

LF Seneca Diversified Income Fund For retail investors only

March 2018



Research area

Asset allocation
UK equities
Specialist assets
Fixed Income &
Overseas equity

Investment team

Peter Elston - chief investment officer
Mark Wright - fund manager
Richard Parfect - fund manager *
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	4.82%
Distributions	monthly

5 year performance chart (%)



Commentary

- February will be remembered for the sharp fall in equity markets around the world during the first week of the month
- We did not believe this to be the start of something more protracted but merely markets 'letting off steam' following months of rises
- The US dollar was strong but this must be viewed in the context of significant weakness over the last year
- Inflation rates in the developed world either rose or stayed the same, indicating continued strength in the global economy
- Results from Senior suggested margins have troughed. The shares trade on a price to sales below 1.2x vs a historical peak of over 1.6x, meaning there is plenty of scope for a continued re-rating in the valuation.
- Phoenix announced a major acquisition - Standard Life Assurance, which will enable the dividend to increase 3% and enhance its sustainability. The shares yield 6.4% on a flat dividend.
- New holding in the HMG Global Emerging Markets Equity Fund. The manager invests in a portfolio of emerging market listed subsidiaries of large multi-national organisations. The Fund adheres to the principles of value investing, with a bias to small capitalisation companies.
- The holdings in Muzinich Short Duration High Yield Fund and TwentyFour Select Monthly Income Fund were added to, in order to bring to target weight.
- We exited the ordinary shares of Civitas Social Housing REIT due to the financial problems at one of its leaseholder Housing Associations which we feel will hold the shares back.
- The expansionary fund raising of PRS REIT gave us an opportunity to bolster the position as it rolls out its portfolio of build to rent family homes.

Cumulative performance (%)	3 months	6 months	1 year	3 years	5 years	Since launch
LF Seneca Diversified Income Fund	-0.1	0.0	6.4	22.8	38.0	119.8
IA Mixed Investment 20-60% Shares	-0.4	0.1	3.5	14.3	29.0	103.1

Discrete annual performance (%)	28.02.2018	28.02.2017	28.02.2016	28.02.2015	28.02.2014
LF Seneca Diversified Income Fund	6.4	16.3	-0.8	5.6	6.4
IA Mixed Investment 20-60% Shares	3.5	14.4	-3.4	7.0	5.4

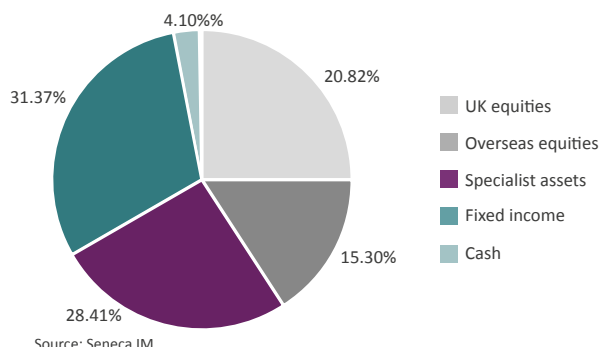
Source for all performance data: FE Analytics. Basis: Bid to bid, net income reinvested and net of fees in UK Sterling terms. The information on this factsheet is as at 28.02.2018 and refers to the 'B' share class with the exception of performance prior to 26.03.2012 which is calculated using the 'A' 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 - 100%



UK direct equities*

1	Kier Group	1.3%
2	Marston's	1.3%
3	Marks & Spencer	1.3%
4	Phoenix Group	1.1%
5	Halfords Group	1.1%

Overseas equities

1	Liontrust European Enhanced Income	2.3%
2	Prusik Asian Equity Income	2.3%
3	Blackrock World Mining Trust	2.1%
4	Schroder Asian Income Maximiser	1.9%
5	Invesco Perpetual European Equity Income	1.8%

Fixed income

1	Royal London Short Duration Global High Yield Bond	7.4%
2	Muzinich Short Duration High Yield	7.0%
3	Royal London Sterling Extra Yield Bond	6.1%
4	Templeton Emerging Markets Bond	4.8%
5	TwentyFour Select Monthly Inc	4.0%

Specialist assets

1	AJ Bell Holdings ¹	3.8%
2	International Public Partnership	2.3%
3	Fair Oaks Income Fund	2.2%
4	Doric Nimrod Air Two	2.1%
5	Greencoat UK Wind	1.5%

* 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	£110.63m
A Class month end price	94.02p
B Class month end price	112.87p
N Class month end price	111.27p
Total holdings	62
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

Contact us

Steve Hunter - head of business development

D 0151 906 2481 M 07470 478 974 E steve.hunter@senecaim.com

Helen O'Loughlin - business development consultant

D 0151 906 2483 M 07789 745 214 E helen.oloughlin@senecaim.com

Dawn Morris - marketing manager

T 0151 906 2477 E dawn.morris@senecaim.com

David Thomas - chief executive

D 0151 906 2480 M 07469 392 164 E david.thomas@senecaim.com

Seneca dealing line – Link Fund Solutions

T 0345 608 1497

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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Seneca Investment Managers Limited

Tenth Floor, Horton House, Exchange Flags, Liverpool, L2 3YL

T 0151 906 2450 E info@senecaim.com W senecaim.com

Multi-Asset Value Investing