CAPITA

SENECA
INVESTMENT MANAGERS

CF Seneca Diversified Growth Fund

a sub-fund of CF Seneca Investment Funds

ACD's Interim Unaudited Short Report

for the half year ended 30 September 2016

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.

Accounting and Distribution Dates

	Accounting	Distribution
Interim	30 September	30 November
Final	31 March	31 May

Risk and Reward Profile

Typically lower rewards						Typically higher rewards
Lower risk						Higher risk
1	2	3	**4**	5	6	7

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'.

Comparative Tables

Information for 30 September 2016 relates to the 6 month period ending 30 September 2016, with the exception of the operating charges in the 'Other Information' section. The operating charges relate to the expenses incurred on an *ex post* basis over the 12 month period ending 30 September 2016, expressed as a percentage of the average net asset value over the same period.

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.

'A' Accumulation shares	30.09.16 (p/share)	31.03.16 (p/share)	31.03.15[1] (p/share)	15.01.14 (p/share)
Change in net assets per share				
Opening net asset value per share	214.08	223.07	209.15	183.18
Return before operating charges*	19.29	(4.70)	18.99	29.86
Operating charges	(2.20)	(4.29)	(5.07)	(3.89)
Return after operating charges	17.09	(8.99)	13.92	25.97
Distributions	(2.80)	(3.53)	(2.88)	(2.31)
Retained distributions on accumulation shares	2.80	3.53	2.88	2.31
Closing net asset value per share	231.17	214.08	223.07	209.15
* after direct transaction costs of:	0.21	0.48	0.94	0.98
Performance				
Return after charges	7.98%	(4.03)%	6.66%	14.18%
Other Information				
Closing net asset value (£'000)	43,493	44,040	75,917	142,319
Closing number of shares	18,814,262	20,571,482	34,032,648	68,047,943
Operating charges	1.98%	1.96%	1.98%[2]	1.95%
Direct transaction costs	0.10%	0.22%	0.37%[2]	0.50%
Prices				
Highest share price	232.49	230.42	225.33	208.47
Lowest share price	207.65	198.68	195.32	182.81

[1] 14.5 month period due to change of annual accounting date.
[2] Annualised figure.

Comparative Tables *(continued)*

'B' Accumulation shares	30.09.16 (p/share)	31.03.16 (p/share)	31.03.15[1] (p/share)	15.01.14 (p/share)
Change in net assets per share				
Opening net asset value per share	126.95	131.42	122.24	106.36
Return before operating charges*	11.46	(2.78)	11.19	17.44
Operating charges	(0.88)	(1.69)	(2.01)	(1.56)
Return after operating charges	10.58	(4.47)	9.18	15.88
Distributions	(2.09)	(2.92)	(2.66)	(2.12)
Retained distributions on accumulation shares	2.09	2.92	2.66	2.12
Closing net asset value per share	137.53	126.95	131.42	122.24
* after direct transaction costs of:	0.13	0.28	0.55	0.58
Performance				
Return after charges	8.33%	(3.40)%	7.51%	14.93%
Other Information				
Closing net asset value (£'000)	66,572	64,154	52,876	21,242
Closing number of shares	48,404,804	50,534,728	40,235,744	17,376,918
Operating charges	1.33%	1.31%	1.33%[2]	1.30%
Direct transaction costs	0.10%	0.22%	0.37%[2]	0.50%
Prices				
Highest share price	138.31	135.78	132.73	121.85
Lowest share price	123.33	117.71	114.73	106.15

[1] 14.5 month period due to change of annual accounting date.
[2] Annualised figure.

'N' Accumulation shares	30.09.16 (p/share)	31.03.16 (p/share)	31.03.15[1] (p/share)	15.01.14 (p/share)
Change in net assets per share				
Opening net asset value per share	125.59	130.33	121.61	106.16
Return before operating charges*	11.34	(2.74)	11.08	17.29
Operating charges	(1.04)	(2.00)	(2.36)	(1.84)
Return after operating charges	10.30	(4.74)	8.72	15.45
Distributions	(1.90)	(2.58)	(2.27)	(1.68)
Retained distributions on accumulation shares	1.90	2.58	2.27	1.68
Closing net asset value per share	135.89	125.59	130.33	121.61
* after direct transaction costs of:	0.12	0.28	0.55	0.58
Performance				
Return after charges	8.20%	(3.64)%	7.17%	14.55%
Other Information				
Closing net asset value (£'000)	49	52	72	129
Closing number of shares	35,742	41,089	55,108	105,735
Operating charges	1.58%	1.56%	1.58%[2]	1.55%
Direct transaction costs	0.10%	0.22%	0.37%[2]	0.50%
Prices				
Highest share price	136.66	134.65	131.64	121.21
Lowest share price	121.93	116.49	113.91	105.96

[1] 14.5 month period due to change of annual accounting date.
[2] Annualised figure.

