
Marston's	1,185
RM Secured Direct Lending	1,150
Civitas Social Housing	1,100
Phoenix Group Holdings	1,081
Dairy Crest Group	1,069
GCP Student Living	1,048

In addition to the above, purchases of the short term money market fund Invesco Sterling Liquidity Portfolio shares were made on a frequent basis totalling £43,489 thousand for the year.

The summary of material portfolio changes represents the 20 largest purchases during the year.

Total sales for the year £'000 (note 15) 72,722

Major sales	Proceeds £'000
Stewart Investors Asia Pacific Leaders Fund	5,449
iShares MSCI USA Dividend IQ UCITS ETF	4,308
Schroder European Alpha Income Fund	4,143
BlackRock Continental European Income Fund	4,045
Fair Oaks Income	3,911
Invesco Perpetual European Equity Income Fund	3,564
Prusik Asian Equity Income Fund	3,128
Jupiter Japan Income Fund	3,018
Polar Capital Biotechnology Fund	2,483
db x-trackers MSCI EM Healthcare Index UCITS ETF	2,306
Pershing Square Holdings	2,108
Atlantis China Healthcare Fund	2,036
FP Argonaut Absolute Return Fund	1,799
Ocean Dial Gateway to India Fund	1,658
Bellevue BB African Opportunities	1,637
NB Distressed Debt Investment Fund	1,623
Baillie Gifford Emerging Markets Growth Fund	1,385
Ranger Direct Lending Fund	1,230
Prudential	1,224
Oxford Instruments	1,180

In addition to the above, sales of the short term money market fund Invesco Sterling Liquidity Portfolio shares were made on a frequent basis totalling £39,557 thousand for the year.

The summary of material portfolio changes represents the 20 largest sales during the year.

CF SENECA DIVERSIFIED GROWTH FUND
 FINANCIAL STATEMENTS
 STATEMENT OF TOTAL RETURN
 FOR THE YEAR ENDED 31 MARCH 2017

	Notes	£'000	31.03.17 £'000	£'000	31.03.16 £'000
Income:					
Net capital gains/(losses)	3		15,400		(6,667)
Revenue	4	4,208		3,626	
Expenses	5	(1,209)		(1,400)	
Interest payable and similar charges	7	–		(1)	
Net revenue before taxation		2,999		2,225	
Taxation	6	(8)		2	
Net revenue after taxation			2,991		2,227
Total return before distributions			18,391		(4,440)
Distributions	7		(2,995)		(2,227)
Change in net assets attributable to shareholders from investment activities			15,396		(6,667)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS
 FOR THE YEAR ENDED 31 MARCH 2017

	£'000	31.03.17 £'000	£'000	31.03.16 £'000
Opening net assets attributable to shareholders		108,246		128,865
Amounts receivable on issue of shares	2,272		1,136	
Amounts payable on redemption of shares	(14,933)		(17,276)	
		(12,661)		(16,140)
Change in net assets attributable to shareholders from investment activities		15,396		(6,667)
Retained distributions on Accumulation shares		2,912		2,188
Closing net assets attributable to shareholders		113,893		108,246

BALANCE SHEET
 AS AT 31 MARCH 2017

	Notes	31.03.17 £'000	31.03.16 £'000
ASSETS			
Fixed assets			
Investments		112,090	107,140
Current assets			
Debtors	8	1,188	447
Cash and bank balances	9	1,038	1,135
Total assets		114,316	108,722
LIABILITIES			
Creditors			
Bank overdrafts	9	–	(154)
Other creditors	10	(423)	(322)
Total liabilities		(423)	(476)
Net assets attributable to shareholders		113,893	108,246

CF SENECA DIVERSIFIED GROWTH FUND

Financial Statements (continued)

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2017

1. ACCOUNTING POLICIES

The accounting policies described on pages 10 to 12 have been applied to the financial statements of the Fund in the current and prior year.

2. DISTRIBUTION POLICIES

The distribution policies described on page 12 have been applied to the financial statements of the Fund in the current and prior year.

	31.03.17 £'000	31.03.16 £'000
3. NET CAPITAL GAINS/(LOSSES)		
The net capital gains/(losses) during the year comprise:		
Non-derivative securities	15,252	(6,840)
Derivative contracts	105	232
Transaction charges	(3)	(3)
AMC rebates from underlying investments	22	–
Currency gains/(losses)	24	(56)
Net capital gains/(losses)	<u>15,400</u>	<u>(6,667)</u>
4. REVENUE		
Non-taxable dividends	2,656	2,522
Taxable dividends	493	93
UK property income distributions	258	185
Unfranked interest	789	800
AMC rebates from underlying investments	12	18
Underwriting commission	–	7
Bank interest	–	1
Total revenue	<u>4,208</u>	<u>3,626</u>
5. EXPENSES		
Payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	1,101	1,280
Legal and professional fees	7	7
Printing costs	7	8
Registration fees	33	35
	<u>1,148</u>	<u>1,330</u>

	31.03.17 £'000	31.03.16 £'000
5. EXPENSES (continued)		
Payable to the Depository, associates of the Depository and agents of either of them:		
Depository's fees	38	40
Safe custody and other bank charges	7	9
	45	49
Other expenses:		
Fees paid to auditor – audit	9	9
– tax services	2	3
Publication costs	4	4
Postage and distribution costs	1	1
FCP expense	–	4
	16	21
Total expenses	<u>1,209</u>	<u>1,400</u>
The Investment Management fees and expenses (plus VAT thereon) for providing investment management services are paid by the ACD out of its remuneration.		
	31.03.17 £'000	31.03.16 £'000
6. TAXATION		
a) Analysis of charge for the year		
Corporation tax at 20%	–	–
Overseas tax	8	(2)
Current tax charge	8	(2)
Deferred tax – origination and reversal of timing differences (note 6c)	–	–
Total taxation (note 6b)	<u>8</u>	<u>(2)</u>

CF SENECA DIVERSIFIED GROWTH FUND

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 March 2017

6. TAXATION (continued)

b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.03.16 : 20%). The difference is explained below:

	31.03.17 £'000	31.03.16 £'000
Net revenue before taxation	2,999	2,225
Corporation tax at 20%	600	445
Effects of:		
Non-taxable dividends	(531)	(504)
AMC rebates taken to capital	4	–
(Utilised)/unutilised excess management expenses	(73)	59
Corporation tax charge	–	–
Overseas tax	8	(2)
Total tax charge (note 6a)	8	(2)

c) Deferred tax

At the year end there is a potential deferred tax asset of £2,396 thousand (31.03.16 : £2,469 thousand) in relation to surplus management expenses. It is unlikely that the Fund will generate sufficient taxable profits in the future to utilise this amount and, therefore, no deferred tax asset has been recognised in the current or prior year.

7. DISTRIBUTIONS

The distributions take account of revenue received on the issue of shares and revenue deducted on redemption of shares, and comprise:

	31.03.17 £'000	31.03.16 £'000
Interim	1,539	878
Final	1,373	1,310
	2,912	2,188
Add: Revenue deducted on redemption of shares	101	46
Deduct: Revenue received on issue of shares	(18)	(7)
Net distributions for the year	2,995	2,227
Interest	–	1
Total distributions	2,995	2,228

7. DISTRIBUTIONS (continued)

Details of the distributions per share are set out in the table on pages 45 and 46.

	31.03.17 £'000	31.03.16 £'000
Distributions represented by:		
Net revenue after taxation	2,991	2,227
Allocations to capital:		
Tax relief on AMC rebates from underlying investments	4	–
Net distributions for the year	2,995	2,227
8. DEBTORS		
Amounts receivable for issue of shares	42	64
Sales awaiting settlement	872	103
Accrued revenue:		
Non-taxable dividends	209	244
UK property income distributions	24	13
AMC rebates from underlying investments	13	4
	246	261
Prepaid expenses	3	3
Taxation recoverable:		
Income tax	25	14
Overseas withholding tax	–	2
	25	16
Total debtors	1,188	447
9. CASH AND BANK BALANCES		
Bank balances	1,038	1,135
Total cash and bank balances	1,038	1,135
Bank overdraft	–	(154)
Total bank overdraft	–	154

CF SENECA DIVERSIFIED GROWTH FUND

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 March 2017

	31.03.17 £'000	31.03.16 £'000
10. OTHER CREDITORS		
Amounts payable for redemption of shares	222	198
Purchases awaiting settlement	82	–
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	97	93
Legal and professional fees	2	2
Printing costs	4	5
Registration fees	3	3
	106	103
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	3	3
Safe custody and other bank charges	1	1
	4	4
Other expenses	9	17
Total other creditors	<u>423</u>	<u>322</u>

11. RELATED PARTY TRANSACTIONS

Annual Management Charge and legal and professional fees payable to Capita Financial Managers Limited ('the ACD'), registration fees payable to Capita Financial Administrators Limited and printing costs payable to Capita Sinclair Henderson Limited (both companies are associates of the ACD) are disclosed in note 5 and amounts due at the year end are disclosed in note 10.

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 32 and amounts due at the year end are disclosed in notes 8 and 10.

Capita Financial Managers Limited and its associates (including other authorised investment funds managed by Capita Financial Managers Limited or its associates) held 1,532,235 (31.03.16 : 2,362,174) of the Fund's shares at the balance sheet date.

12. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or unrecorded outstanding commitments (31.03.16 : none).

13. SHARES IN ISSUE

	'A' Accumulation	'B' Accumulation	'N' Accumulation
Annual Management Charge	1.40%	0.75%	1.00%
Opening shares in issue	20,571,482	50,534,728	41,089
Issues	353,583	1,002,363	17,394
Redemptions	(3,552,925)	(4,973,660)	(11,295)
Conversions	(166,256)	264,833	15,335
Closing shares in issue	<u>17,205,884</u>	<u>46,828,264</u>	<u>62,523</u>

14. RISK MANAGEMENT POLICIES

In pursuing the investment objective a number of financial instruments are held which may comprise securities and other investments, cash balances and debtors and creditors that arise directly from operations. Derivatives, such as futures or forward currency contracts, may be utilised for hedging purposes.

