FACTSHEET

Income Opportunities Fund – Q3 2011

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 35 to 45 stocks with expected holding period 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.

Investment Philosophy

We in Setanta do not believe the market is efficient. Our aim is to purchase and own assets at a price below a reasonable assessment of their worth. This is where we focus our resources. Our process is akin to assessing a part ownership of a business rather than trading a security. This assessment of value must always encompass a thorough understanding of where this value is derived. We have a long term investment horizon and risk management is always central. We regard risk as the potential for permanent impairment of value. Integrity is a key tenet of our professional DNA and we embrace a culture of continued learning.

Portfolio Managers

Paul McNulty CFA, Richard Doyle CFA & David Pastor

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.

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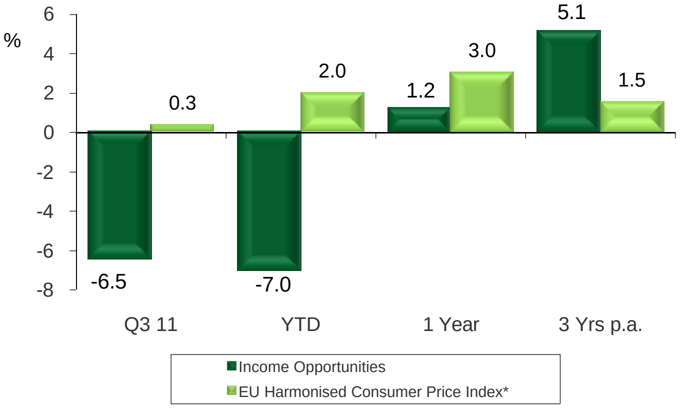
Fund Performance to 30.09.11



Yearly Performance

Year	2007	2008	2009	2010
Fund	-7.2	-27.2	21.1	16.6
Benchmark	3.1	1.6	0.9	2.2

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

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.

Portfolio Statistics

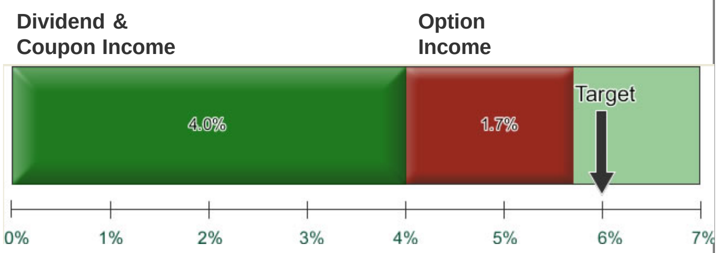
Derivatives 30.09.11	
% of Fund overwritten	22%
% of Fund underwritten	4%
% of total Fund generating option income	26%

Historic Income

	Income Earned % of Fund Value
2007	5.7%
2008	6.4%
2009	6.6%
2010	6.5%

Target Income

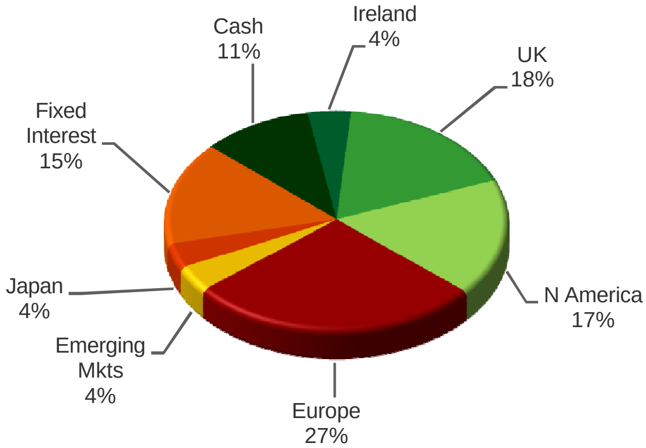
The target income for 2011 is 6.0%. The chart below details income earned on a year-to-date basis. The total income earned to Sep 30th 2011 is 5.7%



Top 10 Holdings

COMPANY	SECTOR	% OF FUND
KIMBERLY-CLARK	CONSUMER STAPLES	2.5
SMITHS GROUP	INDUSTRIALS & MATERIALS	2.5
BP	ENERGY	2.4
OSTERREICHISCHE POST	INDUSTRIALS & MATERIALS	2.4
TERNA	TELECOMS & UTILITIES	2.4
ENI	ENERGY	2.3
TELE2	TELECOMS & UTILITIES	2.2
CRH	INDUSTRIALS & MATERIALS	2.1
NOVARTIS	HEALTHCARE	2.1
ASTELLAS PHARMACEUTICAL	HEALTHCARE	2.1

Geographic Distribution



How many times have we heard commentators complaining that the outlook is very uncertain? We agree – but then again, isn't it always? As we write this, the market is obsessing about the European debt-crisis, the possibility of a breakup of the Euro and whether the global economy is slipping back into recession. We cannot be sure any or all of these will happen or can be avoided despite the best efforts and vigorous actions by government agencies.

