

LF Seneca Diversified Income Fund

For retail investors only

Month end May 2018



Research area

Asset allocation
UK equities
Specialist assets
Fixed Income & Overseas Eq (EM)
Fixed Income & Overseas Eq (Dev)

Investment team

Peter Elston - chief investment officer
Mark Wright - fund manager
Richard Parfect - fund manager*
Tom Delic - fund manager *

Gary Moglione - 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	4.93%
Distributions	monthly

5 year performance chart (%)



Commentary

- Political uncertainty in Italy caused safe haven bond yields to fall sharply in May, though they recovered somewhat towards the end of the month.
- US dollar strength that had begun in April continued into May.
- Developed economy wage data announced in May continued to show acceleration, suggesting that upward pressure on inflation will be maintained.
- We reduced the fund's equity target, taking advantage of general market buoyancy in April and May.
- The target weight of several direct holdings were reduced and the target weight for the Insight UK Equity Income Booster increased, in order to help maintain a high level of income.
- Healthy cash generation at Victrex and a strong balance sheet has led the Board to further review its dividend policy. The company has already paid a large special dividend this year.
- New Asian holding in CIM Dividend Income Fund. The team focuses on identifying out of favour businesses whilst being paid to wait with a high level of dividend income.
- To fund the above purchase of CIM, we exited the holding in the Schroder Asian Income Maximiser Fund.
- Additions across fixed income funds, in order to bring to target weights. Purchases included Templeton Emerging Markets Bond Fund and Royal London Short Duration Global High Yield Bond Fund.
- Relative valuation against similarly positioned REITs by type and geography has lead us to reduce the target weight of Custodian REIT.
- Evidence that management are close to deploying the remainder of their available capital into pools of mortgage assets moved us to increase the target weight of UK Mortgages Ltd.

Cumulative performance (%)	3 months	6 months	1 year	3 years	5 years	Since launch
LF Seneca Diversified Income Fund	0.5	0.5	2.0	18.8	34.4	121.0
IA Mixed Investment 20-60% Shares	1.3	0.9	2.1	13.6	26.7	105.7

Discrete annual performance (%)	31.05.2018	31.05.2017	31.05.2016	31.05.2015	31.05.2014
LF Seneca Diversified Income Fund	2.0	16.8	-0.2	7.3	5.4
IA Mixed Investment 20-60% Shares	2.1	14.2	-2.6	7.6	3.7

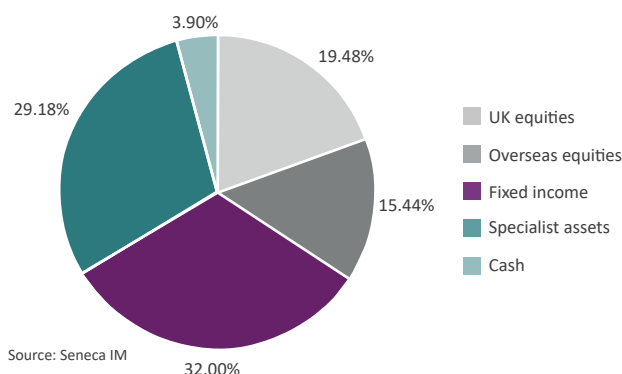
Source for all performance data: FE Analytics. Basis: Bid to bid, net income reinvested and net of fees in UK Sterling terms. The information on this factsheet is as at 31.05.2018 and refers to the 'B' share class with the exception of performance prior to 26.03.2012 which is calculated using the 'A' 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



Top five holdings

UK Direct Equities*

1. Marston's	1.4%
2. Marks & Spencer	1.2%
3. Kier Group	1.2%
4. Babcock International Group	1.1%
5. BT Group	1.0%

Overseas Equities

1. CIM Dividend Income Fund	3.0%
2. Prusik Asian Equity Income Fund	2.2%
3. Blackrock World Mining Trust	2.2%
4. Liontrust European Enhanced Income Fund	2.1%
5. Invesco Perpetual European Equity Income Fund	1.8%

Fixed Income

1. Royal London Short Duration Global High Yield Bond Fund	7.5%
2. Muzinich Short Duration High Yield Fund	7.1%
3. Royal London Sterling Extra Yield Bond Fund	6.3%
4. Templeton Emerging Markets Bond Fund	4.9%
5. TwentyFour Select Monthly Income Fund	4.0%

Specialist Assets

1. AJ Bell Holdings Limited ¹	3.6%
2. International Public Partnership	2.5%
3. Fair Oaks Income Fund	2.2%
4. Doric Nimrod Air Two	2.1%
5. Sequoia Economic Infrastructure	1.8%

* 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	£116.04m
A Class month end price	93.21p
B Class month end price	112.04p
N Class month end price	110.40p
Total holdings	60
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