The main risks from the Fund's holding of financial instruments, together with the ACD's policy for managing these risks, are set out below:

The ACD has in place a Risk Management Policy and Procedures Document ('RMPPD') that sets out the risks that may impact a fund and how the ACD seeks, where appropriate, to manage, monitor and mitigate those risks, and in particular those risks associated with the use of derivatives. The RMPPD sets out both the framework and the risk mitigations operated by the ACD in managing the identified risks of the fund. The ACD requires that the appointed Investment Manager to the fund has in place its own governance structure, policies and procedures that are commensurate with its regulatory obligations and the risks posed by the fund managed.

i. Credit risk

Credit risk is the risk that a counterparty may be unable or unwilling to make a payment or fulfil contractual obligations. This may be in terms of an actual default or by deterioration in a counterparty's credit quality.

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its obligations. As part of its due diligence process, the ACD undertakes a review of the controls operated over counterparties by the Investment Manager, including initial and ongoing due diligence and business volumes placed with each counterparty. In cases which are dependent on the counterparty settling at the transaction's maturity date, the ACD has policies in place which set out the minimum credit quality expected of a market counterparty or deposit taker at the outset of the transaction.

CF SENECA DIVERSIFIED GROWTH FUND

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 March 2017

14. RISK MANAGEMENT POLICIES (continued)

ii. Interest rate risk

Interest rate risk is the risk that the value of the Fund's investments will fluctuate as a result of interest rate changes. The value of fixed interest securities may be affected by changes in interest rates, either globally or locally. Changes in the rate of return in one asset class may influence the valuation basis of other classes. The amount of revenue receivable from floating rate investments and bank balances or payable on bank overdrafts will be affected by fluctuations in interest rates. Investment in collective investment schemes exposes the Fund to indirect interest rate risk to the extent that they invest in interest bearing securities, the returns from which will be affected by fluctuations in interest rates.

The Fund takes on interest rate risk within its investment portfolio where the ACD and Investment Manager believe that the expected return compensates for the overall risk. The ACD and Investment Manager continue to monitor the level of interest rate risk posed by the Fund's underlying investments on a regular basis.

The table below shows the direct interest rate risk profile:

	31.03.17 £'000	31.03.16 £'000
Floating rate investments	16,455	11,700
Investments on which interest is not paid	95,635	95,440
Total investments	<u>112,090</u>	<u>107,140</u>

Investments on which interest is not paid include equities and collective investment schemes.

The Fund's exposure to interest rate risk is not significant and therefore no sensitivity analysis has been presented.

iii. Foreign currency risk

Foreign currency risk is the risk that the sterling value of investments will fluctuate as a result of exchange rate movements. Assets denominated in currencies other than sterling will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates when calculating the sterling equivalent value. Investment in collective investment schemes may provide indirect exposure to currency risk as a consequence of the movement in foreign exchange rates.

Where the Fund invests in non-sterling assets, the Investment Manager allows for the foreign currency risk when considering whether to invest and does not seek to hedge this risk.

14. RISK MANAGEMENT POLICIES (continued)

iii. Foreign currency risk (continued)

The table below shows the direct foreign currency risk profile:

	31.03.17 £'000	31.03.16 £'000
Currency:		
US dollars	8,151	13,597
Pounds sterling	105,742	94,649
Net assets	<u>113,893</u>	<u>108,246</u>

A 5% change in the pounds sterling exchange rate against all other currencies, assuming all other factors remained the same, would have an impact of £408 thousand on the net assets of the Fund (31.03.16 : £680 thousand).

iv. Leverage

The Fund did not employ any significant leverage during the current or prior year.

v. Liquidity risk

The main liability of the Fund is the redemption of any shares that investors want to sell. Investments may have to be sold to fund such redemptions should insufficient cash be held at the bank to meet this obligation.

To reduce liquidity risk the Investment Manager will ensure that a substantial portion of the Fund's assets consist of cash and readily realisable investments.

All financial liabilities are payable in one year or less, or on demand.

vi. Market price risk

Market price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds.

Market price risk represents the potential loss the Fund may suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy. The risk is generally regarded as consisting of two elements – stock specific risk and market risk. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective, spreading exposure across a broad range of global stocks can mitigate market risk.

A 5% increase in the value of the portfolio would have the effect of increasing the return and net assets by £5,605 thousand (31.03.16 : £5,357 thousand). A 5% decrease would have an equal and opposite effect.

vii. Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the Balance Sheet, and their fair value.

CF SENECA DIVERSIFIED GROWTH FUND

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 March 2017

14. RISK MANAGEMENT POLICIES (continued)

viii. Derivatives

No derivatives held as at the period end.

15. PORTFOLIO TRANSACTION COSTS

	Purchases /sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases /net sales £'000
31.03.17				
Ordinary shares	28,922	26	60	29,008
Collective investment schemes	28,994	20	27	29,041
Purchases total	57,916	46	87	58,049
<i>Transaction cost % of purchases total</i>		0.08%	0.15%	
<i>Transaction cost % of average NAV</i>		0.04%	0.08%	
Ordinary shares	33,863	(36)	–	33,827
Collective investment schemes	38,897	(2)	–	38,895
Sales total	72,760	(38)	–	72,722
<i>Transaction cost % of sales total</i>		0.05%	–	
<i>Transaction cost % of average NAV</i>		0.03%	–	

Average portfolio dealing spread at 31.03.17 is 0.49% (31.03.16 : 0.57%).

15. PORTFOLIO TRANSACTION COSTS (continued)

	Purchases /sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases /net sales £'000
31.03.16				
Ordinary shares	41,115	49	123	41,287
Collective investment schemes	21,539	–	–	21,539
Purchases total	62,654	49	123	62,826
<i>Transaction cost % of purchases total</i>		0.08%	0.20%	
<i>Transaction cost % of average NAV</i>		0.04%	0.11%	
Ordinary shares	41,193	(83)	–	41,110
Collective investment schemes	36,178	(2)	–	36,176
Other	1,199	–	–	1,199
Sales total	78,570	(85)	–	78,485
<i>Transaction cost % of sales total</i>		0.11%	–	
<i>Transaction cost % of average NAV</i>		0.07%	–	

CF SENECA DIVERSIFIED GROWTH FUND

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 March 2017

16. FAIR VALUE HIERARCHY

Investments are categorised into the following levels based on their fair value measurement:

Level 1: The unadjusted quoted price in an active market for identical assets that the Fund can access at the year end date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the assets.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.03.17				
Assets				
Ordinary shares	36,186	–	3,804	39,990
Collective investment schemes	5,222	66,878	–	72,100
	<u>41,408</u>	<u>66,878</u>	<u>3,804</u>	<u>112,090</u>

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.03.16				
Assets				
Ordinary shares	45,601	10,359	3,134	59,094
Collective investment schemes	1,290	46,756	–	48,046
	<u>46,891</u>	<u>57,115</u>	<u>3,134</u>	<u>107,140</u>

DISTRIBUTION TABLE

FOR THE YEAR ENDED 31 MARCH 2017 – IN PENCE PER SHARE

EQUALISATION

Equalisation applies only to shares purchased during the distribution period (Group 2 shares – the applicable distribution periods for each distribution are shown below). It represents the accrued revenue included in the purchase price of the shares. After averaging it is returned with the distribution as a capital repayment. It is not liable to Income Tax but must be deducted from the cost of the shares for Capital Gains Tax purposes.

Group 2	Interim	Final
From	01.04.16	01.10.16
To	30.09.16	31.03.17

'A' Accumulation shares

Interim	Net Revenue	Equalisation	Allocated 30.11.16	Allocated 30.11.15
Group 1	2.8016	–	2.8016	1.3453
Group 2	1.6743	1.1273	2.8016	1.3453
Final	Net Revenue	Equalisation	Allocation	Allocated
			31.05.17	31.05.16
Group 1	2.5583	–	2.5583	2.1805
Group 2	1.5698	0.9885	2.5583	2.1805

'B' Accumulation shares

Interim	Net Revenue	Equalisation	Allocated 30.11.16	Allocated 30.11.15
Group 1	2.0889	–	2.0889	1.2205
Group 2	1.1377	0.9512	2.0889	1.2205
Final	Net Revenue	Equalisation	Allocation	Allocated
			31.05.17	31.05.16
Group 1	1.9893	–	1.9893	1.7038
Group 2	0.5306	1.4587	1.9893	1.7038

CF SENECA DIVERSIFIED GROWTH FUND

Financial Statements (continued)

Distribution Table (continued)

'N' Accumulation shares

Interim	Net Revenue	Equalisation	Allocated 30.11.16	Allocated 30.11.15
Group 1	1.9029	–	1.9029	1.0466
Group 2	1.9029	0.0000	1.9029	1.0466
Final	Net Revenue	Equalisation	Allocation 31.05.17	Allocated 31.05.16
Group 1	1.7864	–	1.7864	1.5288
Group 2	0.2452	1.5412	1.7864	1.5288

CF SENECA DIVERSIFIED INCOME FUND

ACD'S REPORT

FOR THE YEAR ENDED 31 MARCH 2017

IMPORTANT INFORMATION

Refer to the 'Important Information' section on page 4.

INVESTMENT OBJECTIVE AND POLICY

The investment objective of CF Seneca Diversified Income Fund ('the Fund') is to provide a high level of growing income by investing in a balanced and well diversified portfolio of UK and International equities, fixed interest securities including government and corporate bonds. Investments will also be made in regulated collective investment schemes, money markets and cash deposits to provide further diversification to the Fund in accordance with applicable regulations.

CAPITA FINANCIAL MANAGERS LIMITED

ACD of CF Seneca Diversified Income Fund

17 July 2017

CF SENECA DIVERSIFIED INCOME FUND

ACD's Report (continued)

For the year ended 31 March 2017

INVESTMENT MANAGER'S REPORT

INVESTMENT APPROACH

Seneca Investment Managers is a fund management company specialising in multi-asset investing. This form of investing combines traditional securities, such as equities and bonds, with non-traditional approaches, such as alternative investments* to deliver specific outcomes.