The polarised debate on whether governments should step in and replace lost consumer demand by fiscal and monetary means, or should simply focus on cutting deficits (not a popular course of action) is certainly fascinating. We are also not afraid to admit that we are unsure as to which is the most appropriate course of action. On one hand we see merit to the provision of a counter cyclical 'leg up.' But which governments kept their powder dry in preparation? Could the solution to all current problems really be to heap on more debt?

We see uncanny parallels between what is happening in Europe with the goings on in the US. A key difference, of course, is political. There are few calls, for example in the US to 'let those Californians default' or 'burn the AIG bond holders' The politics of Europe remain very complex.

'Everyone wants to see the deficit narrowed, but today's circumstances seem to prohibit both expenditure reduction and revenue increases. Everything else is on the table.'
Howard Marks Oaktree

The German and French population seem galled by the prospect of rescuing their profligate southern neighbours. A problem seldom mentioned by their politicians is that a lot of their prudently accumulated savings have found their way to bonds in these free spending countries, whether it be bank debt or sovereign bonds. The strong nations have the problem of owning questionable receivables and the implications of this are not understood by their electorates. The European project is essentially a political animal. So whether the Euro survives or not will have major economic implications, but we believe it is predominantly a political decision.

We are not economists and while we don't make predictions we cannot divorce ourselves from economic issues. Over the past quarter, macro factors seem to have been a major driver in markets. Our value philosophy naturally attracts us to stocks where news flow is bad. We must be careful to temper this enthusiasm so that investments are made only in businesses with strong economics, even if their domicile is a weak economy. As always we try to ensure the dividend fund has sensible diversification, whether by geography, sector or stock.

While the general tendency of stocks was to fall given the backdrop during the quarter there certainly was a diverse performance profile among stocks. Unfortunately only a few names made it into positive territory. The best of these, Kimberly Clark, is a long term holding of the Enhanced Income Fund. This Dallas-based personal care company benefits from relative stability when fears of economic weakness emerge. The rationale is that consumers continue to purchase nappies, tissues and incontinence products even in a weak economy. Other positive movers included recently purchased Medtronic, and Japanese pharmaceutical Astellas. Both these names would be viewed as more defensive by the market.

Of the bottom 5 performers in the third quarter, two were Greek. While macro concern is the predominant driver for the 50% fall in **OTE** and 30% fall in **OPAP**, it is certainly not difficult to extrapolate the effects of the current macro issues to a position which negatively affects the micro economics of both companies. OPAP currently has over 600 million Euro of net cash but the government shortage has led to an auction of VLTs (essentially new gaming machines). Combined with the renewal of their 10 year license commencing in 2020, but paid for now, this will leave the company with at least 400m Euro of net debt. Equivalent to less than one year's free cash this is certainly not an unsustainable level. Greek telecom **OTE** was purchased in October 2010 at a price of 5.90 having fallen from a price north of 26 Euro in 2007. Our thesis was that OTE, trading on a debt-adjusted free cash flow yield of almost 9% with resilient cash flows and Deutsche Telecom as a major existing investor, was an attractive investment opportunity.

Subsequent macro events in Greece haven't helped our thesis. Management succeeded in cutting costs during the quarter by reducing staff wages by 11% over 3 years.. This should improve cash flow further. We expect Deutsche Telecom to become a much larger shareholder at some stage, but unfortunately given the current environment this process may not be as expedient as we would like. Other significant negative movers stem from the downtrodden cyclical sectors such as industrials and consumer cyclicals.

We continue to review the investment case for all our holdings. Where we feel the need, we will speak to the company to assess long-term strategy. During the quarter we spoke to management of **Home Retail, Wincor Nixdorf** and **OPAP**, all of which have had their problems related to the current macro environment. In general, given the significant falls over the past few months, we are very happy with the value in the fund. With a prospective yield of over 5% and a significantly lower level of leverage than the market, we believe long term prospects are positive.

