

LF Seneca Investment Funds

LF Seneca Diversified Growth Fund
LF Seneca Diversified Income Fund

INTERIM UNAUDITED REPORT AND FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2018



AUTHORISED CORPORATE DIRECTOR ('ACD')

LINK FUND SOLUTIONS LIMITED

Head Office:
6th Floor
65 Gresham Street
London EC2V 7NQ
Telephone: 0870 607 2555
Fax: 0870 607 2550
Email: investorservices@linkgroup.co.uk
(Authorised and regulated by the Financial Conduct Authority)

DIRECTORS OF THE ACD

C. Addenbrooke
N. Boyling
B. Hammond
P. Hugh-Smith
K.J. Midl
A.J. Stuart

INVESTMENT MANAGER

SENECA INVESTMENT MANAGERS LIMITED

Tenth Floor
Horton House
Exchange Flags
Liverpool L2 3YL
(Authorised and regulated by the Financial Conduct Authority)

DEPOSITARY

THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED

One Canada Square
London E14 5AL
(Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority)

REGISTRAR

LINK FUND ADMINISTRATORS LIMITED

Customer Service Centre:
Arlington Business Centre
Millshaw Park Lane
Leeds LS11 0PA
Telephone: 0345 608 1497
Fax: 0113 224 6001
(Authorised and regulated by the Financial Conduct Authority)

INDEPENDENT AUDITOR

ERNST & YOUNG LLP

25 Churchill Place
Canary Wharf
London E14 5EY

CONTENTS

ACD's Report	5
Authorised Status	5
Important Information	5
Cross Holdings	5
Securities Financing Transactions	5
Director's Statement	5

LF SENECA DIVERSIFIED GROWTH FUND

ACD's Report	6
Important Information	6
Investment Objective and Policy	6
Investment Manager's Report	7
Fund Information	13
Portfolio Statement	19
Summary of Material Portfolio Changes	23

INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Statement of Total Return	24
Statement of Change in Net Assets Attributable to Shareholders	24
Balance Sheet	25
Notes to the Interim Financial Statements	26

CONTENTS *continued*

LF SENECA DIVERSIFIED INCOME FUND

ACD's Report	27
Important Information	27
Investment Objective and Policy	27
Investment Manager's Report	28
Fund Information	34
Portfolio Statement	40
Summary of Material Portfolio Changes	44

INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Statement of Total Return	45
Statement of Change in Net Assets Attributable to Shareholders	45
Balance Sheet	46
Notes to the Interim Financial Statements	47
General Information	48

ACD'S REPORT

for the half year ended 30 September 2018

Authorised Status

LF 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 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

On 3 August 2018 a new share class, the 'I' Accumulation share class, was launched in the LF Seneca Diversified Growth Fund.

On 3 August 2018 a new share class, the 'I' Income share class, was launched in the LF Seneca Diversified Income Fund.

Cross Holdings

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

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.

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

LINK FUND SOLUTIONS LIMITED

ACD of LF Seneca Investment Funds

27 November 2018

LF SENECA DIVERSIFIED GROWTH FUND ACD'S REPORT

for the half year ended 30 September 2018

Important Information

Refer to the 'Important Information' section on page 5.

Investment Objective and Policy

The investment objective of LF 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.

LINK FUND SOLUTIONS LIMITED

ACD of LF Seneca Diversified Growth Fund

27 November 2018

LF SENECA DIVERSIFIED GROWTH FUND

ACD'S REPORT *continued*

INVESTMENT MANAGER'S REPORT

for the half year ended 30 September 2018

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.

** Property, private equity, specialist financial and infrastructure.*

Asset Allocation

Fund Asset Structure as at 30th September 2018

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.

LF SENECA DIVERSIFIED GROWTH FUND

ACD'S REPORT *continued*

INVESTMENT MANAGER'S REPORT *continued*

ASSET CLASS	Fund %	Strategic Asset Allocation %
Equities	48.3	60.0
UK	15.3	20.0
North America	0.0	8.0
Europe ex UK	8.3	8.0
Japan	7.8	8.0
Asia (exc. Japan)	10.4	8.0
Emerging Markets	4.6	8.0
Global/Other	1.9	0.0
Fixed Income	12.6	15.0
Specialist Assets	29.3	25.0
Cash	9.8	0.0
Total	100.0	100.0

Source: Seneca Investment Managers

Figures may not sum due to rounding

During the period, equity exposure was reduced from 50.8% to 48.3%. This reduction was carried out fairly gradually throughout the period as valuations became less compelling. Furthermore, the reduction came mostly from the UK, Europe and US, with these weightings falling from 16.7 % to 15.3%, 8.8% to 8.3%, and 1.0% to 0.0% respectively. As for the US, valuations were more stretched than was the case elsewhere. Furthermore, the US monetary policy tightening cycle is more advanced than in other countries.

The reduction in equity exposure meant that the Fund moved from being underweight (in relation to strategic asset allocation) to being further underweight. UK equities as well as equities elsewhere overall rose during the period, which pushed valuations up and thus attractiveness down. Furthermore, the global economy strengthened further, meaning that we are now getting closer to the end of the current business cycle.

Within overseas equities, the Fund is most heavily invested in Europe ex UK and Asia Pacific ex Japan. Although we had previously reduced Europe ex UK equities on the basis that political risk remained elevated, monetary policy is still loose and will remain so given higher unemployment. This should be supportive of equities in relation to those in other developed countries. As for Asia ex Japan, long-term growth prospects remain relatively robust. It is also an area where markets are still quite inefficient so there are opportunities to outperform.

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 levels. 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.

LF SENECA DIVERSIFIED GROWTH FUND

ACD'S REPORT *continued*

INVESTMENT MANAGER'S REPORT *continued*

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

There were two exits during the period – **Diploma** and **Victrex**, both of which had performed very strongly. Overall, the target weighting to UK equities was reduced by 0.5%.

Diploma was exited, in order to facilitate the Tactical Asset Allocation reduction. The shares had re-rated significantly, since we first invested and the company's long standing CEO had recently retired, thereby introducing an element of risk around executing the group's strategy going forward. The shares had returned 123% since first investing in September 2015.

Victrex was exited on valuation grounds. **Victrex** is a high quality business with strong growth prospects and a robust balance sheet. The shares had re-rated considerably, however, to the extent that growth above and beyond past experience was needed to justify the prevailing valuation. The shares had returned 93% since first investing in January 2016.

Towards the end of the quarter, **RPC** confirmed that it was in discussions with Apollo Global Management and Bain Capital which may result in an offer for the company. The shares closed up 18% on the day.

Overseas Equities

There were no outright new investments across overseas equities over the period. The activity that did take place during involved moving positions towards target weights, the most notable following reductions in the tactical asset allocation weights to certain regions. We have now moved to having no exposure to North America and as a consequence we exited our position in the **Yacktman US Equity Fund**. Europe ex UK was also reduced, with a divestment made from our holding in the **Invesco European Equity Income Fund**. On the purchase side, we added to the **HMG Global Emerging Markets Equity Fund** and the **BlackRock World Mining Trust**.

