

Fund Description

The **Income Opportunities Fund** is an actively managed multi-asset Fund that is focussed on generating income and maintaining the real value of capital invested over the long-term.

The Portfolio Managers follow Setanta's value investment philosophy, seeking to pick stocks at a price below the managers' assessment of intrinsic value. The Fund further distils this philosophy by targeting stocks where management have both the willingness and ability to distribute meaningful dividends to shareholders.

While the Fund does not target specific regional or sector weights, the managers seek to maintain a sensible level of diversification. Risk is minimised by focusing on valuation, financial and operational risk measures and therefore the degree of downside protection, rather than focusing on measures of market volatility or beta. The Fund usually holds between 20 to 40 stocks with expected holding periods of up to 5 years. While investment in attractively valued high yield equities (overwritten with call options) will be the primary strategy employed in the Fund, the Portfolio Managers seek long-term higher yielding value opportunities in other asset classes also.

The covered option overwriting strategy employed is active and at all times maintains a focus on total return.

The Income Opportunities Fund has two investment objectives:

- 1 To generate income at a target rate. (Declared annually at beginning of year).
- 2 To grow real capital value over the long term

Portfolio Managers

Richard Doyle CFA & David Pastor CFA

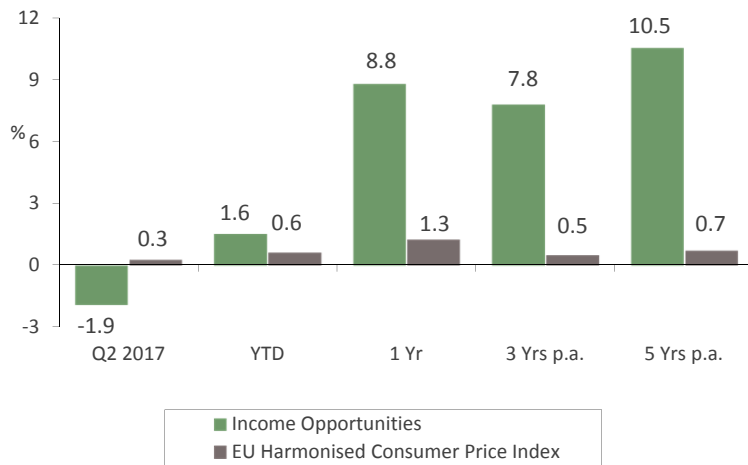


Investment Principles

- We do not believe the market is efficient.
- We aim to make investments at a price below our assessment of intrinsic value.
- We make an investment in a business rather than trade securities.
- We believe risk is the possibility of permanent impairment of value.
- We make investments for the long term.
- We invest where we see value and are not afraid to be contrarian and swim against the tide.
- We don't make forecasts, we consider scenarios.
- We demand financial strength from the companies we invest in.
- We will act with integrity and communicate with our clients in a manner representative of our investment style.
- We have the humility to know we make mistakes and embrace the need to continue learning through both experience and study.



FUND PERFORMANCE – 30.06.17



YEARLY PERFORMANCE

Year %	2012	2013	2014	2015	2016
Fund	11.7	14.7	8.4	10.6	9.7
Benchmark	2.2	0.8	-0.2	0.2	1.1

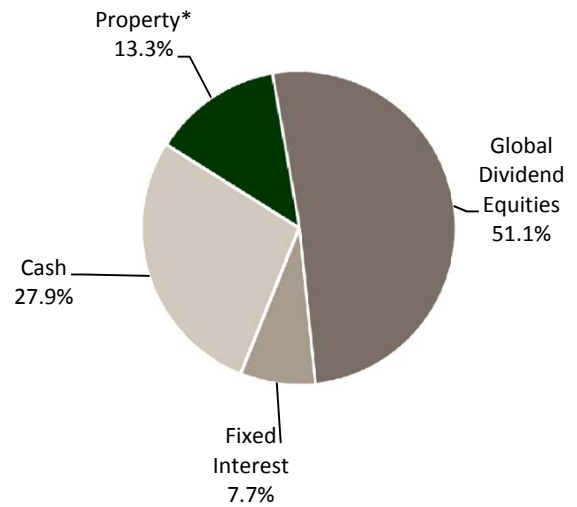
Performance Source: Setanta Asset Management Limited. Benchmark: European Harmonised Consumer Price Index. Fund returns are shown gross of management fees. The performance will be reduced by the impact of management fees paid, the amount of which varies.