Fund Performance to 30 September 2016 (%)

	6 months	1 year	3 years	5 years
CF Seneca Diversified Growth Fund	7.47	11.92	17.48	46.43

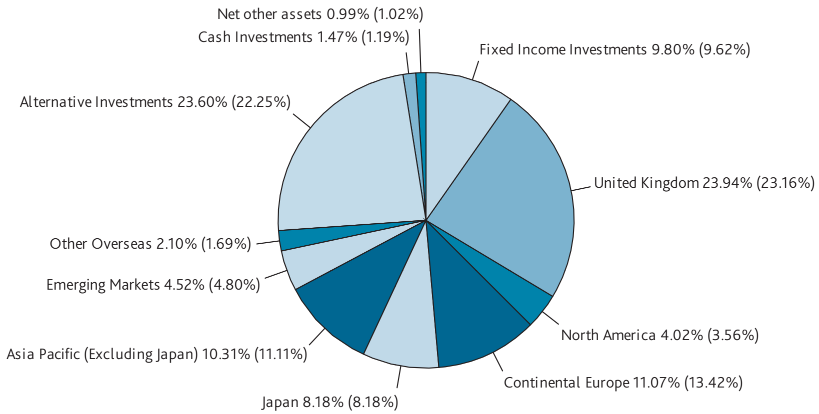
The performance of the Fund is based on the published price per 'A' Accumulation share which includes reinvested income.

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 period end, rather than the period end return after operating charges.

Risk Warning

Please remember that past performance should not be seen as a guide to future performance and that the value of an investment and the income from it can fall as well as rise and may be affected by exchange rate variations.

Sector Spread of Investments



The figures in brackets show allocations at 31 March 2016.

Major Holdings

The top ten holdings at the end of each period are shown below.

Holding	% of Fund as at 30.09.16	Holding	% of Fund as at 31.03.16
Invesco Perpetual European Equity Income	8.22	Schroder European Alpha Income	3.85
Goodhart Partners Horizon Michinori Japan Equity	5.82	BlackRock Continental European Income	3.82
Stewart Investors Asia Pacific Leaders	4.77	Goodhart Partners Horizon Michinori Japan Equity	3.22
MI Somerset Emerging Markets Dividend Growth	4.52	Invesco Perpetual European Equity Income	3.06
Heptagon Yacktman US Equity	4.02	Jupiter Japan Income	2.93
Royal London Sterling Extra Yield Bond	2.95	A J Bell Holdings	2.90
Prusik Asian Equity Income	2.89	Royal London Sterling Extra Yield Bond	2.82
European Assets Trust	2.85	Royal London Short Duration Global High Yield Bond	2.82
A J Bell Holdings	2.84	European Assets Trust	2.69
Royal London Short Duration Global High Yield Bond	2.74	Halley Asian Prosperity	2.47

ACD'S REPORT

for the half year ended 30 September 2016

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.

Capita Financial Managers Limited
ACD of CF Seneca Diversified Growth Fund
24 November 2016

INVESTMENT MANAGER'S REPORT

for the half year ended 30 September 2016

Asset Allocation

Fund Asset Structure as at 30 September 2016

There have been no changes to the strategic asset allocation for the Fund over the period. 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	**64.1**	**60.0**
UK	23.9	20.0
North America	4.0	8.0
Europe	11.1	8.0
Japan	8.2	8.0
Emerging Markets	4.5	8.0
Asia (exc. Japan)	10.3	8.0
Other Overseas	2.1	–
Fixed Income	**9.8**	**15.0**
Specialist Assets	**23.6**	**25.0**
Cash	**2.5**	**–**
Total	**100.0**	**100.0**

Source: Seneca Investment Managers Limited.

European equity exposure was reduced slightly by 2%, following the UK's vote to leave the EU. We still view European equities as offering value which is why the weighting remains above that of the strategic asset allocation. However, Brexit creates uncertainty which could impact business confidence and investment, thereby reducing economic activity and profitability. Correspondingly, both Specialist Assets and Cash were increased by 1%.

The Fund remains overweight equities and underweight fixed income. Sufficient 'bottom up' opportunities within UK equities warrant an overweight stance, whilst we also see value in Asia ex Japan, where we believe there is significant potential for our selected managers to outperform benchmark indices, due to the relative inefficiency of the local markets.

The Fund remains underweight fixed income, predominantly due to our view that developed government bond yields offer little in the way of value at current low yields. However, reasonable yields can still be found in specific areas of the credit market, such as short duration high yield debt and emerging markets. 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.

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 scope for organic growth and acquisitions. 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. **Thomas Cook Group** 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.

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, supported by alternative assets expanding as an asset class, because investors are seeking to diversify their portfolios in a world of low interest rates.

Oxford Instruments was significantly reduced, 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, limited revenue visibility and the fact that 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.

Phoenix Group Holdings was another new investment. The company is the UK's largest specialist consolidator of closed life assurance funds and towards the end of the quarter announced its intention to acquire Abbey Life from Deutsche Bank. The acquisition is transformational and follows quickly in the wake of the purchase of assets from AXA that was announced earlier in the year. The cash flow that will be generated from both acquisitions enables the dividend to be increased by 10%. The shares yield close to 7%.