Over the period we met with Marc Girault, lead fund manager of the **HMG Global Emerging Markets Equity Fund**. **HMG's** philosophy is a contrarian one, where the team find themselves adding to areas where there has been political uncertainty or economic dislocation. A good example of this is a new holding in Aygaz, a Turkish gas distributor which was bought on a P/E of 6.5x and dividend yield of 12.3%. Although fund performance has been fairly lacklustre, evidence of the value in the portfolio has been highlighted through three takeover bids in recent months. As Mr Girault explained, another source of value realisation is from industrial or financial buyers who will acquire businesses when the discrepancy between market valuation and intrinsic valuation becomes too large.

LF SENECA DIVERSIFIED GROWTH FUND

ACD'S REPORT *continued*

INVESTMENT MANAGER'S REPORT *continued*

We also met with two of the Asian equity managers which we invest with across our strategies. A key theme to come from these meetings was the changing trend in how Asian corporations are spending operating cash flows. With capital expenditure falling as a percentage of cash flow, businesses are distributing more to shareholders via dividends and buybacks, a positive for our managers where income is a vital part of their return objectives.

Fixed Income

We introduced the **Royal London Cash Plus Fund** to the portfolio. The strategy aims to provide an income in excess of those which can be obtained from money market rates but protection of capital is paramount to the approach. Outside of the fund's core positions in certificates of deposit and floating rate notes with high quality banks, the largest allocations are made to covered bonds and short dated investment grade debt.

Following the increase in our tactical asset allocation weight to corporate bonds, we added to the position in the **Royal London Short Duration Global High Yield Bond Fund**. The move reflects our ongoing transition to a more defensively positioned portfolio. Short duration high yield fixed income offers returns in excess of cash, with the defensive benefit of a portfolio that is self-liquidating, providing capital to the fund managers for reinvestment in an environment of rising interest rates. Elsewhere, we added to the holding in the **Templeton Emerging Markets Bond Fund**, which has seen short term performance suffer through its holding in Argentine sovereign debt. The team at **Templeton** continue to remain confident in the long-term outlook for Argentina.

Gary Kirk, portfolio manager of the **TwentyFour Select Monthly Income Fund** (a 2.5% position in the portfolio), gave an update to clients during the second quarter. Two areas of focus in the trust are European collateralised loan obligations (CLOs) and subordinated banking debt, also known as additional tier 1 (AT1) bonds. The trust is designed to exploit areas of the bond market like the two mentioned, which are either too illiquid for large institutional investors or that have a layer of complexity that requires expertise to assess the risk/return profile of the instrument. These areas remain attractive in a fixed income market that has become starved of sufficient yield, for the risks taken.

Specialist Assets

We commenced a policy to reduce **Custodian Real Estate** in May and finally exited the position in July. The capital was redeployed to support increased position sizes in **AEW UK REIT** and **Ediston Property Investment Company**, both of which have been trading at discounts to Net Asset Value and whose managements pursue what we consider a "Value" based strategy in their respective REITs.

Following our decision in April to increase the target weight of **Primary Health Properties** (PHP), we participated in the further capital raise. The REIT is expanding its portfolio of health centres in Ireland and the UK to build on its successful and long term track record.

As part of our broader theme of seeking to reduce the amount of equity linked risk within the portfolios where possible we have increased the allocation towards **Sequoia Economic Infrastructure** (SEI) which invests in the secured debt of operational infrastructure assets. Furthermore, our meeting with management gave us added confidence in the robustness and defensiveness of their global portfolio leading us to increase the target weight.

LF SENECA DIVERSIFIED GROWTH FUND

ACD'S REPORT *continued*

INVESTMENT MANAGER'S REPORT *continued*

Evidence that management of **UK Mortgages Ltd** were close to deploying the remainder of their available capital into further pools of UK mortgage assets moved us to increase the target weight of the trust in April. We believe UK mortgages (therefore no currency risk) with loan to value ratios of less than 75% should help us in our quest to reduce overall equity risk in the portfolio.

We participated in the successful launch of **Hipgnosis Songs Fund** which has raised £200m of capital to invest in the copyright of proven well known hit songs with a heritage. The initial portfolio of copyrights is planned to include Bernard Edwards's catalogue from the 1970s onwards. Soon after listing the company announced a deal to purchase 75% of the copyrights across the portfolio of contemporary songwriter, Terius Nash, who has worked with numerous top level artists including Madonna and Beyonce. The advent of streaming and a more reliable technology driven royalty collection process results in a vehicle that should deliver uncorrelated returns against other asset classes. It has had a successful launch with the shares trading up to a 7% premium since listing in July.

In July the recommended and agreed offer for the assets of John Laing Infrastructure from a consortium of infrastructure managers had a positive read across to our holdings in **International Public Partnerships ('INPP')** and **John Laing Environmental Assets (JLEN)**. The opportunity for potential valuation uplift in the future and the possibility that they too could attract interest from private and/or overseas investors. Furthermore, following the interim results release of INPP and a subsequent meeting with the management team we feel the underlying valuations of their portfolio assets are valued relatively conservatively and we subsequently increased the overweight position.

Being mindful of relative valuations across our assets, with particular reference to where premiums (or discounts) to Net Assets Values are sitting, we trimmed the holding of **Greencoat UK Wind** to a modest underweight position. The shares have been trading at a 14% premium to Net Asset Value, and it is our belief the company will likely return to shareholders for expansionary capital sometime in late 2018 or early 2019.

Outlook

Business cycles in the US and the UK appear well advanced, with inflation now above or near central bank targets. In Japan and Europe, inflation pressures are still somewhat subdued but getting stronger. This means we are 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 1-2 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 continue to reduce 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, though in the short term they can be volatile as has been the case in recent months.

LF SENECA DIVERSIFIED GROWTH FUND

ACD'S REPORT *continued*

INVESTMENT MANAGER'S REPORT *continued*

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 for the next couple of years or so. We thus continue to maintain our underweight position in this area.

SENECA INVESTMENT MANAGERS LIMITED

Investment Manager

12 October 2018

LF SENECA DIVERSIFIED GROWTH FUND

ACD'S REPORT *continued*

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.

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.

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.

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.linkfundsolutions.co.uk, by following the link 'Fund Information'.

LF SENECA DIVERSIFIED GROWTH FUND

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables

Information for 30 September 2018 relates to the 6 month period ending 30 September 2018. The operating charges relate to the expenses incurred on an ex post basis over the 6 month period ending 30 September 2018, expressed as an annualised percentage of the average net asset value.