Our investment approach differs in that we make decisions using a value investing ethos. We believe this approach makes it easier to achieve investor objectives and offers the prospect of superior long term returns and avoidance of permanent loss of capital.

The bible of value investing is Security Analysis, written by Benjamin Graham and David Dodd in 1934. They set out a framework for assessing the intrinsic value of stocks, then proposed that investors should only buy stocks below their intrinsic value.

At Seneca we use these principles to assess different asset classes, select stocks and when picking third party funds, to choose managers who employ value investing techniques. Our value investing approach means that our funds are actively managed and different, both from common benchmarks and from the competition.

Successful active management involves finding patterns in financial assets and taking advantage of them. Performing well for our investors is about finding value in multi-asset investing and making better decisions than other investors.

ASSET ALLOCATION

FUND STRUCTURE AS AT 31 MARCH 2017

There have been no changes to the strategic asset allocation for the Fund over the year. The strategic asset allocation has been set to achieve the Fund's investment objectives over the long term and, as such, is likely to change infrequently, being subject to review every 12 months.

Asset Class	Fund %	Strategic Asset Allocation %
Equities	41.3	40.0
UK	25.6	22.5
North America	–	2.5
Europe	6.0	5.0
Japan	1.0	2.0
Asia (exc. Japan)	5.6	5.5
Emerging Markets	1.0	2.5
Global/Other Overseas	2.1	–
Fixed Income	31.9	35.0
Specialist Assets	23.5	25.0
Other	1.3	–
Cash	2.0	–
Total	100.0	100.0

Source: Seneca Investment Managers Limited.

During the year, equity exposure was reduced from 46.1% to 41.3%, with proceeds moving mostly into cash. This reduction was carried out fairly gradually throughout the period as markets moved up and valuations became less compelling. Furthermore, the reduction came almost entirely from Europe ex UK, with the weighting there falling from 10.0% to 6.0%. Political risk within the European Union ('EU') appeared to be rising not falling, which it was felt could impact longer term growth prospects.

Although the overall equity weight was reduced, the Fund remains overweight in relation to strategic asset allocation. This is because while valuations are less attractive than they were a year ago, they remain reasonable. Dividend yields are generally quite close to long term averages, and low long term interest rates add to their appeal.

Within equities, we are most overweight in the UK. UK equities are, we think, attractive given stronger corporate competitiveness provided by the weak pound. Furthermore, we continue to find many bottom up opportunities in the mid-cap space which we tend to focus on.

The Fund remains underweight fixed income, predominantly due to our view that developed economy government bond yields offer little in the way of value at current low yields, despite the rise seen in the latter part of 2016. However, reasonable yields can still be found in specific areas of the credit market, such as short duration high yield bonds and emerging market debt. The Fund is invested in both of these areas.

Specialist assets continue to offer attractive income yields backed by real assets, such as aircraft leasing, renewable energy and targeted areas of the property market.

* Property, private equity, specialist financial and infrastructure.

CF SENECA DIVERSIFIED INCOME FUND

ACD's Report (continued)

Investment Manager's Report (continued)

For the year ended 31 March 2017

PORTFOLIO ACTIVITY

UK EQUITIES

A new investment was made in Essentra, a global manufacturer and distributor of high volume, small, but essential components, filters and specialist health and personal care packaging solutions. Many of the markets in which the company operates are highly fragmented, providing scope for both organic growth and growth via acquisition. The shares had derated materially, following what we believe will prove to be a temporary setback, largely as a result of a delay in integrating a recent acquisition. A new CEO is now at the helm whom should be able to improve returns for shareholders. Fidelity Enhanced Income Fund was exited entirely, in order to fund the new investment.

Another new position was started in Britvic, maker of Robinson's fruit juice and sole distributor of Pepsi in the UK. The company is also expanding abroad in countries such as Brazil. Britvic is a high quality business with an impressive track record of dividend growth. The shares have derated over the last couple of years, leaving them on an attractive dividend yield. UBM was exited on valuation grounds, in order to fund the investment.

Arrow Global Group was another new investment. The company is one of the largest acquirers of defaulted consumer debt in the UK and has recently been expanding overseas. It is also growing its capital-lite asset management business at a healthy pace. Operating in a regulated environment, Arrow Global Group conservatively aims to recover small, affordable amounts of money over a long time horizon, thereby providing annuity-like cash flows. The company's dividend is growing rapidly and yet the shares traded on just a single digit P/E.

Royal Dutch Shell was exited on valuation grounds, having performed well since the Fund's investment in January 2016. The dividend yield was still high and more likely than not safe, however, cover from earnings and cash flow was low, meaning that there was still a risk of a cut should the operating environment deteriorate further. The shares were trading above book value at the time of exiting the position, despite the company struggling to earn a return higher than its cost of equity. High profit margins within the refining division look vulnerable.

A new investment was also made in specialist mortgage lender, OneSavings Bank ('OSB'). The company predominantly lends to professional buy-to-let ('BTL') landlords in the South East of England, but outside of central London. The bank is the lowest cost operator in its sector and generates a high Return on Equity (ROE) benefitting from the retracement of high street banks which are now focused on standardised, high volume, automated mortgage lending. All mortgages are manually underwritten by OSB and the company has plenty of scope to grow, given that its lending currently accounts for a fraction of the total BTL mortgage market. The shares were on a depressed valuation, partly because of the UK's vote for Brexit. The bank is well capitalised.

Conviviality Retail was another new investment. The company is the UK's largest independent distributor of alcohol. The on-trade business operates mainly through Matthew Clark, serving hotels, bars and restaurants, whilst the retail business operates through Bargain Booze which has a strong northern presence and is seeking to expand southward. The company is highly cash generative and the business model naturally earns a high return on invested capital. Market share stands at just 11% and 6% for the on-trade and retail divisions, respectively, so there is significant scope for growth. The shares were purchased on close to a 5% dividend yield.

Polypipe Group was a new investment made post the UK's vote to leave the EU, on material share price weakness. The company manufactures and supplies plastic piping products, as well as water and air management systems. We believe Polypipe is well placed to benefit from secular trends, including the displacement of legacy materials used in construction and the pursuit for carbon efficient solutions within heating. The shares were yielding over 4% when the Fund started building its new position in early July.

A new investment was also made in Ultra Electronics Holdings, after the equity had de-rated, leaving the shares on a dividend yield close to a 10 year high. The company applies specialist electronic and software capabilities in demanding environments and critical applications across numerous industries, including aerospace, defence, security, cyber, transport and energy. Organic revenue growth has been a struggle over recent years, but we believe that the outlook is improving and that the business is strategically positioned to benefit from high growth markets, such as cyber security, as well as electronic and underwater warfare.

Ashmore Group, the emerging market asset manager, was exited on valuation grounds, following a very strong rise in the share price – the shares had returned over 80% from their lows earlier in the year. The rally meant that the valuation was already discounting a return to material positive net inflows in assets under management and a further improvement in the performance of emerging market assets. The P/E ratio was close to the highest in 10 years and other valuation metrics, such as enterprise value to assets under management, were also rich. This was despite continued revenue margin pressure and less scope for performance fees than has historically been the case.

Sainsbury (J) was also exited, in order to facilitate a 1% reduction in the Tactical Asset Allocation ('TAA') for UK equities. Sainsbury (J) is a well-managed business, but operates in a very tough sector that is currently undergoing significant change. The company is now over-invested, as a result of shifting consumer trends and new competitive threats from discounters. The shares had re-rated back to book value and it is difficult to envisage the business earning a return on equity above its cost of equity in future years. The acquisition of Home Retail (Argos) has recently helped offset further weakness in the core grocery business, but consumer spending could come under pressure as 2017 progresses.

OVERSEAS EQUITIES

In Europe, we sold the Schroder European Alpha Income Fund, in order to consolidate positions into our favoured holdings. The majority of the proceeds were reinvested into the existing holdings of the Invesco Perpetual European Equity Income Fund and European Assets Trust. During the first quarter of this year, the Invesco Perpetual European Equity Income Fund was reduced following a decrease in the tactical asset allocation weight to European equities.

There was some change within Asia Pacific ex Japan too, where we exited the Liontrust Asia Income Fund and reinvested the proceeds into a new holding in the Aberdeen Asian Income Fund. The investment style at Aberdeen has many similarities to ours at Seneca, combining quality and value attributes when assessing their opportunity set of Asian equities. The investment trust trades at an attractive discount to net asset value and yielded around 4.1% at initial purchase. Elsewhere in Asia, we switched the Prusik Asian Equity Income Fund from a sterling hedged share class into a US dollar unhedged one. We have decided that all overseas equities holdings will remain invested in unhedged share classes, unless we have strong conviction regarding the relative overvaluation of a particular overseas currency.

CF SENECA DIVERSIFIED INCOME FUND

ACD's Report (continued)

Investment Manager's Report (continued)

For the year ended 31 March 2017

OVERSEAS EQUITIES (continued)

Finally, we took some profits in the BlackRock World Mining Trust. The vehicle has performed well over the period, following improved company performance across the mining industry which has seen companies announcing more disciplined capital expenditure programs, resulting in an increase in free cash flow generation. The trust continues to appear attractive to us, offering a 3.8% dividend yield and trading at a double digit discount to net asset value.

FIXED INCOME

Overall fixed income exposure has remained largely unchanged over the period. However, we have consolidated holdings into funds, and areas, where we have a higher degree of conviction that value is offered. We have continued to eschew investment in developed market government bonds due to our belief that they are amongst the most expensive assets. Focus has remained on a combination of sub-investment grade (high yield) corporate bonds, with a heavy emphasis on managers running short duration focussed funds; and emerging market sovereign debt, where we feel selectively that yields and currencies appear attractive.

Consolidation within the fund positions held has led to the sale of the AXA US Short Duration High Yield Bond Fund, which has effectively been switched into a combination of the existing holdings in the Muzinich Short Duration High Yield Bond Fund and the Royal London Short Duration Global High Yield Bond Fund. These funds we believe are amongst the most conservative and defensive operating in the high yield area.