Performance Snippet:

The Fund returned -6.5% during Q3, a period when financial markets volatility resulted in many of the world's equity indices trading down sharply on account of the macro concerns outlined above. While the fund is in negative territory during 2011, the defensive qualities of high yielding equities, in addition to the Fund's specialised option strategy helped reduce the extent of fund losses somewhat through the year.

The discretion afforded to us as managers of the Fund in terms of the menu of assets and strategies we can select, places us in a good position to create value for the unit-holders of the Fund over the long term. Of course we must ponder carefully the qualities of every asset class at our disposal. At quarter end the Fund holds a substantial amount of cash (approx. 11% of the NAV) currently yielding next to nothing. Even ignoring the fact that much of this cash is encumbered by put options we have written on stocks we are happy to purchase at lower prices and harvest income in the mean time, in our mind, to evaluate the relative attractiveness of cash vs other asset classes only in terms of current yield is only part of the equation. Matthew Mclennan of First Eagle Funds, a successful value house that we admire, summed up our views: *"The return which you get on cash is not just its yield, but it's the option on deployment in distress."*.

The long term nature of the Fund's objective, is a singular match for the "value" philosophy ingrained in Setanta's process. Our belief is that by keeping a long term horizon, our vision stays clear and focused, on delivering long term protection for your capital.

Recent significant changes in the portfolio:

During the quarter we entered into a new position while selling three. Of the sales, two investments were closed out with poor results. In retrospect **Nokia** was an error in judgment regarding the competitive advantage of the company. Yes they had a tremendous market share, and yes the brand was ubiquitous, but the reality was that as an electronic device maker the company doesn't control their customers. There is no cost of switching even in low end phones sold in emerging markets such as China where Nokia is now losing share. Fickle consumers will buy where they see more attractive devices, whether it be manufactured by Apple, HTC or Nokia. We will learn from this experience. We sold US Regional bank **Keycorp**. A capital raise after US tax authorities successfully challenged the validity of a tax asset on their balance sheet was probably bad luck, but we certainly misjudged the need to raise more capital along with the rest of the US industry. Keycorp wrote-down 9% of total loans through the financial crises, twice the level we would have assumed reminding us again (as if we need reminding!) of the dangers of investing in banks. Our experience with **GlaxoSmithkline** has been much more positive. A solid performer during the holding period, the sale reflects better opportunity elsewhere.

We took a position in **Microsoft** in July of this year. The market appears to be assuming that the future for Microsoft is very dim. Even ignoring the Net Cash and Investments of over $6 per share (over 20% of our purchase price), the stock was trading on just 9 times historic free cash flow when we invested. This includes significant losses from the "Online Services Division" ("Bing" search engine and MSN). We expect these losses will ultimately be eliminated, potentially reducing the multiple further. The recent hike in the dividend by 25% leaves an attractive dividend yield of circa 3%. We still feel there is more room for dividend hikes, but it is unlikely we can persuade management of this.

As our Nokia experience has taught us, we are nervous about investing in fast-moving technology companies. With such companies, the sustainability of profits is often extremely difficult to gauge. However, at the current price we believe the Microsoft investment case is sound. Microsoft is a more diversified company than many casual observers might suspect. Yes, "Windows" and "Office" are substantial contributors but other products such as server software, entertainment and devices (such as XBOX gaming), and business management software, have grown rapidly and have now become significant, contributing over a quarter of group profits last year. Unbeknownst to many, Microsoft is prominent in the field of "Cloud Computing."

On the subject of Windows and Office, being the "First Mover" has conveyed Microsoft a significant advantage. For many customers there are limited alternatives and high switching costs. Consequently despite the best efforts of competitors, the company has thus far been essentially unaffected by competing operating system and office software applications. For example, "Google Docs", Google's alternative to Office, has made hardly any inroads on Office.

Despite the rigorous efforts of competitors and a recent recession, Microsoft's Free Cash Flow per share reached an all time high last year and grew almost 20% p.a. in the preceding five years.

The elevated level of volatility during Q3 has provided us with ample opportunity to harvest income using our covered option writing strategy. Prior to September expiry options were written on 44% of the fund value generating income which we believe will help us reach our target. At month end this number had fallen to 26%, split 22% in upside calls and 4% written in downside puts. We will continue to look for opportunities to take advantage of current market uncertainty by actively writing options.