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

CHANGE IN NET ASSETS PER SHARE	30.09.18 pence per share	31.03.18 pence per share	31.03.17 pence per share	31.03.16 pence per share
Opening net asset value per share	263.70	252.05	214.08	223.07
Return before operating charges*	11.04	16.70	42.43	(4.70)
Operating charges	(2.55)	(5.05)	(4.46)	(4.29)
Return after operating charges	8.49	11.65	37.97	(8.99)
Distributions	(4.37)	(5.90)	(5.36)	(3.53)
Retained distributions on accumulation shares	4.37	5.90	5.36	3.53
Closing net asset value per share	272.19	263.70	252.05	214.08
* after direct transaction costs of:	0.04	0.18	0.36	0.48

PERFORMANCE

Return after charges	3.22%	4.62%	17.74%	(4.03)%
----------------------	-------	-------	--------	---------

OTHER INFORMATION

Closing net asset value (£'000)	39,952	40,115	43,367	44,040
Closing number of shares	14,677,814	15,212,388	17,205,884	20,571,482
Operating charges	1.87%	1.89%	1.93%	1.96%
Direct transaction costs	0.02%	0.07%	0.15%	0.22%

PRICES

Highest share price	276.28	278.77	253.57	230.42
Lowest share price	263.65	248.43	207.65	198.68

LF SENECA DIVERSIFIED GROWTH FUND

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'B' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	30.09.18 pence per share	31.03.18 pence per share	31.03.17 pence per share	31.03.16 pence per share
Opening net asset value per share	158.39	150.41	126.95	131.42
Return before operating charges*	6.64	9.96	25.22	(2.78)
Operating charges	(1.00)	(1.98)	(1.76)	(1.69)
Return after operating charges	5.64	7.98	23.46	(4.47)
Distributions	(3.16)	(4.57)	(4.08)	(2.92)
Retained distributions on accumulation shares	3.16	4.57	4.08	2.92
Closing net asset value per share	164.03	158.39	150.41	126.95
* after direct transaction costs of:	0.03	0.11	0.22	0.28

PERFORMANCE

Return after charges	3.56%	5.31%	18.48%	(3.40)%
----------------------	-------	-------	--------	---------

OTHER INFORMATION

Closing net asset value (£'000)	53,869	73,058	70,433	64,154
Closing number of shares	32,841,882	46,124,939	46,828,264	50,534,728
Operating charges	1.22%	1.24%	1.28%	1.31%
Direct transaction costs	0.02%	0.07%	0.15%	0.22%

PRICES

Highest share price	166.34	167.22	151.29	135.78
Lowest share price	158.37	148.17	123.33	117.71

LF SENECA DIVERSIFIED GROWTH FUND

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'N' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	30.09.18 pence per share	31.03.18 pence per share	31.03.17 pence per share	31.03.16 pence per share
Opening net asset value per share	155.94	148.45	125.59	130.33
Return before operating charges*	6.53	9.84	24.94	(2.74)
Operating charges	(1.19)	(2.35)	(2.08)	(2.00)
Return after operating charges	5.34	7.49	22.86	(4.74)
Distributions	(2.91)	(4.11)	(3.69)	(2.58)
Retained distributions on accumulation shares	2.91	4.11	3.69	2.58
Closing net asset value per share	161.28	155.94	148.45	125.59
* after direct transaction costs of:	0.02	0.10	0.21	0.28

PERFORMANCE

Return after charges	3.42%	5.05%	18.20%	(3.64)%
----------------------	-------	-------	--------	---------

OTHER INFORMATION

Closing net asset value (£'000)	113	119	93	52
Closing number of shares	70,002	76,263	62,523	41,089
Operating charges	1.47%	1.49%	1.53%	1.56%
Direct transaction costs	0.02%	0.07%	0.15%	0.22%

PRICES

Highest share price	163.61	164.71	149.33	134.65
Lowest share price	155.91	146.27	121.93	116.49

LF SENECA DIVERSIFIED GROWTH FUND

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'1' ACCUMULATION SHARES

CHANGE IN NET ASSETS PER SHARE	30.09.18' pence per share
Opening net asset value per share	100.00
Return before operating charges*	(0.48)
Operating charges	(0.16)
Return after operating charges	(0.64)
Distributions	(0.52)
Retained distributions on accumulation shares	0.52
Closing net asset value per share	99.36
* after direct transaction costs of:	–

PERFORMANCE

Return after charges	(0.64)%
----------------------	---------

OTHER INFORMATION

Closing net asset value (£'000)	24,986
Closing number of shares	25,147,297
Operating charges	0.97% ²
Direct transaction costs	0.02%

PRICES

Highest share price	100.73
Lowest share price	98.66

¹ From 3 August 2018.

² Annualised figure due to share class launched in the period.

LF SENECA DIVERSIFIED GROWTH FUND

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Fund Performance to 30 September 2018 (%)

	6 months	1 year	3 years	5 years
LF Seneca Diversified Growth Fund	3.37	2.17	31.84	38.39

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

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.

LF SENECA DIVERSIFIED GROWTH FUND

ACD'S REPORT *continued*

PORTFOLIO STATEMENT

as at 30 September 2018

Holding	Portfolio of Investments	Value £'000	30.09.18 %
	FIXED INCOME INVESTMENTS – 12.53% (31.03.18 – 12.17%)		
	CORPORATE BONDS – 10.49% (31.03.18 – 9.94%)		
6,880,000	Royal London Short Duration Global High Yield Bond ¹	6,075	5.11
3,170,000	Royal London Sterling Extra Yield Bond ¹	3,423	2.88
3,095,000	TwentyFour Select Monthly Income ¹	2,971	2.50
		12,469	10.49
	EMERGING MARKET DEBT – 2.04% (31.03.18 – 2.23%)		
355,000	Templeton Emerging Markets Bond ¹	2,428	2.04
	TOTAL FIXED INCOME INVESTMENTS	14,897	12.53
	EQUITY & EQUITY RELATED – 47.83% (31.03.18 – 50.85%)		
	UNITED KINGDOM – 15.24% (31.03.18 – 16.85%)		
410,000	Arrow Global	943	0.79
130,000	Babcock International	940	0.79
57,500	Bovis Homes	616	0.52
108,500	Britvic	849	0.71
525,000	BT	1,183	0.99
65,500	Clinigen ²	554	0.47
205,000	Dairy Crest	937	0.79
177,500	Essentra	719	0.60
257,500	Halfords	815	0.69
113,000	Kier	1,023	0.86
302,500	Legal & General	793	0.67
352,500	Marks & Spencer	1,017	0.86
1,295,000	Marston's	1,279	1.08
180,000	Morgan Advanced Materials	598	0.50
135,000	National Express	527	0.44
315,000	OneSavings Bank	1,279	1.08
90,200	Phoenix	610	0.51

LF SENECA DIVERSIFIED GROWTH FUND

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 30 September 2018

Holding	Portfolio of Investments	Value £'000	30.09.18 %
192,000	Polypipe	684	0.58
140,000	RPC	1,113	0.94
230,000	Senior	718	0.60
58,000	Ultra Electronics	921	0.77
	TOTAL UNITED KINGDOM	<u>18,118</u>	<u>15.24</u>
	OVERSEAS – 32.59% (31.03.18 – 34.00%)		
	NORTH AMERICA – 0.00% (31.03.18 – 0.97%)	<u>–</u>	<u>–</u>
	CONTINENTAL EUROPE – 8.12% (31.03.18 – 8.78%)		
2,675,000	European Assets ¹	3,063	2.57
1,470,000	Invesco European Equity Income ¹	6,599	5.55
	TOTAL CONTINENTAL EUROPE	<u>9,662</u>	<u>8.12</u>
	JAPAN – 7.72% (31.03.18 – 7.63%)		
1,795,000	CC Japan Income & Growth ¹	2,872	2.41
309,500	Goodhart Partners Horizon Michinori Japan Equity ¹	6,310	5.31
	TOTAL JAPAN	<u>9,182</u>	<u>7.72</u>
	ASIA PACIFIC (EXCLUDING JAPAN) – 10.31% (31.03.18 – 10.36%)		
1,335,000	Pacific Assets Investment ¹	3,524	2.96
27,551	Prusik Asian Equity Income ¹	4,060	3.42
12,600	Samarang Asian Prosperity ¹	4,678	3.93
	TOTAL ASIA PACIFIC (EXCLUDING JAPAN)	<u>12,262</u>	<u>10.31</u>
	EMERGING MARKETS – 4.53% (31.03.18 – 4.43%)		
597,500	Goodhart Partners Horizon HMG Global Emerging Markets Equity ¹	<u>5,383</u>	<u>4.53</u>