Further consolidation took place with the sale of the M&G Global Floating Rate High Yield Fund, as we felt that the relatively low yield offered by the fund was unattractive, despite there being potential for this yield to rise as interest rates eventually firm. This may be a fund we come back to when there is more evidence that there has been a more widespread turn in the interest rate cycle. Another position disposed of was the Baillie Gifford High Yield Bond Fund, which was sold largely due to the yield being offered falling to a less attractive level than has historically been the case. Elsewhere within high yield oriented funds held a further investment was made in both the Royal London Sterling Extra Yield Bond Fund and also the TwentyFour Select Monthly Income Fund (a closed end fund), with both we felt offering attractive yields, helped by their focus on areas of the fixed income markets often shunned by other bond managers. Such areas include bonds not covered by the credit rating agencies and also less liquid bonds.

Within the emerging market ('EM') debt positions the holding in the Pictet Emerging Local Currency Debt Fund was sold, as we were concerned that the manager was likely to cut distributions (this actually happened following its disposal). Exposure to EM debt was maintained by increasing the position already held in the very actively managed Templeton Emerging Markets Bond Fund. Here the manager looks to add value from both buying EM sovereign debt positions, whilst also taking active currency positions. The fund offers a yield of around 9% with potential for significant capital growth, we feel.

SPECIALIST ASSETS

We conducted a degree of rotation within the REIT space which was largely driven by valuation but also reflected our intention to gain exposure to areas of the property sector that were not represented. Specifically, we exited Ediston Property Investment in order to reduce the amount of retail property exposure in our portfolio and due to a degree of overlap with two of our other REITs, namely AEW UK REIT and Custodian REIT which we wished to retain.

A strong performance since inception from GCP Student Living had seen yield compression in its portfolio of prime London student accommodation which had been rewarded by a strong share price rise. However, potential returns from thereon did not appear repeatable to us and we resolved to exit and move to new areas of the property sector.

Two new REIT holdings were introduced. Civitas Social Housing, which was a new REIT launched on the market focussed on owning general needs and supported living social housing assets. Typically purchased from Housing Associations and Local Authorities so that those organisations can recycle their capital and increase supply of this much needed resource, this is a theme that is set to grow in the UK. Primary Health Properties was introduced to the portfolio in order to broaden our exposure into GP surgeries and local health centres. The REIT has been in existence for 20 years and has a good track record of consecutive dividend growth and has built up a portfolio of prime assets valued at £1.2 billion.

In private equity we continue to own A J Bell Holdings as our main exposure to unlisted equities. However, following the changes announced at the AGM to the dividend policy of Aberdeen Private Equity Fund where the company will ordinarily pay a minimum of 4p in annual dividend, we felt a diversified fund paying a reasonable level of income was a sensible addition to our portfolio. At the time of introduction in September the shares were trading at 103p, which was a 29% discount to the Net Asset Value ('NAV') of the time.

In our Specialist Financial assets, we took the decision to exit SQN Asset Finance Income. The shares had been trading at premium to NAV of more than 10% yet the NAV per share had not grown beyond its launch price of 100p. The premium was supported purely due to the relatively high level of income. What concerned us in particular was an uncomfortably large number of leased assets in the portfolio that were falling into some degree of difficulty. Market appetite for the shares was undimmed, hence the premium rating in the share price. We took this as an opportunity to exit in order to preserve capital. A new vehicle was brought to our attention, RM Secured Direct Lending which we felt was a suitable alternative to SQN Asset Finance Income but without foreign currency risk and a level of security of capital and income that should prove more resolute.

Within listed infrastructure we took the decision to exit Bluefield Solar Income Fund as we were more comfortable holding solar assets within our existing position in the diversified environmental assets fund, John Laing Environmental Assets Group. A new holding for the portfolio was the introduction of International Public Partnerships. This is a diversified listed vehicle owning a range of assets such as Thames Tideway Super Sewer, UK school, military housing, transport assets and offshore power transmission cables. It gives a high level of inflation linkage to its revenue stream and has consistently grown its dividend since inception 10 years ago.

OUTLOOK

Business cycles in the US and the UK appear well advanced, with inflation now above central bank targets. In Japan and Europe, inflation pressures are still somewhat subdued but getting stronger. This means we are probably now in a global monetary policy tightening environment, with the US leading the way. That said, there may be good reasons why the global business cycle will last longer than might be expected. Business expansions tend to reflect the severity of the downturn that preceded them. Since the 2008/9 downturn was very severe in terms of the impact on unemployment and confidence, it is possible that employment conditions can continue to improve for another 2-3 years. This would make the current expansion one of the longest on record.

CF SENECA DIVERSIFIED INCOME FUND

ACD's Report (continued)

Investment Manager's Report (continued)

For the year ended 31 March 2017

OUTLOOK (continued)

Specifically, we think that the US and the UK are now in expansion phase, with Europe and Japan nearing the end of their recovery phases. Given that equity performance deteriorates during expansion phases, it is likely we will soon be moving to underweight equities. Asia ex Japan and emerging markets tend to be driven more by structural than cyclical forces, and anyway are less efficient markets so naturally there are more investment opportunities. We are thus likely to remain decently positioned in these two regions.

As for safe haven bonds, we believe that current yields can only be justified by an extremely grim economic outlook, one that we do not think likely. We thus continue to maintain our underweight position in this area.

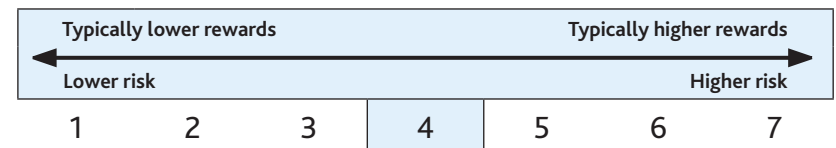
SENECA INVESTMENT MANAGERS LIMITED

Investment Manager

21 April 2017

FUND INFORMATION

RISK AND REWARD PROFILE



This indicator shows how much a fund has risen and fallen in the past, and therefore how much a fund's returns have varied. It is a measure of a fund's volatility. The higher a fund's past volatility the higher the number on the scale and the greater the risk that investors in that fund may have made losses as well as gains. The lowest number on the scale does not mean that a fund is risk free.

The Fund has been classed as 4 because its volatility has been measured as average.

This indicator is based on historical data and may not be a reliable indication of the future risk profile of this Fund.

The risk and reward profile shown is not guaranteed to remain the same and may shift over time.

Credit Risk: Fixed interest securities are affected by trends in interest rates and inflation. If interest rates go up the value of capital may fall and vice versa. Inflation will also decrease the real value of capital. The value of a fixed interest security is also affected by its credit rating.

Liquidity Risk: Smaller companies' securities are often traded less frequently than those of larger companies which means they may be more difficult to buy and sell. Their prices may also be subject to short term swings.

Currency Risk: As the Fund invests in overseas securities movements in exchange rates may, when not hedged, cause the value of your investment to increase or decrease.

For full details of the Fund's risks, please see the Prospectus which may be obtained upon application and can be found on the ACD's website, www.capitafinancial.com, by following the link 'Fund Information'.

CF SENECA DIVERSIFIED INCOME FUND

ACD's Report (continued)

Fund Information (continued)

COMPARATIVE TABLES

Where the Fund has significant investment in collective investment schemes, the operating charges take account of the ongoing charges incurred in the underlying schemes, calculated as the expense value of such holdings at the period end weighted against the net asset value of the share class at that date.

	31.03.17 (p/share)	31.03.16 (p/share)	31.03.15 ¹ (p/share)
'A' Income shares			
Change in net assets per share			
Opening net asset value per share	86.25	90.68	90.57
Return before operating charges*	13.63	1.88	7.70
Operating charges	(1.66)	(1.66)	(2.18)
Return after operating charges	11.97	0.22	5.52
Distributions	(4.55)	(4.65)	(5.41)
Closing net asset value per share	93.67	86.25	90.68
* after direct transaction costs of:	0.14	0.14	0.16
Performance			
Return after charges	13.88%	0.24%	6.09%
Other Information			
Closing net asset value (£'000)	36,581	36,632	63,467
Closing number of shares	39,053,271	42,473,974	69,989,266
Operating charges	1.85%	1.88%	2.00% ²
Direct transaction costs	0.16%	0.16%	0.15% ²
Prices			
Highest share price	94.17	93.05	91.64
Lowest share price	82.91	81.88	85.68

¹ 14.5 month period due to change of annual accounting date.

² Annualised figure.

	31.03.17 (p/share)	31.03.16 (p/share)	31.03.15 ¹ (p/share)
'B' Income shares			
Change in net assets per share			
Opening net asset value per share	102.50	107.27	106.47
Return before operating charges*	16.11	2.02	8.91
Operating charges	(1.28)	(1.28)	(1.73)
Return after operating charges	14.83	0.74	7.18
Distributions	(5.42)	(5.51)	(6.38)
Closing net asset value per share	111.91	102.50	107.27
* after direct transaction costs of:	0.17	0.16	0.19
Performance			
Return after charges	14.47%	0.69%	6.74%
Other Information			
Closing net asset value (£'000)	64,436	61,831	49,145
Closing number of shares	57,577,447	60,320,764	45,812,885
Operating charges	1.20%	1.23%	1.35% ²
Direct transaction costs	0.16%	0.16%	0.15% ²
Prices			
Highest share price	112.49	110.15	108.28
Lowest share price	98.67	97.25	101.12

¹ 14.5 month period due to change of annual accounting date.

² Annualised figure.

CF SENECA DIVERSIFIED INCOME FUND

ACD's Report (continued)
Fund Information (continued)

COMPARATIVE TABLES (continued)

	31.03.17 (p/share)	31.03.16 (p/share)	31.03.15 ¹ (p/share)
'N' Income shares			
Change in net assets per share			
Opening net asset value per share	101.44	106.34	105.81
Return before operating charges*	15.98	2.07	8.91
Operating charges	(1.53)	(1.52)	(2.05)
Return after operating charges	14.45	0.55	6.86
Distributions	(5.36)	(5.45)	(6.33)
Closing net asset value per share	110.53	101.44	106.34
* after direct transaction costs of:	0.17	0.16	0.19
Performance			
Return after charges	14.24%	0.52%	6.48%
Other Information			
Closing net asset value (£'000)	273	275	314
Closing number of shares	246,671	271,289	295,345
Operating charges	1.45%	1.48%	1.60% ²
Direct transaction costs	0.16%	0.16%	0.15% ²
Prices			
Highest share price	111.11	109.17	107.35
Lowest share price	97.60	96.27	100.34

¹ 14.5 month period due to change of annual accounting date.