Royal Dutch Shell was also exited on valuation grounds, having performed well since the Fund's investment in January. The dividend yield was still high and more likely than not to be 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.

Overseas Equities
Overseas equity holdings were consolidated over the period, with regional funds, rather than niche or thematic funds, favoured going forward. In North America, **iShares MSCI USA Dividend IQ UCITS ETF**, **Pershing Square Holdings** and **Polar Capital Biotechnology Fund** were exited. The proceeds were reinvested into **Heptagon Yacktman US Equity Fund**, the only North American holding. 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, this exercise led to two funds being exited, with all proceeds reinvested into two existing holdings – **Invesco Perpetual European Equity Income Fund** and **European Assets Trust**. In Japan, **Jupiter Japan Income** was exited, with **Goodhart Partners Horizon Michinori Japan Equity Fund** and **CC Japan Income & Growth Trust** now the Fund's only means of Japanese exposure.

Country specific funds, such as **Atlantis China Healthcare Fund**, **Fidelity China Special Situations** and **Ocean Dial Gateway to India Fund**, were exited in Asia ex Japan. Proceeds were reinvested into **Prusik Asian Equity Income Fund** and **Stewart Asia Pacific Leaders Fund**. These are two long term holdings that have been excellent stewards of investor capital historically. The third fund in which the Fund is invested within the region is **Halley Asian Prosperity Fund**.

In Emerging Markets, **Baillie Gifford Emerging Markets Growth Fund** and **db x-Trackers MSCI Emerging Markets Healthcare Index UCITS ETF** were exited. The Fund is now invested with just one manager within the region – **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 no transactions during the period. Emphasis remains on high yield corporate bonds and emerging market debt, with no exposure to developed market sovereign bonds, where we see little value with such low levels of yield being offered.

Specialist Assets
There was a degree of rotation within the property sector. **Ediston Property Investment** was exited, in order to participate in the capital raising for **Primary Health Properties**. The security of tenant income (largely the NHS) and the growing need for modern purpose built surgery and medical centre infrastructure gives Primary Health Properties excellent income and growth credentials independent of the economic cycle.

A new investment was also made in **GCP Student Living**, a REIT focused on modern purpose built student accommodation. Most of its assets are in London or the South East where some of the top universities in global rankings are based. Low supply and high demand, particularly from students from Asian countries, has resulted in attractive income and capital growth.

Specialist Assets *(continued)*

NB Distressed Debt Investment was exited. We feel that the recent recovery in NAV, after a sharp decline that was mostly linked to its oil and energy related assets, gave an opportunity to reinvest capital in other holdings where the risk/reward balance is more favourable. For example, **Doric Nimrod Air Two** was added to. This followed unwarranted softness in the share price, in part due to negative press about the lack of new orders for the A380 super jumbo.

A new investment was made in the **Aberdeen Private Equity Fund** after the company altered its dividend policy to a higher level of pay-out from profitable investments within its private equity portfolio. We feel the trust is well positioned to close its discount to net asset value and grow in size.

Infrastructure investments were broadened, with a new holding in **International Public Partnerships**. The company has investments across a number of economic infrastructure assets in sectors such as power distribution, transportation, water management, schools and non-acute hospital care.

Outlook

Business cycles in the US, the UK and Japan appear well advanced and yet there are few signs of overheating as far as inflation is concerned. There may well be good reasons why business cycles will last longer than would be the case in a normal cycle. Business expansions tend to reflect the severity of the downturn that preceded them. Since the 2008/9 downturn was severe in terms of the impact on unemployment, it is possible that employment can continue to rise for perhaps another 3-4 years. Indeed, the average unemployment rate for the US, the UK, Europe and Japan has only fallen to where it was in early 2005, a good three years before the 2008 downturn.

Furthermore, the unemployment rate of 4.9% in the US may well not accurately reflect the true state of capacity in the economy. The participation rate has not risen as would normally be expected during the business expansion phase, suggesting that there are many who left the workforce in 2009 who have yet to return. If they were to return to the workforce, this would put downward pressure on wages, thus allowing the cycle to last longer.

We therefore tend to think that central bank policy can remain looser for longer and that there remains scope for equity markets to continue to advance. Certainly, equity market valuations are not particularly stretched in relation to history.

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
28 October 2016

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.

Reports and Accounts

This document is a short report of the CF Seneca Diversified Growth Fund for the half year ended 30 September 2016. The full Report and Accounts for the Fund is available free of charge upon written request to Capita Financial Managers Limited, 40 Dukes Place, London EC3A 7NH and can be found on the ACD's website, www.capitafinancial.com, by following the link 'Fund Information'.

Other Information

The information in this report is designed to enable you to make an informed judgement on the activities of the Fund during the half year it covers and the results of those activities at the end of the half year.

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