LF SENECA DIVERSIFIED GROWTH FUND**ACD'S REPORT** *continued***PORTFOLIO STATEMENT** *continued*

as at 30 September 2018

Holding	Portfolio of Investments	Value £'000	30.09.18 %
	OTHER OVERSEAS – 1.91% (31.03.18 – 1.83%)		
625,056	BlackRock World Mining ¹	2,275	1.91
	TOTAL OVERSEAS	38,764	32.59
	TOTAL EQUITY & EQUITY RELATED	56,882	47.83
	ALTERNATIVE INVESTMENTS – 29.63% (31.03.18 – 29.68%)		
	HEDGE FUNDS – 0.00% (31.03.18 – 0.00%)		
1,250,000	PSolve Alternatives PCC ^{1,3}	–	–
	PRIVATE EQUITY – 4.32% (31.03.18 – 5.53%)		
158,153	Aberdeen Private Equity ³	3	–
545,000	AJ Bell ⁴	5,129	4.32
		5,132	4.32
	PROPERTY – 6.53% (31.03.18 – 7.57%)		
1,703,477	AEW UK REIT	1,618	1.36
1,525,000	Ediston Property Investment	1,662	1.40
715,000	LondonMetric Property	1,270	1.07
1,400,000	Primary Health Properties	1,588	1.33
1,600,000	PRS REIT	1,632	1.37
18,750,000	Speymill Deutsche Immobilien Company ^{1,3}	–	–
		7,770	6.53
	OTHER ALTERNATIVE – 18.78% (31.03.18 – 16.58%)		
598,787	Blue Capital Alternative Income ¹	310	0.26
1,220,000	Doric Nimrod Air Two <i>preference shares</i>	2,635	2.22
1,972,211	DP Aircraft I	1,603	1.35
3,275,000	Fair Oaks Income ¹	2,285	1.92
1,730,000	Funding Circle SME Income 'C' ¹	1,747	1.47
1,260,000	Greencoat UK Wind ¹	1,608	1.35
1,200,000	Hipgnosis Songs ¹	1,287	1.08

LF SENECA DIVERSIFIED GROWTH FUND

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 30 September 2018

Holding	Portfolio of Investments	Value £'000	30.09.18 %
2,110,000	International Public Partnerships ¹	3,190	2.68
1,480,000	John Laing Environmental Assets ¹	1,547	1.30
8,000,000	Lehman Brothers Treasury 0% 23/10/2008 (linked to Tate & Lyle, Wolseley and Land Securities Group) ^{5,6}	–	–
1,906,853	RM Secured Direct Lending ¹	1,926	1.62
1,868,971	Sequoia Economic Infrastructure Income ¹	2,056	1.73
339,812	Sequoia Economic Infrastructure Income <i>Rights</i> 9/10/2018	14	0.01
2,450,000	UK Mortgages ¹	2,131	1.79
		<u>22,339</u>	<u>18.78</u>
	TOTAL ALTERNATIVE INVESTMENTS	<u>35,241</u>	<u>29.63</u>
	CASH EQUIVALENT INVESTMENTS – 8.74% (31.03.18 – 6.45%)		
1,755,811	Invesco Sterling Liquidity Portfolio ¹	1,756	1.48
8,420,000	Royal London Cash Plus ¹	8,629	7.26
		<u>10,385</u>	<u>8.74</u>
	Portfolio of investments	117,405	98.73
	Net other assets	1,515	1.27
	Net assets	<u>118,920</u>	<u>100.00</u>

The investments 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.

LF SENECA DIVERSIFIED GROWTH FUND SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the half year ended 30 September 2018

Total purchases for the half year £'000	8,508	Total sales for the half year £'000	8,392
Major purchases	Cost £'000	Major sales	Proceeds £'000
Hipgnosis Songs	1,200	Aberdeen Private Equity	1,727
Royal London Short Duration Global High Yield Bond	1,105	Custodian REIT	1,274
Goodhart Partners Horizon HMG Global Emerging Markets Equity	855	Yacktman US Equity	1,177
UK Mortgages	608	Diploma	727
Arrow Global	513	Victrex	644
Templeton Emerging Markets Bond	482	Civitas Social Housing	426
RM Secured Direct Lending	396	Ultra Electronics	328
Funding Circle SME Income 'C'	390	Babcock International	319
Sequoia Economic Infrastructure Income	316	RM Secured Direct Lending 'C'	310
AEW UK REIT	286	Halfords	300

In addition to the above, purchases totalling £18,853,000 and sales totalling £15,794,000 were made in short term investments during the half year.

The summary of material portfolio changes represents the 10 largest purchases and sales during the half year.

LF SENECA DIVERSIFIED GROWTH FUND
INTERIM FINANCIAL STATEMENTS (UNAUDITED)
STATEMENT OF TOTAL RETURN

for the half year ended 30 September 2018

	£'000	30.09.18 £'000	£'000	30.09.17 £'000
Income:				
Net capital gains		1,753		5,428
Revenue	2,784		2,233	
Expenses	(621)		(634)	
Net revenue before taxation	2,163		1,599	
Taxation	(5)		(7)	
Net revenue after taxation		2,158		1,592
Total return before distributions		3,911		7,020
Distributions		(1,800)		(1,595)
Change in net assets attributable to shareholders from investment activities		2,111		5,425

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the half year ended 30 September 2018

	£'000	30.09.18 £'000	£'000	30.09.17 £'000
Opening net assets attributable to shareholders		113,292		113,893
Amounts receivable on issue of shares	5,256		2,536	
Amounts payable on redemption of shares	(3,552)		(5,758)	
		1,704		(3,222)
Change in net assets attributable to shareholders from investment activities		2,111		5,425
Retained distributions on Accumulation shares		1,813		1,577
Closing net assets attributable to shareholders		118,920		117,673

The above statement shows the comparative closing net assets at 30 September 2017 whereas the current accounting period commenced 1 April 2018.

LF SENECA DIVERSIFIED GROWTH FUND
INTERIM FINANCIAL STATEMENTS (UNAUDITED) *continued*
BALANCE SHEET

as at 30 September 2018

	30.09.18 £'000	31.03.18 £'000
ASSETS		
Fixed assets		
Investments	117,405	112,329
Current assets		
Debtors	521	432
Cash and bank balances	1,220	1,136
Total assets	<u>119,146</u>	<u>113,897</u>
LIABILITIES		
Creditors		
Other creditors	(226)	(605)
Total liabilities	<u>(226)</u>	<u>(605)</u>
Net assets attributable to shareholders	<u>118,920</u>	<u>113,292</u>

LF SENECA DIVERSIFIED GROWTH FUND
INTERIM FINANCIAL STATEMENTS (UNAUDITED) *continued*
NOTES TO THE INTERIM FINANCIAL STATEMENTS
for the half year ended 30 September 2018

1. Accounting Policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2018 and are described in those annual financial statements.