² Annualised figure.

FUND PERFORMANCE TO 31 MARCH 2017 (%)

	1 year	3 years	5 years
CF Seneca Diversified Income Fund	13.49	22.55	42.62

The performance of the Fund is based on the published price per 'A' Income share which includes reinvested income.

The performance of the Fund disclosed in the above table may differ from the 'Return after charges' disclosed in the Comparative Table due to the above performance being calculated on the latest published price prior to the year end, rather than the year end return after operating charges.

Details of the distributions per share for the year are shown in the Distribution Table on pages 80 to 84.

RISK WARNING

An investment in an open-ended investment company should be regarded as a medium to long term investment. Investors should be aware that the price of shares and the income from them can fall as well as rise and investors may not receive back the full amount invested. Past performance is not a guide to future performance. Investments denominated in currencies other than the base currency are subject to fluctuation in exchange rates, which can be favourable or unfavourable.

CF SENECA DIVERSIFIED INCOME FUND

ACD's Report (continued)

PORTFOLIO STATEMENT

AS AT 31 MARCH 2017

Holding	Portfolio of Investments	Value £'000	31.03.17 %
	FIXED INCOME INVESTMENTS – 31.88% (31.03.16 – 30.46%)		
	<i>CORPORATE BONDS – 26.25% (31.03.16 – 24.60%)</i>		
23,000	MI TwentyFour Dynamic Bond Fund ¹	2,580	2.55
74,000	Muzinich Short Duration High Yield Bond Fund ¹	6,616	6.53
7,300,000	Royal London Short Duration Global High Yield Bond Fund ¹	6,754	6.67
6,100,000	Royal London Sterling Extra Yield Bond Fund ¹	6,435	6.35
4,400,000	TwentyFour Select Monthly Income Fund ¹	4,202	4.15
		<u>26,587</u>	<u>26.25</u>
	<i>EMERGING MARKET DEBT – 5.63% (31.03.16 – 5.86%)</i>		
660,000	Templeton Emerging Markets Bond Fund ¹	5,696	5.63
	TOTAL FIXED INCOME INVESTMENTS	<u>32,283</u>	<u>31.88</u>
	EQUITY & EQUITY RELATED – 41.31% (31.03.16 – 46.06%)		
	<i>UNITED KINGDOM – 25.58% (31.03.16 – 26.56%)</i>		
290,000	Arrow Global Group	1,032	1.02
160,000	Bovis Homes Group	1,350	1.33
174,064	Britvic	1,127	1.11
345,000	BT Group	1,098	1.08
380,000	Conviviality Retail	1,035	1.02
220,000	Dairy Crest Group	1,218	1.20
235,000	Essentra	1,234	1.22
350,000	Halfords Group	1,241	1.23
170,000	Intermediate Capital Group	1,204	1.19
92,000	Kier Group	1,258	1.24
480,000	Legal & General Group	1,187	1.17
375,000	Marks & Spencer Group	1,264	1.25
1,075,000	Marston's	1,443	1.42
390,000	Morgan Advanced Materials	1,208	1.19
345,000	National Express Group	1,242	1.23
350,000	OneSavings Bank	1,413	1.40
220,000	Phoenix Group Holdings	1,642	1.62
355,000	Polypipe Group	1,353	1.34
595,000	Senior	1,225	1.21
54,000	Ultra Electronics Holdings	1,119	1.10
54,000	Victrex	1,026	1.01
	TOTAL UNITED KINGDOM	<u>25,919</u>	<u>25.58</u>

Holding	Portfolio of Investments	Value £'000	31.03.17 %
	OVERSEAS – 15.73% (31.03.16 – 19.50%)		
	<i>CONTINENTAL EUROPE – 5.96% (31.03.16 – 10.04%)</i>		
135,000	European Assets Trust ¹	1,546	1.53
570,000	Invesco Perpetual European Equity Income Fund ¹	2,107	2.08
2,000,000	Liontrust European Enhanced Income Fund ¹	2,382	2.35
	TOTAL CONTINENTAL EUROPE	<u>6,035</u>	<u>5.96</u>
	<i>JAPAN – 1.01% (31.03.16 – 1.03%)</i>		
775,000	CC Japan Income & Growth Trust ¹	1,021	1.01
	<i>ASIA PACIFIC (EXCLUDING JAPAN) – 5.59% (31.03.16 – 5.47%)</i>		
500,000	Aberdeen Asian Income Fund ¹	1,042	1.03
16,583	Prusik Asian Equity Income Fund ¹	2,507	2.48
3,500,000	Schroder Asian Income Maximiser ¹	2,104	2.08
	TOTAL ASIA PACIFIC (EXCLUDING JAPAN)	<u>5,653</u>	<u>5.59</u>
	<i>EMERGING MARKETS – 1.01% (31.03.16 – 1.09%)</i>		
735,000	MI Somerset Emerging Markets Dividend Growth Fund ¹	1,028	1.01
	<i>OTHER OVERSEAS – 2.16% (31.03.16 – 1.87%)</i>		
635,000	BlackRock World Mining Trust ¹	2,191	2.16
	TOTAL OVERSEAS	<u>15,928</u>	<u>15.73</u>
	TOTAL EQUITY & EQUITY RELATED	<u>41,847</u>	<u>41.31</u>
	ALTERNATIVE INVESTMENTS – 24.83% (31.03.16 – 23.09%)		
	<i>HEDGE FUNDS – 0.00% (31.03.16 – 0.00%)</i>		
5,900,000	PSource Structured Debt ^{1,2}	–	–
	<i>PRIVATE EQUITY – 4.47% (31.03.16 – 2.91%)</i>		
500,000	A J Bell Holdings ⁴	3,490	3.45
885,000	Aberdeen Private Equity Fund ¹	1,033	1.02
802,666	International Oil & Gas Technology ^{1,2}	–	–
		<u>4,523</u>	<u>4.47</u>

CF SENECA DIVERSIFIED INCOME FUND

ACD's Report (continued)

Portfolio Statement (continued)

As at 31 March 2017

Holding	Portfolio of Investments	Value £'000	31.03.17 %
	<i>PROPERTY – 5.82% (31.03.16 – 5.12%)</i>		
1,350,000	AEW UK REIT	1,309	1.29
950,000	Civitas Social Housing	1,021	1.01
1,000,000	Custodian REIT	1,115	1.10
900,000	LondonMetric Property	1,436	1.42
925,000	Primary Health Properties	1,017	1.00
14,000,000	Speymill Deutsche Immobilien Company ^{1,2}	–	–
		<u>5,898</u>	<u>5.82</u>
	<i>OTHER ALTERNATIVE – 14.54% (31.03.16 – 15.06%)</i>		
4,350,000	Barclays S.I.M.P.L.E Notes linked to the Assured Fund Tracking Index due 12/02/2018 ³	1,305	1.29
1,550,000	Blue Capital Global Reinsurance ¹	1,277	1.26
848,889	Doric Nimrod Air Two <i>preference shares</i>	1,834	1.81
1,404,000	DP Aircraft	1,168	1.15
2,075,000	Fair Oaks Income ¹	1,643	1.62
850,000	Greencoat UK Wind ¹	1,005	0.99
850,000	International Public Partnerships ¹	1,326	1.31
1,200,000	John Laing Environmental Assets Group ¹	1,305	1.29
50,000	Ranger Direct Lending Fund ¹	525	0.52
1,200,000	RM Secured Direct Lending ¹	1,212	1.20
1,070,000	Sequoia Economic Infrastructure Income ¹	1,174	1.16
1,000,000	UK Mortgages ¹	955	0.94
		<u>14,729</u>	<u>14.54</u>
	TOTAL ALTERNATIVE INVESTMENTS	<u>25,150</u>	<u>24.83</u>
	<i>CASH EQUIVALENT INVESTMENTS – 3.41% (31.03.16 – 0.43%)</i>		
3,455,355	Invesco Sterling Liquidity Portfolio ¹	<u>3,455</u>	<u>3.41</u>

	Value £'000	31.03.17 %
Portfolio of investments	102,735	101.43
Net other liabilities	(1,445)	(1.43)
Net assets	<u>101,290</u>	<u>100.00</u>

The investments have been valued in accordance with note 1(g) of the Accounting Policies and are ordinary shares listed on a regulated market unless stated otherwise.

¹ Collective investment scheme.

² Delisted security.

³ Structured product.

⁴ Unlisted security.

CF SENECA DIVERSIFIED INCOME FUND

ACD's Report (continued)

SUMMARY OF MATERIAL PORTFOLIO CHANGES FOR THE YEAR ENDED 31 MARCH 2017

Total purchases for the year £'000 (note 15) 53,383

Major purchases	Cost £'000
Muzinich Short Duration High Yield Bond Fund	6,649
Fair Oaks Income	3,887
Royal London Short Duration Global High Yield Bond Fund	3,225
Royal London Sterling Extra Yield Bond Fund	2,527
Phoenix Group Holdings	2,525
Prusik Asian Equity Income Fund	2,220
Invesco Perpetual European Equity Income Fund	2,111
TwentyFour Select Monthly Income Fund	1,905
Essentra	1,324
Templeton Emerging Markets Bond Fund	1,323
International Public Partnerships	1,293
Marks & Spencer Group	1,241
RM Secured Direct Lending	1,200
Britvic	1,199
Arrow Global Group	1,191
OneSavings Bank	1,117
Polypipe Group	1,101
Civitas Social Housing	1,100
Ultra Electronics Holdings	1,085
Aberdeen Asian Income Fund	1,025

In addition to above, purchases totalling £29,030 thousand were made in short term investments during the year.

