

LF Seneca Diversified Income Fund For retail investors only

February 2018



Research area Investment team

Asset allocation	Peter Elston - chief investment officer
UK equities	Mark Wright - fund manager
Specialist assets	Richard Parfect - fund manager *
Fixed Income & Overseas equity	Tom Delic - fund manager *

* Portfolio oversight (process implementation, cash and cashflow management)

Investment aim

To generate a high level of income with the prospect of maintaining the real value of capital over the long term, by investing in a multi-asset portfolio managed with a focus on value. The fund may include directly invested UK equities with a bias towards mid cap stocks, and overseas equity, fixed income and specialist investments held through third party funds.

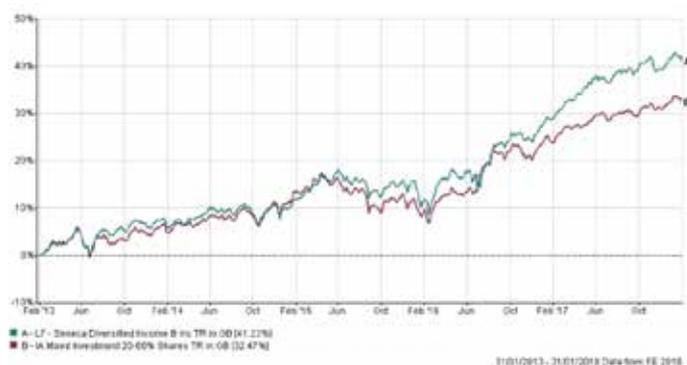
Income

Historic net yield ¹	4.74%
Distributions	monthly

Commentary

- The fund's equity target was reduced by 1%pt towards the end of the month, with proceeds being moved into cash
- In order to maintain the fund's required income stream, we have started investing in an enhanced income fund that uses derivatives to provide a higher yield
- The US dollar continued to decline in January, as prospects of looser fiscal policy and higher interest rates elsewhere increased
- Equity markets, commodities prices and bond yields all rose during the month
- The TAA reduction to UK equities was facilitated by reducing holding target weights across several holdings, rather than exiting a position
- Dairy Crest delivered a strong trading update with total revenue rising 7%, driven by strong sales of Cathedral City and Frylight
- Two small reductions were made to the CC Japan Income & Growth Trust and BlackRock World Mining Trust, in order to bring back towards target weight
- We added to short duration, high yield exposure, bringing the Royal London Short Duration Global High Yield Bond Fund and Muzinich Short Duration High Yield Fund to target weights
- Due to the sell-off experienced by the listed infrastructure vehicles regarding concern over PFI and exposure to Carillion, we added to the holding of International Public Partnerships which has the smallest exposure to PFI type assets and no material impact from Carillion.

5 year performance chart (%)



Cumulative performance (%)	3 months	6 months	1 year	3 years	5 years	Since launch
LF Seneca Diversified Income Fund	- 0.1	1.9	9.5	26.2	41.2	122.6
IA Mixed Investment 20-60% Shares	0.8	2.3	6.8	17.0	32.5	105.9

Discrete annual performance (%)	31.01.2018	31.01.2017	31.01.2016	31.01.2015	31.01.2014
LF Seneca Diversified Income Fund	9.5	15.3	- 0.1	5.8	5.8
IA Mixed Investment 20-60% Shares	6.8	13.4	-3.4	8.2	4.7

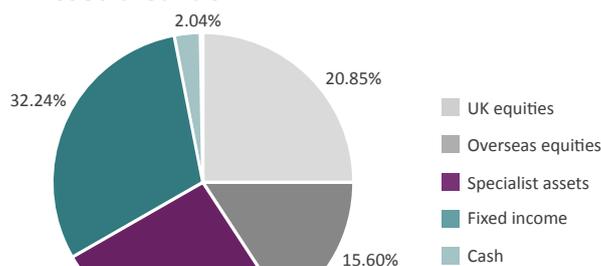
Source for all performance data: FE Analytics. Basis: Bid to bid, net income reinvested and net of fees in UK Sterling terms. The information on this factsheet is as at 31.01.2018 and refers to the 'B' share class with the exception of performance prior to 26.03.2012 which is calculated using the 'A' share class, unadjusted for the lower fees of the 'B' share class.

Past performance is not a guide to future returns. The value of investments and any income may fluctuate and investors may not get back the full amount invested.



LF Seneca Diversified Income Fund

Asset breakdown



Source: Seneca IM

UK direct equities*

1	Kier Group	1.4%
2	Marston's	1.4%
3	Marks & Spencer	1.2%
4	Phoenix Group	1.1%
5	Legal and General	1.1%

Overseas equities

1	Liontrust European Enhanced Income	2.5%
2	Prusik Asian Equity Income	2.4%
3	Blackrock World Mining Trust	2.2%
4	Invesco Perpetual European Equity Income	2.0%
5	Schroder Asian Income Maximiser	1.9%

Fixed income

1	Royal London Short Duration Global High Yield Bond	7.7%
2	Muzinich Short Duration High Yield	6.9%
3	Royal London Sterling Extra Yield Bond	6.4%
4	Templeton Emerging Markets Bond	5.0%
5	TwentyFour Select Monthly Inc	3.9%

Specialist assets

1	AJ Bell Holdings ¹	4.2%
2	International Public Partnership	2.3%
3	Fair Oaks Income Fund	2.2%
4	Doric Nimrod Air Two	2.1%
5	Greencoat UK Wind	1.3%

* Investment may also be made in UK equities via other third party funds.
¹ Unquoted investment Source: Link Fund Solutions

Key facts

Launch date	8 April 2002
Size	£106.78m
A Class month end price	95.61p
B Class month end price	114.73p
N Class month end price	113.12p
Total holdings	61
IA sector	Mixed Investment 20-60% shares
Share type	Monthly income only
Valuation point	12:00 midday

Share class info	A	B	N
OCF*	1.80%	1.15%	1.40%
Min lump sum	£3,000	£100,000	£1,000
Min reg saver	£50	-	£50
ISIN	GB0031467961	GB00B7JTF560	GB00B61Y0911
SEDOL	3146796	B7JTF56	B61Y091

* Based on expenses as at 30.09.2017

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Important information

1. The Historic Yield reflects distributions declared over the past twelve months as a percentage of the unit price, as at the date shown. It does not include any preliminary charge and investors may be subject to tax on their distributions. A portion of the fund's expenses are charged to Capital. This has the effect of increasing the distribution(s) for the year and constraining the fund's capital performance to an equivalent extent.

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Multi-Asset Value Investing