The financial statements 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, and with the Statement of Recommended Practice for Financial Statements of Authorised Funds issued by the Investment Association in May 2014, as amended.

LF SENECA DIVERSIFIED INCOME FUND ACD'S REPORT

for the half year ended 30 September 2018

Important Information

Refer to the 'Important Information' section on page 5.

Investment Objective and Policy

The investment objective of LF 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.

LINK FUND SOLUTIONS LIMITED

ACD of LF Seneca Diversified Income Fund
27 November 2018

LF SENECA DIVERSIFIED INCOME FUND

ACD'S REPORT *continued*

INVESTMENT MANAGER'S REPORT

for the half year ended 30 September 2018

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.

** Property, private equity, specialist financial and infrastructure.*

Asset Allocation

Fund Structure as at 30th September 2018

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.

LF SENECA DIVERSIFIED INCOME FUND**ACD'S REPORT** *continued***INVESTMENT MANAGER'S REPORT** *continued*

ASSET CLASS	Fund %	Strategic Asset Allocation %
Equities	33.0	40.0
UK	18.7	22.5
North America	–	2.5
Europe ex UK	5.0	5.0
Japan	1.0	2.0
Asia Pacific (exc. Japan)	5.4	5.5
Emerging Markets	1.0	2.5
Global/Other	1.9	–
Fixed Income	32.8	35.0
Specialist Assets	28.8	25.0
Other	1.0	–
Cash	4.4	–
Total	100.0	100.0

Source: Seneca Investment Managers

Figures may not sum due to rounding

During the period, equity exposure was reduced from 34.2% to 33.0%. This reduction was carried out fairly gradually throughout the period as valuations became less compelling. Furthermore, the reduction came mostly from the UK and Europe, with the weightings there falling from 19.4% to 18.7% and 5.5% to 5.0% respectively. It became increasingly clear over the review period that the Bank of England would continue to increase interest rates, which it was felt would impact the attractiveness of UK equities.

The reduction in equity exposure meant that the Fund moved from being underweight (in relation to strategic asset allocation) to being further underweight. UK equities as well as equities elsewhere overall rose during the period, which pushed valuations up and thus attractiveness down. Furthermore, the global economy strengthened further, meaning that we are now getting closer to the end of the current business cycle.

Within overseas equities, the Fund is most heavily invested in Europe ex UK and Asia Pacific ex Japan. Although we had previously reduced Europe ex UK equities on the basis that political risk remained elevated, monetary policy is still loose and will remain so given higher unemployment. This should be supportive of equities in relation to those in other developed countries. As for Asia ex Japan, long-term growth prospects remain relatively robust. It is also an area where markets are still quite inefficient so there are opportunities to outperform.

LF SENECA DIVERSIFIED INCOME FUND

ACD'S REPORT *continued*

INVESTMENT MANAGER'S REPORT *continued*

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 levels. 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.

Portfolio Activity

UK Equities

Several holdings were reduced, in order to facilitate the Tactical Asset Allocation reduction of 0.5%. At the same time, the **Insight UK Equity Income Booster** was increased, in order to ensure that a sufficiently high level of income is being generated from UK equities, despite less capital being invested.

Towards the end of the quarter, **RPC** confirmed that it was in discussions with Apollo Global Management and Bain Capital which may result in an offer for the company. The shares closed up 18% on the day.

Essentra returned to profit growth for the first time since 2015, as the company's recent transformation under new CEO, Paul Forman, starts to bear fruit.

Halfords held a Capital Markets Day in which the company set a target of generating more free cash flow between 2019 and 2021 than it did between 2016 and 2018.

Overseas Equities

A new investment to the overseas equities allocation was made over the period, with the introduction of the **CIM Dividend Income Fund**. The strategy, led by James Morton, invests in small and mid-cap Asian equities trading at deep discounts to intrinsic value. The portfolio is a collection of understandable businesses that have fallen out of favour with the market. Importantly for our approach at Seneca, **CIM** share with us the concept that dividend yield is a signpost of value. With a focus on balance sheet strength and cash flow analysis to determine the ability of a company to pay dividends and reinvest in the business, the team at **CIM** have been able to assemble an attractively valued portfolio in good quality businesses. To fund the investment in **CIM**, we have exited the holding in the **Schroder Asian Income Maximiser Fund** and reduced the **Aberdeen Asian Income Fund**.

Elsewhere, we exited the holding in the **Somerset Emerging Markets Dividend Growth Fund** following the introduction of the **HMG Global Emerging Markets Equity Fund** in the first quarter of the year.

Over the period we met with Marc Girault, lead fund manager of the **HMG Global Emerging Markets Equity Fund**. HMG's philosophy is a contrarian one, where the team find themselves adding to areas where there has been political uncertainty or economic dislocation. A good example of this is a new holding in Aygaz, a Turkish gas distributor which was bought on a P/E of 6.5x and dividend yield of 12.3%. Although fund performance has

LF SENECA DIVERSIFIED INCOME FUND

ACD'S REPORT *continued*

INVESTMENT MANAGER'S REPORT *continued*

been fairly lacklustre, evidence of the value in the portfolio has been highlighted through three takeover bids in recent months. As Mr Girault explained, another source of value realisation is from industrial or financial buyers who will acquire businesses when the discrepancy between market valuation and intrinsic valuation becomes too large.

We also met with two of the Asian equity managers which we invest with across our strategies. A key theme to come from these meetings was the changing trend in how Asian corporations are spending operating cash flows. With capital expenditure falling as a percentage of cash flow, businesses are distributing more to shareholders via dividends and buybacks, a positive for our managers where income is a vital part of their return objectives.

Fixed Income

Additions were made across all fixed income holdings over the period. We also introduced the **Royal London Cash Plus Fund** to the portfolio. The strategy aims to provide an income in excess of those which can be obtained from money market rates but protection of capital is paramount to the approach. Outside of the fund's core positions in certificates of deposit and floating rate notes with high quality banks, the largest allocations are made to covered bonds and short dated investment grade debt.

Following the increase in our tactical asset allocation weight to corporate bonds, we added to the position in the **Muzinich Short Duration High Yield Fund**. The move reflects our ongoing transition to a more defensively positioned portfolio. Short duration high yield fixed income offers returns in excess of cash, with the defensive benefit of a portfolio that is self-liquidating, providing capital to the fund managers for reinvestment in an environment of rising interest rates. Elsewhere, we added to the holding in the **Templeton Emerging Markets Bond Fund**, which has seen short term performance suffer through its holding in Argentine sovereign debt. The team at **Templeton** continue to remain confident in the long-term outlook for Argentina.

Gary Kirk, portfolio manager of the **TwentyFour Select Monthly Income Fund** (a 4% position in the portfolio), gave an update to clients during the second quarter. Two areas of focus in the trust are European collateralised loan obligations (CLOs) and subordinated banking debt, also known as additional tier 1 (AT1) bonds. The trust is designed to exploit areas of the bond market like the two mentioned, which are either too illiquid for large institutional investors or that have a layer of complexity that requires expertise to assess the risk/return profile of the instrument. These areas remain attractive in a fixed income market that has become starved of sufficient yield, for the risks taken.