The summary of material portfolio changes represents the 20 largest purchases during the year.

Total sales for the year £'000 (note 15) 61,736

Major sales	Proceeds £'000
Seneca Global Income & Growth Trust	5,626
Fair Oaks Income	4,722
Invesco Perpetual European Equity Income Fund	3,777
AXA US Short Duration High Yield Bond Fund	3,535
Muzinich Short Duration High Yield Bond Fund	3,381
Schroder European Alpha Income Fund	2,887
Baillie Gifford High Yield Bond Fund	2,682
Prusik Asian Equity Income Fund	2,219
MI TwentyFour Dynamic Bond Fund	1,899
Phoenix Group Holdings	1,887
Fidelity Enhanced Income Fund	1,872
Pictet-Emerging Local Currency Debt	1,554
Sainsbury (I)	1,397
Ashmore Group	1,352
M&G Global Floating Rate High Yield Fund	1,317
Liontrust Asia Income Fund	1,285
BlackRock World Mining Trust	1,206
Ediston Property Investment	1,152
Bluefield Solar Income Fund	999
Ranger Direct Lending Fund	997

In addition to above, sales totalling £25,995 thousand were made in short term investments during the year.

The summary of material portfolio changes represents the 20 largest sales during the year.

CF SENECA DIVERSIFIED INCOME FUND
 FINANCIAL STATEMENTS
 STATEMENT OF TOTAL RETURN
 FOR THE YEAR ENDED 31 MARCH 2017

	Notes	£'000	31.03.17 £'000	£'000	31.03.16 £'000
Income:					
Net capital gains/(losses)	3		9,320		(4,158)
Revenue	4	5,653		6,130	
Expenses	5	(1,096)		(1,248)	
Interest payable and similar charges	7	–		(1)	
Net revenue before taxation		4,557		4,881	
Taxation	6	(281)		(255)	
Net revenue after taxation			4,276		4,626
Total return before distributions			13,596		468
Distributions	7		(5,062)		(5,545)
Change in net assets attributable to shareholders from investment activities			8,534		(5,077)

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS
 FOR THE YEAR ENDED 31 MARCH 2017

	£'000	31.03.17 £'000	£'000	31.03.16 £'000
Opening net assets attributable to shareholders		98,738		112,926
Amounts receivable on issue of shares	5,639		3,693	
Amounts payable on redemption of shares	(11,621)		(12,811)	
		(5,982)		(9,118)
Change in net assets attributable to shareholders from investment activities		8,534		(5,077)
Unclaimed distributions		–		7
Closing net assets attributable to shareholders		101,290		98,738

BALANCE SHEET
 AS AT 31 MARCH 2017

	Notes	31.03.17 £'000	31.03.16 £'000
ASSETS			
Fixed assets			
Investments		102,735	98,777
Current assets			
Debtors	8	509	1,145
Cash and bank balances	9	210	444
Total assets		103,454	100,366
LIABILITIES			
Creditors			
Bank overdrafts	9	–	(128)
Distributions payable	10	(396)	(534)
Other creditors	10	(1,768)	(966)
Total liabilities		(2,164)	(1,628)
Net assets attributable to shareholders		101,290	98,738

CF SENECA DIVERSIFIED INCOME FUND

Financial Statements (continued)

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 MARCH 2017

1. ACCOUNTING POLICIES

The accounting policies described on pages 10 to 12 have been applied to the financial statements of the Fund in the current and prior year.

2. DISTRIBUTION POLICIES

The distribution policies described on page 12 have been applied to the financial statements of the Fund in the current and prior year. The additional distribution policy described below has also been applied to this Fund.

(a) Distribution Policy

The Annual Management Charge is transferred to capital for distribution purposes in line with the Fund's investment objective. This will increase the amount of revenue available for distribution, however, will erode capital and may constrain capital growth.

	31.03.17 £'000	31.03.16 £'000
3. NET CAPITAL GAINS/(LOSSES)		
The net capital gains/(losses) during the year comprise:		
Non-derivative securities	9,401	(4,010)
Derivative contracts	(79)	(117)
Transaction charges	(3)	(3)
AMC rebates from underlying investments	8	8
Currency losses	(7)	(36)
Net capital gains/(losses)	<u>9,320</u>	<u>(4,158)</u>
4. REVENUE		
Non-taxable dividends	3,173	3,640
Taxable dividends	663	317
UK property income distributions	211	238
Unfranked interest	1,602	1,919
AMC rebates from underlying investments	4	8
Underwriting commission	–	7
Bank interest	–	1
Total revenue	<u>5,653</u>	<u>6,130</u>

5. EXPENSES

Payable to the ACD, associates of the ACD and agents of either of them:

Annual Management Charge	983	1,140
Legal and professional fees	7	7
Printing costs	7	8
Registration fees	30	32
	<u>1,027</u>	<u>1,187</u>

Payable to the Depositary, associates of the Depositary and agents of either of them:

Depositary's fees:	36	37
Safe custody and other bank charges	6	7
	<u>42</u>	<u>44</u>

Other expenses:

Fees paid to auditor – audit	9	10
– tax services	2	3
Publication costs	4	4
Legal and professional fees	12	–
	<u>27</u>	<u>17</u>

Total expenses	<u>1,096</u>	<u>1,248</u>
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The Investment Management fees and expenses (plus VAT thereon) for providing investment management services are paid by the ACD out of its remuneration.

6. TAXATION

	31.03.17 £'000	31.03.16 £'000
a) Analysis of charge for the year		
Corporation tax at 20%	277	259
Overseas tax	4	–
Adjustments in respect of prior periods	–	5
Current tax charge	<u>281</u>	<u>264</u>
Deferred tax – origination and reversal of timing differences (note 6c)	–	(9)
Total taxation (note 6b)	<u>281</u>	<u>255</u>

CF SENECA DIVERSIFIED INCOME FUND

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 March 2017

6. TAXATION (continued)

b) Factors affecting the tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK for an authorised fund (20%) (31.03.16 : 20%). The difference is explained below:

	31.03.17 £'000	31.03.16 £'000
Net revenue before taxation	4,557	4,881
Corporation tax at 20%	911	976
Effects of:		
Non-taxable dividends	(635)	(728)
Movement in revenue accruals	–	9
AMC rebates taken to capital	1	2
Corporation tax charge	277	259
Overseas tax	4	–
Adjustments in respect of prior periods	–	5
Deferred tax	–	(9)
Total tax charge (note 6a)	281	255
c) Deferred tax		
Provision at the start of the year	–	9
Deferred tax charge in the year (note 6a)	–	(9)
Provision at the end of the year	–	–

7. DISTRIBUTIONS

The distributions take account of revenue received on the issue of shares and revenue deducted on redemption of shares, and comprise:

	31.03.17 £'000	31.03.16 £'000
First Interim	434	928
Second Interim	425	461
Third Interim	426	458
Fourth Interim	425	455
Fifth Interim	424	449
Sixth Interim	423	447
Seventh Interim	422	446
Eighth Interim	419	444
Ninth Interim	418	442
Tenth Interim	417	440
Eleventh Interim	413	–
Final	396	534
	5,042	5,504
Add: Revenue deducted on redemption of shares	46	57
Deduct: Revenue received on issue of shares	(26)	(16)
Net distributions for the year	5,062	5,545
Interest	–	1
Total distributions	5,062	5,546

Details of the distributions per share are set out in the table on pages 80 to 84.

	31.03.17 £'000	31.03.16 £'000
Distributions represented by:		
Net revenue after taxation	4,276	4,626
Allocations to capital:		
Annual Management Charge, net of tax relief	786	919
Net distributions for the year	5,062	5,545

8. DEBTORS

Amounts receivable for issue of shares	92	44
Sales awaiting settlement	124	293

CF SENECA DIVERSIFIED INCOME FUND

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 March 2017

	31.03.17 £'000	31.03.16 £'000
8. DEBTORS (continued)		
Accrued revenue:		
Non-taxable dividends	254	382
UK property income distributions	17	17
Unfranked interest	17	23
AMC rebates from underlying investments	2	4
	290	426
Prepaid expenses	3	3
Taxation recoverable:		
Income tax	–	379
Total debtors	<u>509</u>	<u>1,145</u>
9. CASH AND BANK BALANCES		
Bank balances	210	444
Total cash and bank balances	<u>210</u>	<u>444</u>
Bank overdrafts	–	(128)
Total bank overdrafts	<u>–</u>	<u>(128)</u>
10. CREDITORS		
Distribution payable	<u>396</u>	<u>534</u>
OTHER CREDITORS		
Amounts payable for redemption of shares	60	393
Purchases awaiting settlement	1,550	–
Accrued expenses:		
Amounts payable to the ACD, associates of the ACD and agents of either of them:		
Annual Management Charge	85	84
Legal and professional fees	2	2
Printing costs	4	4
Registration fees	3	3
	94	93

	31.03.17 £'000	31.03.16 £'000
10. CREDITORS (continued)		
Amounts payable to the Depositary, associates of the Depositary and agents of either of them:		
Depositary's fees	3	3
Safe custody and other bank charges	–	1
	3	4
Other expenses	10	16
Taxation payable:		
Corporation tax	51	460
Total other creditors	<u>1,768</u>	<u>966</u>

11. RELATED PARTY TRANSACTIONS

Annual Management Charge and legal and professional fees payable to Capita Financial Managers Limited ('the ACD'), registration fees payable to Capita Financial Administrators Limited and printing costs payable to Capita Sinclair Henderson Limited (both companies are associates of the ACD) are disclosed in note 5 and amounts due at the year end are disclosed in note 10.

The aggregate monies received by the ACD through the issue of shares and paid on redemption of shares are disclosed in the Statement of Change in Net Assets Attributable to Shareholders on page 66 and amounts due at the year end are disclosed in notes 8 and 10.

Capita Financial Managers Limited and its associates (including other authorised investment funds managed by Capita Financial Managers Limited or its associates) held 3,159,359 (31.03.16 : 3,253,905) of the Fund's shares at the balance sheet date.