* Inception as at 30.09.11

TOP 10 EQUITY HOLDINGS

COMPANY	SECTOR	% OF FUND
SWEDISH MATCH	CONSUMER STAPLES	2.6%
LANCASHIRE HLDGS	FINANCIALS	2.4%
CISCO SYSTEMS	INFORMATION TECHNOLOGY	2.2%
GLAXOSMITHKLINE	HEALTHCARE	2.2%
MATTEL INC	CONSUMER DISCRETIONARY	2.1%
SMITHS GROUP	INDUSTRIALS & MATERIALS	2.1%
OESTERREICH POST	INDUSTRIALS & MATERIALS	2.0%
EULER HERMES	FINANCIALS	2.0%
ORIGIN ENTERPRISES	CONSUMER STAPLES	1.9%
NATIONAL GRID	TELECOMS & UTILITIES	1.9%

GEOGRAPHIC & ASSET SPLIT



*includes 3.2% in IRES REIT

HISTORIC INCOME

Year	Income Earned % of Fund Value
2011	6.2%
2012	5.6%
2013	5.5%
2014	4.8%
2015	5.5%
2016	4.7%

We frequently talk about the importance of staying faithful to the investment case of a stock. In this, we place trust both in the quality of our research, but also in our ability to make the initial investment decision in a dispassionate fashion, staying aloof from the emotions stirred by the frequent euphoria and occasional panics of financial markets. In truth, the latter is arguably the hardest part. We are not robots (at least, not yet), but humans, and as such, heavily influenced by our environment.

There has been some interesting research on this very subject, relating to the world of wine tasting. Writing in the Sunday Times, Martin Moran, a wine critic, commented on recent research by Charles Spence, professor of psychology at Oxford University. This has demonstrated that the environment in which wine is tasted affects the taster's perception of it, as our brains tend to associate particular environments with particular outcomes. Martin Moran himself was involved in such an experiment and found that the same wines served at the same temperature in black glasses conveyed very different tastes in different light conditions. Indeed, some fellow oenophiles (wine lovers) struggled to distinguish red wines from white wines. On the face of it, the idea that we perceive wines differently in different places is not radical, (compare a glass of Merlot on the French coast in June to one on a dirty winter evening in Ireland), but the scale of the distortion is¹.

As investment managers, this reminds us to always be aware of the influences under which we work, and where possible, avoid making decisions when unduly under them. Indeed, committing this message to paper re-enforces it. One such example would be to avoid buying additional stock in the immediate aftermath of an announcement by a portfolio holding. After all, such news is through the prism of one agent only, and generally speaking, a biased one at that. Nevertheless, it would be foolish to think that we are immune to this effect. We thus should acknowledge that errors can and do occur. It is crucial that whatever errors occur are outnumbered by successes and are not allowed to substantially impair the fund's overall value.

In recently acquiring a position in Origin Enterprises, let's hope that the light conditions at the time were suitably neutral. Origin Enterprises is a provider of agronomy services and a producer of fertiliser. Its principal business is the provision of advice to farmers, particularly in relation to crop protection, in the UK, but also in markets of high potential, such as Poland and Ukraine. In all these countries, it has an established and entrenched position, in which the relationship with the customer through qualified agricultural experts (agronomists), is a key ingredient to success. In a world in which the required yields from agriculture are rising, Origin's services are likely to be in demand. Origin also has a strong and profitable position in the re-selling of fertiliser to agricultural agents in Ireland. We acquired our position in Origin at a five-year P/E of 15x and a dividend yield of 3.0%.

Richard Doyle & David Pastor – Portfolio Managers

¹As an aside, the article also refers to work by Gordon Shepherd, a neuroscientist, who contends that swallowing a wine is a crucial element to the act of tasting it. So, the next time you are at a wine tasting, gulping all the samples offered, be comforted not only in the increasing haze, but your superiority over those sniffy wine spitters; not only are they missing out, they are also wrong!

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