Specialist Assets

We commenced a policy to reduce **Custodian Real Estate** in May and finally exited the position in July. The capital was redeployed to support increased position sizes in **AEW UK REIT** and **Ediston Property Investment Company**, both of which have been trading at discounts to Net Asset Value and whose managements pursue what we consider a "Value" based strategy in their respective REITs.

LF SENECA DIVERSIFIED INCOME FUND

ACD'S REPORT *continued*

INVESTMENT MANAGER'S REPORT *continued*

Following our decision in April to increase the target weight of **Primary Health Properties** (PHP), we participated in the further capital raise. The REIT is expanding its portfolio of health centres in Ireland and the UK to build on its successful and long term track record.

As part of our broader theme of seeking to reduce the amount of equity linked risk within the portfolios where possible we have increased the allocation towards **Sequoia Economic Infrastructure** (SEI) which invests in the secured debt of operational infrastructure assets. Furthermore, our meeting with management gave us added confidence in the robustness and defensiveness of their global portfolio leading us to increase the target weight.

Evidence that management of **UK Mortgages Ltd** were close to deploying the remainder of their available capital into further pools of UK mortgage assets moved us to increase the target weight of the trust in April. We believe UK mortgages (therefore no currency risk) with loan to value ratios of less than 75% should help us in our quest to reduce overall equity risk in the portfolio.

We participated in the successful launch of **Hipgnosis Songs Fund** which has raised £200m of capital to invest in the copyright of proven well known hit songs with a heritage. The initial portfolio of copyrights is planned to include Bernard Edwards's catalogue from the 1970s onwards. Soon after listing the company announced a deal to purchase 75% of the copyrights across the portfolio of contemporary songwriter, Terius Nash, who has worked with numerous top level artists including Madonna and Beyoncé. The advent of streaming and a more reliable technology driven royalty collection process results in a vehicle that should deliver uncorrelated returns against other asset classes. It has had a successful launch with the shares trading up to a 7% premium since listing in July.

In July the recommended and agreed offer for the assets of John Laing Infrastructure from a consortium of infrastructure managers had a positive read across to our holdings in **International Public Partnerships** ('INPP') and **John Laing Environmental Assets** (JLEN). The opportunity for potential valuation uplift in the future and the possibility that they too could attract interest from private and/or overseas investors. Furthermore, following the interim results release of INPP and a subsequent meeting with the management team we feel the underlying valuations of their portfolio assets are valued relatively conservatively and we subsequently increased the overweight position.

Being mindful of relative valuations across our assets, with particular reference to where premiums (or discounts) to Net Assets Values are sitting, we trimmed the holding of **Greencoat UK Wind** to a modest underweight position. The shares have been trading at a 14% premium to Net Asset Value, and it is our belief the company will likely return to shareholders for expansionary capital sometime in late 2018 or early 2019.

Outlook

Business cycles in the US and the UK appear well advanced, with inflation now above or near central bank targets. In Japan and Europe, inflation pressures are still somewhat subdued but getting stronger. This means we are now in a global monetary policy tightening environment, with the US leading the way. That said, there may

LF SENECA DIVERSIFIED INCOME FUND

ACD'S REPORT *continued*

INVESTMENT MANAGER'S REPORT *continued*

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 1-2 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 continue to reduce 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, though in the short term they can be volatile as has been the case in recent months.

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 for the next couple of years or so. We thus continue to maintain our underweight position in this area.

SENECA INVESTMENT MANAGERS LIMITED

Investment Manager

12 October 2018

LF SENECA DIVERSIFIED INCOME FUND

ACD'S REPORT *continued*

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.

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.

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.

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.linkfundsolutions.co.uk, by following the link 'Fund Information'.

LF SENECA DIVERSIFIED INCOME FUND

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables

Information for 30 September 2018 relates to the 6 month period ending 30 September 2018. The operating charges relate to the expenses incurred on an ex post basis over the 6 month period ending 30 September 2018, expressed as an annualised percentage of the average net asset value.

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' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	30.09.18 pence per share	31.03.18 pence per share	31.03.17 pence per share	31.03.16 pence per share
Opening net asset value per share	91.34	93.67	86.25	90.68
Return before operating charges*	3.04	4.01	13.63	1.88
Operating charges	(0.85)	(1.73)	(1.66)	(1.66)
Return after operating charges	2.19	2.28	11.97	0.22
Distributions	(2.28)	(4.61)	(4.55)	(4.65)
Closing net asset value per share	91.25	91.34	93.67	86.25
* after direct transaction costs of:	0.03	0.08	0.14	0.14

PERFORMANCE

Return after charges	2.40%	2.43%	13.88%	0.24%
----------------------	-------	-------	--------	-------

OTHER INFORMATION

Closing net asset value (£'000)	33,058	33,819	36,581	36,632
Closing number of shares	36,225,685	37,023,160	39,053,271	42,473,974
Operating charges	1.83%	1.81%	1.85%	1.88%
Direct transaction costs	0.03%	0.09%	0.16%	0.16%

PRICES

Highest share price	93.91	97.03	94.17	93.05
Lowest share price	91.03	91.69	82.91	81.88

LF SENECA DIVERSIFIED INCOME FUND

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'B' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	30.09.18 pence per share	31.03.18 pence per share	31.03.17 pence per share	31.03.16 pence per share
Opening net asset value per share	109.70	111.91	102.50	107.27
Return before operating charges*	3.58	4.64	16.11	2.02
Operating charges	(0.66)	(1.33)	(1.28)	(1.28)
Return after operating charges	2.92	3.31	14.83	0.74
Distributions	(2.74)	(5.52)	(5.42)	(5.51)
Closing net asset value per share	109.88	109.70	111.91	102.50
* after direct transaction costs of:	0.03	0.10	0.17	0.16

PERFORMANCE

Return after charges	2.66%	2.96%	14.47%	0.69%
----------------------	-------	-------	--------	-------

OTHER INFORMATION

Closing net asset value (£'000)	79,886	74,639	64,436	61,831
Closing number of shares	72,700,773	68,037,780	57,577,447	60,320,764
Operating charges	1.18%	1.16%	1.20%	1.23%
Direct transaction costs	0.03%	0.09%	0.16%	0.16%

PRICES

Highest share price	112.86	116.27	112.49	110.15
Lowest share price	109.58	110.11	98.67	97.25

LF SENECA DIVERSIFIED INCOME FUND

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'N' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	30.09.18 pence per share	31.03.18 pence per share	31.03.17 pence per share	31.03.16 pence per share
Opening net asset value per share	108.13	110.53	101.44	106.34
Return before operating charges*	3.56	4.63	15.98	2.07
Operating charges	(0.79)	(1.59)	(1.53)	(1.52)
Return after operating charges	2.77	3.04	14.45	0.55
Distributions	(2.70)	(5.44)	(5.36)	(5.45)
Closing net asset value per share	108.20	108.13	110.53	101.44
* after direct transaction costs of:	0.03	0.10	0.17	0.16