As part of the investment strategy, the Fund may from time to time hold shares in other collective investment schemes managed by the same Investment Manager or for which Capita Financial Managers Limited is also the ACD. At the balance sheet date the value of the holdings were as follows:

	31.03.17 £'000	31.03.16 £'000
Investment Manager in common	<u>–</u>	<u>4,868</u>

12. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or unrecorded outstanding commitments (31.03.16 : none).

CF SENECA DIVERSIFIED INCOME FUND

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 March 2017

13. SHARES IN ISSUE

	'A' Income	'B' Income	'N' Income
Annual Management Charge	1.40%	0.75%	1.00%
Opening shares in issue	42,473,974	60,320,764	271,289
Issues	1,293,890	4,224,173	9,453
Redemptions	(4,580,373)	(7,080,242)	(34,071)
Conversions	(134,220)	112,752	–
Closing shares in issue	<u>39,053,271</u>	<u>57,577,447</u>	<u>246,671</u>

14. RISK MANAGEMENT POLICIES

In pursuing the investment objective a number of financial instruments are held which may comprise securities and other investments, cash balances and debtors and creditors that arise directly from operations. Derivatives, such as futures or forward currency contracts, may be utilised for hedging purposes.

The main risks from the Fund's holding of financial instruments, together with the ACD's policy for managing these risks, are set out below:

The ACD has in place a Risk Management Policy and Procedures Document ('RMPPD') that sets out the risks that may impact a fund and how the ACD seeks, where appropriate, to manage, monitor and mitigate those risks, and in particular those risks associated with the use of derivatives. The RMPPD sets out both the framework and the risk mitigations operated by the ACD in managing the identified risks of the fund. The ACD requires that the appointed Investment Manager to the fund has in place its own governance structure, policies and procedures that are commensurate with its regulatory obligations and the risks posed by the fund managed.

i. Credit risk

Credit risk is the risk that a counterparty may be unable or unwilling to make a payment or fulfil contractual obligations. This may be in terms of an actual default or by deterioration in a counterparty's credit quality.

Certain transactions in securities that the Fund enters into expose it to the risk that the counterparty will not deliver the investment for a purchase, or cash for a sale after the Fund has fulfilled its obligations. As part of its due diligence process, the ACD undertakes a review of the controls operated over counterparties by the Investment Manager, including initial and ongoing due diligence and business volumes placed with each counterparty. In cases which are dependent on the counterparty settling at the transaction's maturity date, the ACD has policies in place which set out the minimum credit quality expected of a market counterparty or deposit taker at the outset of the transaction.

14. RISK MANAGEMENT POLICIES (continued)

ii. Interest rate risk

Interest rate risk is the risk that the value of the Fund's investments will fluctuate as a result of interest rate changes. The value of fixed interest securities may be affected by changes in interest rates, either globally or locally. Changes in the rate of return in one asset class may influence the valuation basis of other classes. The amount of revenue receivable from floating rate investments and bank balances or payable on bank overdrafts will be affected by fluctuations in interest rates. Investment in collective investment schemes exposes the Fund to indirect interest rate risk to the extent that they invest in interest bearing securities, the returns from which will be affected by fluctuations in interest rates.

The Fund takes on interest rate risk within its investment portfolio where the ACD and Investment Manager believe that the expected return compensates for the overall risk. The ACD and Investment Manager continue to monitor the level of interest rate risk posed by the Fund's underlying investments on a regular basis.

The table below shows the direct interest rate risk profile:

	31.03.17 £'000	31.03.16 £'000
Floating rate investments	37,043	31,935
Investments on which interest is not paid	65,692	66,842
Total investments	<u>102,735</u>	<u>98,777</u>

Investments on which interest is not paid include equities and collective investment schemes.

The Fund's exposure to interest rate risk is not significant and therefore no sensitivity analysis has been presented.

iii. Foreign currency risk

Foreign currency risk is the risk that the sterling value of investments will fluctuate as a result of exchange rate movements. Assets denominated in currencies other than sterling will provide direct exposure to currency risk as a consequence of the movement in foreign exchange rates when calculating the sterling equivalent value. Investment in collective investment schemes may provide indirect exposure to currency risk as a consequence of the movement in foreign exchange rates.

Where the Fund invests in non-sterling assets, the Investment Manager allows for the foreign currency risk when considering whether to invest and does not seek to hedge this risk.

CF SENECA DIVERSIFIED INCOME FUND

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 March 2017

14. RISK MANAGEMENT POLICIES (continued)

iii. Foreign currency risk (continued)

The table below shows the direct foreign currency risk profile:

	31.03.17 £'000	31.03.16 £'000
Currency:		
US dollars	6,595	4,464
Pounds sterling	94,695	94,274
Net assets	<u>101,290</u>	<u>98,738</u>

A 5% change in the pounds sterling exchange rate against all other currencies, assuming all other factors remained the same, would have an impact of £330 thousand on the net assets of the Fund (31.03.16 : £223 thousand).

iv. Leverage

The Fund did not employ any significant leverage during the current or prior year.

v. Liquidity risk

The main liability of the Fund is the redemption of any shares that investors want to sell. Investments may have to be sold to fund such redemptions should insufficient cash be held at the bank to meet this obligation.

To reduce liquidity risk the Investment Manager will ensure that a substantial portion of the Fund's assets consist of cash and readily realisable investments.

All financial liabilities are payable in one year or less, or on demand.

vi. Market price risk

Market price risk is the risk that the value of the Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than interest rate or foreign currency movement. Market price risk arises primarily from uncertainty about the future prices of financial instruments that the Fund holds.

Market price risk represents the potential loss the Fund may suffer through holding market positions in the face of price movements. The Fund's investment portfolio is exposed to price fluctuations, which are monitored by the ACD in pursuance of the investment objective and policy. The risk is generally regarded as consisting of two elements – stock specific risk and market risk. Adhering to investment guidelines and avoiding excessive exposure to one particular issuer can limit stock specific risk. Subject to compliance with the investment objective, spreading exposure across a broad range of global stocks can mitigate market risk.

A 5% increase in the value of the portfolio would have the effect of increasing the return and net assets by £5,137 thousand (31.03.16 : £4,939 thousand). A 5% decrease would have an equal and opposite effect.

vii. Fair value of financial assets and financial liabilities

There is no material difference between the value of the financial assets and liabilities, as shown in the Balance Sheet, and their fair value.

14. RISK MANAGEMENT POLICIES (continued)

viii. Derivatives

No derivatives held as at the period end.

15. PORTFOLIO TRANSACTION COSTS

	Purchases /sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases /net sales £'000
31.03.17				
Ordinary shares	32,332	36	82	32,450
Collective investment schemes	20,931	1	1	20,933
Purchases total	<u>53,263</u>	<u>37</u>	<u>83</u>	<u>53,383</u>
Transaction cost % of purchases total		0.07%	0.16%	
Transaction cost % of average NAV		0.04%	0.08%	
Ordinary shares	25,945	(31)	–	25,914
Collective investment schemes	35,831	(9)	–	35,822
Sales total	<u>61,776</u>	<u>(40)</u>	<u>–</u>	<u>61,736</u>
Transaction cost % of sales total		0.06%	–	
Transaction cost % of average NAV		0.04%	–	

Average portfolio dealing spread at 31.03.17 is 0.41% (31.03.16 : 0.53%).

CF SENECA DIVERSIFIED INCOME FUND

Financial Statements (continued)

Notes to the Financial Statements (continued)

As at 31 March 2017

15. PORTFOLIO TRANSACTION COSTS (continued)

	Purchases /sales before transaction costs £'000	Commissions £'000	Taxes £'000	Gross purchases /net sales £'000
31.03.16				
Ordinary shares	31,060	32	78	31,170
Collective investment schemes	19,076	–	–	19,076
Purchases total	50,136	32	78	50,246
<i>Transaction cost % of purchases total</i>		0.06%	0.16%	
<i>Transaction cost % of average NAV</i>		0.03%	0.07%	
Ordinary shares	30,006	(53)	–	29,953
Collective investment schemes	31,209	(1)	–	31,208
Other	2	–	–	2
Sales total	61,217	(54)	–	61,163
<i>Transaction cost % of sales total</i>		0.09%	–	
<i>Transaction cost % of average NAV</i>		0.05%	–	

16. FAIR VALUE HIERARCHY

Investments are categorised into the following levels based on their fair value measurement:

Level 1: The unadjusted quoted price in an active market for identical assets that the Fund can access at the year end date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the assets.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.03.17				
Assets				
Ordinary shares	34,819	–	3,490	38,309
Collective investment schemes	3,455	59,666	–	63,121
Structured products	–	–	1,305	1,305
	38,274	59,666	4,795	102,735

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31.03.16				
Assets				
Ordinary shares	36,710	12,165	2,875	51,750
Collective investment schemes	421	45,164	–	45,585
Structured products	–	–	1,442	1,442
	37,131	57,329	4,317	98,777

CF SENECA DIVERSIFIED INCOME FUND

Financial Statements (continued)

DISTRIBUTION TABLE

FOR THE YEAR ENDED 31 MARCH 2017 – IN PENCE PER SHARE

EQUALISATION

Equalisation applies only to shares purchased during the distribution period (Group 2 shares – the applicable distribution periods for each distribution are shown below). It represents the accrued revenue included in the purchase price of the shares. After averaging it is returned with the distribution as a capital repayment. It is not liable to Income Tax but must be deducted from the cost of the shares for Capital Gains Tax purposes.

