

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.



WINNER
Equities Manager of the Year



WINNER
Equities manager of the year

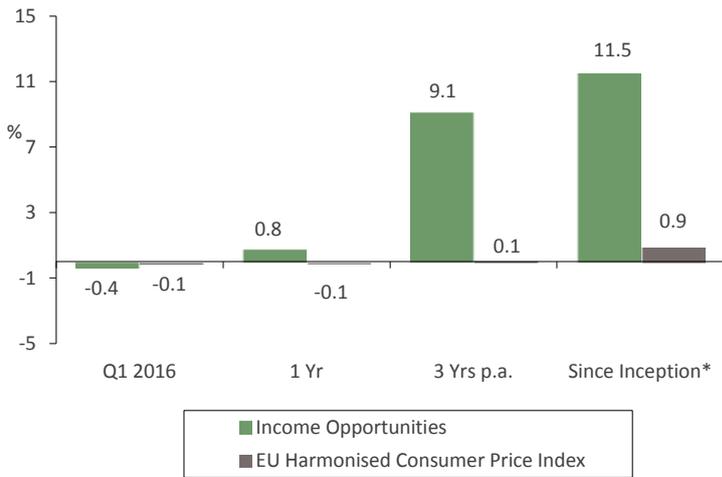


WINNER
Equities Manager of the Year



WINNER
Equities Manager of the Year

FUND PERFORMANCE – 31.03.16



YEARLY PERFORMANCE

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

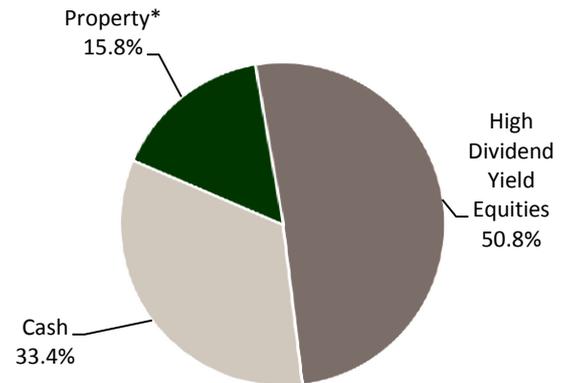
Performance Source: Setanta Asset Management Limited. Benchmark: European Harmonised Consumer Price Index. Fund returns are shown gross of management fees. The performance will be reduced by the impact of management fees paid, the amount of which varies.

* Inception as at 30.09.11

TOP 10 HOLDINGS

COMPANY	SECTOR	% OF FUND
PEARSON	CONSUMER DISCRETIONARY	3.7%
GLAXOSMITHKLINE	HEALTHCARE	3.3%
MATTEL INC	CONSUMER DISCRETIONARY	2.7%
SMITHS GROUP	INDUSTRIALS & MATERIALS	2.6%
CISCO SYSTEMS	INFORMATION TECHNOLOGY	2.5%
ENI	ENERGY	2.4%
FENNER	INDUSTRIALS & MATERIALS	2.4%
NATIONAL OILWELL	ENERGY	2.4%
YARA INTERNATIONAL	INDUSTRIALS & MATERIALS	2.3%
GRUPE BRUXELLES LAMBERT	FINANCIALS	2.2%

GEOGRAPHIC & ASSET SPLIT



*includes 5.2% Irish REIT

HISTORIC INCOME

Year	Income Earned % of Fund Value
2011	6.2%
2012	5.0%
2013	5.5%
2014	4.8%
2015	5.5%

The Fund performed solidly during a 'down, then up' quarter, in which we took advantage of good conditions for option writing. We were also very active on the equity front, adding a number of stocks, some entirely new, some from the broader reservoir of Setanta holdings, and a familiar 'face' from the past.

We bought shares in **Cisco Systems**. This is a long term holding of our Global Equity fund, and a company that we've been following for a long time. Once a darling of the market during the IT boom of the late 90's and early 2000's, the company is the leading provider of IT networking equipment with commanding market shares in the switching and routing equipment markets, as well as other related markets. Cisco's proprietary network architecture, built around its switches and routers, has been the global benchmark for chief information officers in organisations large and small around the world. This has been a hugely profitable franchise, with very high returns on invested capital. As more and more aspects of our lives become connected to the global information network, 'the Internet of things', Cisco argues that its prospects have never been better.

However, caveat emptor! This, after all, is the information technology sector, notorious for the continuous threat of disruptive alternative technologies. In the case of networking equipment, the new kid on the block is Software Defined Networking (SDN), effectively an increasingly popular solution that permits a certain degree of "commoditisation" of the highly lucrative switches and routers that Cisco makes. Nonetheless, Cisco is not resting on its laurels. It has its own SDN solution, while it continues to invest heavily in R&D to continue to improve its technology to add value for its customers. It's also expanding in adjacent product/markets such as data centres, and video solutions, while increasing its services offering. The company boasts a very strong balance sheet with around \$30b of net cash. We were able to buy our position at a price implying a Free Cashflow to EV yield of around 10%, which we consider to be very good value. The company uses the vast majority of this cashflow to repurchase shares (some of which are used to meet stock incentivisation requirements) and to distribute a large dividend (equivalent to a 3.8% yield at our purchase price).

We also bought shares in **Procter & Gamble**. The maker of many household staple brands (Pampers, Bounty and Gillette to name a few), has been through a period of sluggish growth. The company has been taking a hard look at itself and has recently divested some businesses deemed as non-core, while also significantly improving its internal structure through an ongoing restructuring process. After having sold its pet care, coffee, pharmaceutical and snack foods divisions the company is now in the process of selling its batteries and beauty businesses. P&G has limited the scope of its business so that it is now focused on consumer goods that have both a functional purpose and a direct relationship with the consumer. We took the opportunity to buy shares in this company at what we believe are attractive valuation levels. P&G has a dividend yield of 3.4%, backed by a fantastic track record of dividend growth spanning decades.

We initiated a position in **Harley-Davidson**. We believe we are taking a good opportunity to cheaply buy shares in a business with a very strong franchise, especially in its US home market. The stock has been weak as a strong US dollar has encouraged competition from more keenly priced Japanese, and other overseas, motorcycle makers. Having talked to motorcycle market experts, we have come to the view that Harley's business model is robust. Its brand is very strong, so much so that its customers feel part of a family, something which competitors find hard to overcome. Having said that, Harley faces some well-financed and innovative competitors and it also needs to continue to diversify from its traditional demographic market (middle-aged white male baby boomers). We bought our position at 11.3x next year earnings and a dividend yield of 3.2%.

Finally, we welcomed **Svenska Handelsbanken** back into the Fund. To us, Handelsbanken, a Nordic retail and corporate bank, is very different to the vast majority of banks. It emphasises a culture of decision ownership at the branch level, ultra-prudent lending and long-term shareholder-aligned staff incentivisation. Its record of loan losses over its long history, including the great financial crisis, is exceptional. We bought our position at a dividend yield of around 4.5%.

Richard Doyle and David Pastor – Portfolio Managers

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IMPORTANT INFORMATION

The fund has now transferred to Irish Life, investors should contact www.irishlife.ie for more details. For this life assurance product, investors should refer to the relevant policy conditions available now through Irish Life. The strategy is also available on a segregated basis or via the Setanta UCITS mutual fund via Setanta Asset Management Funds plc. Investors should consider the investment objectives, risks, charges and expenses carefully before investing. See 'WARNING' and IMPORTANT INFORMATION' below.

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