PERFORMANCE

Return after charges	2.56%	2.75%	14.24%	0.52%
----------------------	-------	-------	--------	-------

OTHER INFORMATION

Closing net asset value (£'000)	529	385	273	275
Closing number of shares	489,369	356,212	246,671	271,289
Operating charges	1.43%	1.41%	1.45%	1.48%
Direct transaction costs	0.03%	0.09%	0.16%	0.16%

PRICES

Highest share price	111.21	114.71	111.11	109.17
Lowest share price	107.92	108.54	97.60	96.27

LF SENECA DIVERSIFIED INCOME FUND

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Comparative Tables *continued*

'I' INCOME SHARES

CHANGE IN NET ASSETS PER SHARE	30.09.18 ¹ pence per share
Opening net asset value per share	100.00
Return before operating charges*	(0.29)
Operating charges	(0.15)
Return after operating charges	(0.44)
Distributions	(0.45)
Closing net asset value per share	99.11
* after direct transaction costs of:	0.01

PERFORMANCE

Return after charges	(0.44)%
----------------------	---------

OTHER INFORMATION

Closing net asset value (£'000)	5,120
Closing number of shares	5,166,347
Operating charges	0.93% ²
Direct transaction costs	0.03%

PRICES

Highest share price	100.53
Lowest share price	98.70

¹ From 3 August 2018.

² Annualised figure due to share class launched in the period.

LF SENECA DIVERSIFIED INCOME FUND

ACD'S REPORT *continued*

FUND INFORMATION *continued*

Distributions

Share Class	First Interim	Second Interim	Third Interim
	30.04.18	31.05.18	30.06.18
	pence per share	pence per share	pence per share
'A' Income	0.3800	0.3800	0.3800
'B' Income	0.4564	0.4565	0.4565
'N' Income	0.4500	0.4499	0.4499
'I' Income ¹	–	–	–

Share Class	Fourth Interim	Fifth Interim	Sixth Interim
	31.07.18	31.08.18	30.09.18
	pence per share	pence per share	pence per share
'A' Income	0.3800	0.3800	0.3800
'B' Income	0.4569	0.4569	0.4573
'N' Income	0.4501	0.4502	0.4504
'I' Income ¹	–	0.1650	0.2898

Fund Performance to 30 September 2018 (%)

	6 months	1 year	3 years	5 years
LF Seneca Diversified Income Fund	2.48	0.23	23.46	30.39

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

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.

¹ Share class launched on 3 August 2018.

LF SENECA DIVERSIFIED INCOME FUND

ACD'S REPORT *continued*

PORTFOLIO STATEMENT

as at 30 September 2018

Holding	Portfolio of Investments	Value £'000	30.09.18 %
	FIXED INCOME INVESTMENTS – 32.55% (31.03.18 – 31.99%)		
	CORPORATE BONDS – 27.70% (31.03.18 – 27.07%)		
22,000	Maitland Dynamic Bond ¹	2,418	2.04
106,000	Muzinich Short Duration High Yield Bond ¹	9,031	7.61
10,351,000	Royal London Short Duration Global High Yield Bond ¹	9,139	7.71
7,075,000	Royal London Sterling Extra Yield Bond ¹	7,640	6.44
4,825,000	TwentyFour Select Monthly Income ¹	4,632	3.90
		32,860	27.70
	EMERGING MARKET DEBT – 4.85% (31.03.18 – 4.92%)		
840,000	Templeton Emerging Markets Bond ¹	5,746	4.85
	TOTAL FIXED INCOME INVESTMENTS	38,606	32.55
	EQUITY & EQUITY RELATED – 32.50% (31.03.18 – 34.18%)		
	UNITED KINGDOM – 18.34% (31.03.18 – 19.34%)		
230,000	Arrow Global	529	0.45
150,000	Babcock International	1,084	0.91
2,247,065	BNY Mellon Insight Equity Income Booster ¹	2,982	2.51
65,000	Bovis Homes	697	0.59
105,250	Britvic	824	0.69
570,000	BT	1,284	1.08
262,026	Dairy Crest	1,198	1.01
218,500	Essentra	885	0.75
290,000	Halfords	918	0.77
152,700	Kier	1,383	1.17
420,000	Legal & General	1,101	0.93
380,000	Marks & Spencer	1,097	0.93
1,840,000	Marston's	1,817	1.53
177,962	Morgan Advanced Materials	591	0.50
160,000	National Express	624	0.53

LF SENECA DIVERSIFIED INCOME FUND

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 30 September 2018

Holding	Portfolio of Investments	Value £'000	30.09.18 %
240,000	OneSavings Bank	974	0.82
120,000	Phoenix	811	0.68
205,000	Polypipe	730	0.62
105,000	RPC	835	0.70
185,000	Senior	578	0.49
50,957	Ultra Electronics	809	0.68
	TOTAL UNITED KINGDOM	<u>21,751</u>	<u>18.34</u>
	OVERSEAS – 14.16% (31.03.18 – 14.84%)		
	CONTINENTAL EUROPE – 4.96% (31.03.18 – 5.52%)		
1,176,191	European Assets ¹	1,347	1.14
560,000	Invesco European Equity Income ¹	2,110	1.78
2,025,000	Liontrust European Enhanced Income ¹	<u>2,423</u>	<u>2.04</u>
	TOTAL CONTINENTAL EUROPE	<u>5,880</u>	<u>4.96</u>
	JAPAN – 0.94% (31.03.18 – 0.95%)		
700,000	CC Japan Income & Growth ¹	<u>1,120</u>	<u>0.94</u>
	ASIA PACIFIC (EXCLUDING JAPAN) – 5.38% (31.03.18 – 5.01%)		
270,705	Aberdeen Asian Income ¹	549	0.47
345,000	CIM Dividend Income ¹	3,379	2.85
16,583	Prusik Asian Equity Income ¹	<u>2,444</u>	<u>2.06</u>
	TOTAL ASIA PACIFIC (EXCLUDING JAPAN)	<u>6,372</u>	<u>5.38</u>
	EMERGING MARKETS – 1.00% (31.03.18 – 1.41%)		
131,500	Goodhart Partners Horizon HMG Global Emerging Markets Equity ¹	<u>1,185</u>	<u>1.00</u>
	OTHER OVERSEAS – 1.88% (31.03.18 – 1.95%)		
614,031	BlackRock World Mining ¹	<u>2,235</u>	<u>1.88</u>
	TOTAL OVERSEAS	<u>16,792</u>	<u>14.16</u>
	TOTAL EQUITY & EQUITY RELATED	<u>38,543</u>	<u>32.50</u>