Group 2	First Interim	Second Interim	Third Interim	Fourth Interim
From	01.04.16	01.05.16	01.06.16	01.07.16
To	30.04.16	31.05.16	30.06.16	31.07.16

Group 2	Fifth Interim	Sixth Interim	Seventh Interim	Eighth Interim
From	01.08.16	01.09.16	01.10.16	01.11.16
To	31.08.16	30.09.16	31.10.16	30.11.16

Group 2	Ninth Interim	Tenth Interim	Eleventh Interim	Final
From	01.12.16	01.01.17	01.02.17	01.03.17
To	31.12.16	31.01.17	28.02.17	31.03.17

'A' Income shares

First Interim	Net Revenue	Equalisation	Paid	
			30.05.16	
Group 1	0.3800	–	0.3800	
Group 2	0.0433	0.3367	0.3800	
Second Interim	Net Revenue	Equalisation	Paid	Paid
			29.06.16	29.06.15
Group 1	0.3800	–	0.3800	0.7600
Group 2	0.0563	0.3237	0.3800	0.7600
Third Interim	Net Revenue	Equalisation	Paid	Paid
			28.07.16	30.07.15
Group 1	0.3800	–	0.3800	0.3800
Group 2	0.0232	0.3568	0.3800	0.3800
Fourth Interim	Net Revenue	Equalisation	Paid	Paid
			30.08.16	27.08.15
Group 1	0.3800	–	0.3800	0.3800
Group 2	–	0.3800	0.3800	0.3800

Fifth Interim	Net Revenue	Equalisation	Paid	Paid
			29.09.16	29.09.15
Group 1	0.3800	–	0.3800	0.3800
Group 2	–	0.3800	0.3800	0.3800
Sixth Interim	Net Revenue	Equalisation	Paid	Paid
			28.10.16	29.10.15
Group 1	0.3800	–	0.3800	0.3800
Group 2	–	0.3800	0.3800	0.3800
Seventh Interim	Net Revenue	Equalisation	Paid	Paid
			29.11.16	27.11.15
Group 1	0.3800	–	0.3800	0.3800
Group 2	–	0.3800	0.3800	0.3800
Eighth Interim	Net Revenue	Equalisation	Paid	Paid
			31.12.16	30.12.15
Group 1	0.3800	–	0.3800	0.3800
Group 2	–	0.3800	0.3800	0.3800
Ninth Interim	Net Revenue	Equalisation	Paid	Paid
			30.01.17	28.01.16
Group 1	0.3800	–	0.3800	0.3800
Group 2	0.0840	0.2960	0.3800	0.3800
Tenth Interim	Net Revenue	Equalisation	Paid	Paid
			27.02.17	26.02.16
Group 1	0.3800	–	0.3800	0.3800
Group 2	–	0.3800	0.3800	0.3800
Eleventh Interim	Net Revenue	Equalisation	Paid	Paid
			30.03.17	30.03.16
Group 1	0.3800	–	0.3800	0.3800
Group 2	–	0.3800	0.3800	0.3800
Final	Net Revenue	Equalisation	Payable	Paid
			27.04.17	28.04.16
Group 1	0.3666	–	0.3666	0.4670
Group 2	0.1473	0.2193	0.3666	0.4670

CF SENECA DIVERSIFIED INCOME FUND

Financial Statements (continued)

Distribution Table (continued)

'B' Income shares

First Interim	Net Revenue	Equalisation	Paid 30.05.16	
Group 1	0.4517	–	0.4517	
Group 2	0.0875	0.3642	0.4517	
Second Interim	Net Revenue	Equalisation	Paid 29.06.16	Paid 29.06.15
Group 1	0.4518	–	0.4518	0.8990
Group 2	0.0582	0.3936	0.4518	0.8990
Third Interim	Net Revenue	Equalisation	Paid 28.07.16	Paid 30.07.15
Group 1	0.4520	–	0.4520	0.4490
Group 2	0.0525	0.3995	0.4520	0.4490
Fourth Interim	Net Revenue	Equalisation	Paid 30.08.16	Paid 27.08.15
Group 1	0.4523	–	0.4523	0.4500
Group 2	–	0.4523	0.4523	0.4500
Fifth Interim	Net Revenue	Equalisation	Paid 29.09.16	Paid 29.09.15
Group 1	0.4524	–	0.4524	0.4501
Group 2	–	0.4524	0.4524	0.4501
Sixth Interim	Net Revenue	Equalisation	Paid 28.10.16	Paid 29.10.15
Group 1	0.4526	–	0.4526	0.4501
Group 2	–	0.4526	0.4526	0.4501
Seventh Interim	Net Revenue	Equalisation	Paid 29.11.16	Paid 27.11.15
Group 1	0.4528	–	0.4528	0.4505
Group 2	–	0.4528	0.4528	0.4505
Eighth Interim	Net Revenue	Equalisation	Paid 31.12.16	Paid 30.12.15
Group 1	0.4529	–	0.4529	0.4504
Group 2	0.0059	0.4470	0.4529	0.4504
Ninth Interim	Net Revenue	Equalisation	Paid 30.01.17	Paid 28.01.16
Group 1	0.4535	–	0.4535	0.4511
Group 2	0.1027	0.3508	0.4535	0.4511

Tenth Interim	Net Revenue	Equalisation	Paid 27.02.17	Paid 26.02.16
Group 1	0.4538	–	0.4538	0.4511
Group 2	–	0.4538	0.4538	0.4511
Eleventh Interim	Net Revenue	Equalisation	Paid 30.03.17	Paid 30.03.16
Group 1	0.4538	–	0.4538	0.4511
Group 2	–	0.4538	0.4538	0.4511
Final	Net Revenue	Equalisation	Payable 27.04.17	Paid 28.04.16
Group 1	0.4380	–	0.4380	0.5550
Group 2	0.1941	0.2439	0.4380	0.5550

'N' Income shares

First Interim	Net Revenue	Equalisation	Paid 30.05.16	
Group 1	0.4471	–	0.4471	
Group 2	–	0.4471	0.4471	
Second Interim	Net Revenue	Equalisation	Paid 29.06.16	Paid 29.06.15
Group 1	0.4471	–	0.4471	0.8880
Group 2	–	0.4471	0.4471	0.8880
Third Interim	Net Revenue	Equalisation	Paid 28.07.16	Paid 30.07.15
Group 1	0.4474	–	0.4474	0.4450
Group 2	0.0307	0.4167	0.4474	0.4450
Fourth Interim	Net Revenue	Equalisation	Paid 30.08.16	Paid 27.08.15
Group 1	0.4473	–	0.4473	0.4460
Group 2	–	0.4473	0.4473	0.4460
Fifth Interim	Net Revenue	Equalisation	Paid 29.09.16	Paid 29.09.15
Group 1	0.4473	–	0.4473	0.4460
Group 2	–	0.4473	0.4473	0.4460

CF SENECA DIVERSIFIED INCOME FUND

Financial Statements (continued)

Distribution Table (continued)

'N' Income shares (continued)

Sixth Interim	Net Revenue	Equalisation	Paid 28.10.16	Paid 29.10.15
Group 1	0.4475	–	0.4475	0.4461
Group 2	–	0.4475	0.4475	0.4461
Seventh Interim	Net Revenue	Equalisation	Paid 29.11.16	Paid 27.11.15
Group 1	0.4477	–	0.4477	0.4463
Group 2	–	0.4477	0.4477	0.4463
Eighth Interim	Net Revenue	Equalisation	Paid 31.12.16	Paid 30.12.15
Group 1	0.4477	–	0.4477	0.4459
Group 2	–	0.4477	0.4477	0.4459
Ninth Interim	Net Revenue	Equalisation	Paid 30.01.17	Paid 28.01.16
Group 1	0.4481	–	0.4481	0.4467
Group 2	0.1209	0.3272	0.4481	0.4467
Tenth Interim	Net Revenue	Equalisation	Paid 27.02.17	Paid 26.02.16
Group 1	0.4483	–	0.4483	0.4466
Group 2	–	0.4483	0.4483	0.4466
Eleventh Interim	Net Revenue	Equalisation	Paid 30.03.17	Paid 30.03.16
Group 1	0.4485	–	0.4485	0.4469
Group 2	–	0.4485	0.4485	0.4469
Final	Net Revenue	Equalisation	Payable 27.04.17	Paid 28.04.16
Group 1	0.4327	–	0.4327	0.5495
Group 2	0.1312	0.3015	0.4327	0.5495

GENERAL INFORMATION

STRUCTURE OF THE COMPANY

The Company is structured as an umbrella company, in that different sub-funds may be established from time to time by the ACD with the approval of the Financial Conduct Authority and the agreement of the Depositary. On the introduction of any new sub-fund or class, a revised Prospectus will be prepared setting out the relevant details of each sub-fund or class.

The assets of each sub-fund will be treated as separate from those of every other sub-fund and will be invested in accordance with the investment objective and investment policy applicable to that sub-fund. The sub-funds which are currently available are:

CF Seneca Diversified Growth Fund
CF Seneca Diversified Income Fund

In the future there may be other sub-funds of the Company.

CLASSES OF SHARES

The Company can issue Income and Accumulation classes of share.

Holders of Income shares are entitled to be paid the revenue attributable to such shares in respect of each annual or interim accounting period.

Holders of Accumulation shares are not entitled to be paid the revenue attributable to such shares, but that revenue is retained and accumulated for the benefit of shareholders and is reflected in the price of shares.

VALUATION POINT

The valuation point of the Company is 12.00pm (London time) on each business day. Valuations may be made at other times under the terms contained within the Prospectus.

BUYING AND SELLING SHARES

The ACD will accept orders to deal in the shares on normal business days between 8.30am and 5.30pm (London time) and transactions will be effected at prices determined by the following valuation. Instructions to buy or sell shares may be either in writing to: PO Box 389, Darlington DL1 9UF or by telephone on 0345 608 1497.

PRICES

The prices of all shares are published in the *Financial Times* and are on the ACD's website: www.capitafinancial.com and on www.senecaim.com. The prices of shares may also be obtained by calling 0345 608 1497 during the ACD's normal business hours.

OTHER INFORMATION

The Instrument of Incorporation, Prospectus, Key Investor Information Document and the most recent interim and annual reports may be inspected at the office of the ACD which is also the Head Office. Copies of these may be obtained upon application and, excepting the Instrument of Incorporation, can be found on the ACD's website, www.capitafinancial.com, by following the link 'Fund Information'.

Shareholders who have any complaints about the operation of the Company should contact the ACD or the Depositary in the first instance. In the event that a shareholder finds the response unsatisfactory they may make their complaint direct to the Financial Ombudsman Service at Exchange Tower, London E14 9SR.