LF SENECA DIVERSIFIED INCOME FUND

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 30 September 2018

Holding	Portfolio of Investments	Value £'000	30.09.18 %
	ALTERNATIVE INVESTMENTS – 30.05% (31.03.18 – 29.49%)		
	HEDGE FUNDS – 0.00% (31.03.18 – 0.00%)		
5,900,000	PSource Structured Debt ^{1,2}	–	–
	PRIVATE EQUITY – 3.97% (31.03.18 – 4.69%)		
500,000	AJ Bell ³	4,705	3.97
87,171	Aberdeen Private Equity ²	2	–
802,666	International Oil & Gas Technology ^{1,2}	–	–
		<u>4,707</u>	<u>3.97</u>
	PROPERTY – 6.46% (31.03.18 – 7.46%)		
1,610,978	AEW UK REIT	1,530	1.29
1,515,000	Ediston Property Investment	1,651	1.39
775,000	LondonMetric Property	1,376	1.16
1,310,000	Primary Health Properties	1,486	1.25
1,585,000	PRS REIT	1,617	1.37
14,000,000	Speymill Deutsche Immobilien ^{1,2}	–	–
		<u>7,660</u>	<u>6.46</u>
	OTHER ALTERNATIVE – 19.62% (31.03.18 – 17.34%)		
4,350,000	Barclays S.I.M.P.L.E Notes linked to the Assured Fund Tracking Index due 12/2/2018 ^{3,4}	768	0.65
681,971	Blue Capital Alternative Income ¹	353	0.30
1,241,753	Doric Nimrod Air Two <i>preference shares</i>	2,682	2.26
2,003,883	DP Aircraft I	1,629	1.37
3,450,000	Fair Oaks Income ¹	2,407	2.03
1,725,000	Funding Circle SME Income 'C' ¹	1,742	1.47
1,150,000	Greencoat UK Wind ¹	1,467	1.24
1,220,000	Hipgnosis Songs ¹	1,308	1.10
2,155,000	International Public Partnerships ¹	3,258	2.75
1,460,000	John Laing Environmental Assets ¹	1,526	1.29
1,950,000	RM Secured Direct Lending ¹	1,970	1.66

LF SENECA DIVERSIFIED INCOME FUND

ACD'S REPORT *continued*

PORTFOLIO STATEMENT *continued*

as at 30 September 2018

Holding	Portfolio of Investments	Value £'000	30.09.18 %
1,960,000	Sequoia Economic Infrastructure Income ¹	2,156	1.82
356,363	Sequoia Economic Infrastructure Income <i>Rights</i> 9/10/2018	14	0.01
2,280,000	UK Mortgages ¹	1,984	1.67
		<u>23,264</u>	<u>19.62</u>
	TOTAL ALTERNATIVE INVESTMENTS	<u>35,631</u>	<u>30.05</u>
	CASH EQUIVALENT INVESTMENTS – 4.28% (31.03.18 – 3.73%)		
2,117,506	Invesco Sterling Liquidity Portfolio ¹	2,118	1.79
2,950,000	Royal London Cash Plus ¹	2,957	2.49
		<u>5,075</u>	<u>4.28</u>
	Portfolio of investments	117,855	99.38
	Net other assets	738	0.62
	Net assets	<u>118,593</u>	<u>100.00</u>

The investments are ordinary shares listed on a regulated market unless stated otherwise.

¹ Collective investment scheme.

² Delisted security.

³ Unlisted security.

⁴ Structured product.

LF SENECA DIVERSIFIED INCOME FUND SUMMARY OF MATERIAL PORTFOLIO CHANGES

for the half year ended 30 September 2018

Total purchases for the half year £'000	19,316	Total sales for the half year £'000	10,815
	Cost £'000		Proceeds £'000
Major purchases		Major sales	
CIM Dividend Income	3,537	Schroder Asian Income Maximiser	2,079
BNY Mellon Insight Equity Income Booster	1,776	Custodian REIT	1,085
Templeton Emerging Markets Bond	1,410	MI Somerset Emerging Markets Dividend Growth	979
Muzinich Short Duration High Yield	1,360	Aberdeen Private Equity	952
Hipgnosis Songs	1,220	Victrex	727
Royal London Short Duration Global High Yield Bond	1,048	Aberdeen Asian Income	483
Goodhart Partners Horizon HMG Global Emerging Markets Equity	748	National Express	439
UK Mortgages	702	Civitas Social Housing	436
Royal London Sterling Extra Yield Bond	574	Ultra Electronics	370
Sequoia Economic Infrastructure Income	473	BNY Mellon Insight Equity Income Booster	332

In addition to the above, purchases totalling £17,853,000 and sales totalling £16,835,000 were made in short term investments during the half year.

The summary of material portfolio changes represents the 10 largest purchases and sales during the half year.

LF SENECA DIVERSIFIED INCOME FUND
INTERIM FINANCIAL STATEMENTS (UNAUDITED)
STATEMENT OF TOTAL RETURN

for the half year ended 30 September 2018

	£'000	30.09.18 £'000	£'000	30.09.17 £'000
Income:				
Net capital gains		154		2,888
Revenue	3,467		2,759	
Expenses	(600)		(554)	
Interest payable and similar charges	(1)		–	
Net revenue before taxation	2,866		2,205	
Taxation	(185)		(132)	
Net revenue after taxation		2,681		2,073
Total return before distributions		2,835		4,961
Distributions		(2,829)		(2,452)
Change in net assets attributable to shareholders from investment activities		6		2,509

STATEMENT OF CHANGE IN NET ASSETS ATTRIBUTABLE TO SHAREHOLDERS

for the half year ended 30 September 2018

	£'000	30.09.18 £'000	£'000	30.09.17 £'000
Opening net assets attributable to shareholders		108,843		101,290
Amounts receivable on issue of shares	12,022		6,725	
Amounts payable on redemption of shares	(2,280)		(6,983)	
		9,742		(258)
Change in net assets attributable to shareholders from investment activities		6		2,509
Unclaimed distributions		2		2
Closing net assets attributable to shareholders		118,593		103,543

The above statement shows the comparative closing net assets at 30 September 2017 whereas the current accounting period commenced 1 April 2018.

LF SENECA DIVERSIFIED INCOME FUND
INTERIM FINANCIAL STATEMENTS (UNAUDITED) *continued*

BALANCE SHEET

as at 30 September 2018

	30.09.18 £'000	31.03.18 £'000
ASSETS		
Fixed assets		
Investments	117,855	108,178
Current assets		
Debtors	991	1,191
Cash and bank balances	677	679
Total assets	<u>119,523</u>	<u>110,048</u>
LIABILITIES		
Creditors		
Distribution payable	(487)	(509)
Other creditors	(443)	(696)
Total liabilities	<u>(930)</u>	<u>(1,205)</u>
Net assets attributable to shareholders	<u>118,593</u>	<u>108,843</u>

LF SENECA DIVERSIFIED INCOME FUND
INTERIM FINANCIAL STATEMENTS (UNAUDITED) *continued*
NOTES TO THE INTERIM FINANCIAL STATEMENTS
for the half year ended 30 September 2018

1. Accounting Policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2018 and are described in those annual financial statements.

The financial statements 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, and with the Statement of Recommended Practice for Financial Statements of Authorised Funds issued by the Investment Association in May 2014, as amended.

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:

LF Seneca Diversified Growth Fund
LF 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.linkfundsolutions.co.uk 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.

GENERAL INFORMATION *continued*

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.linkfundsolutions.co.uk, 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.

Data Protection Act

Shareholders' names will be added to a mailing list which may be used by the ACD, its associates or third parties to inform investors of other products by sending details of such products. Shareholders who do not want to receive such details should write to the ACD requesting their removal from any such mailing list.



 6th Floor, 65 Gresham Street, London EC2V 7NQ

 0870 607 2555

 0870 607 2550

 linkfundsolutions.co.uk

Part of **Link Group**