

Fund Description

The **Income Opportunities Fund** ('the 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

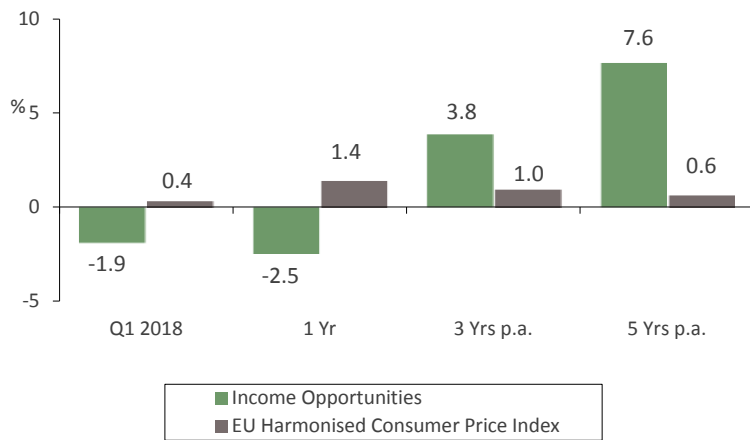


Investment Principles

- 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 – 31.03.18



YEARLY PERFORMANCE

Year %	2012	2013	2014	2015	2016	2017
Fund	11.7	14.7	8.4	10.6	9.7	2.9
Benchmark	2.2	0.8	-0.2	0.2	1.1	1.4

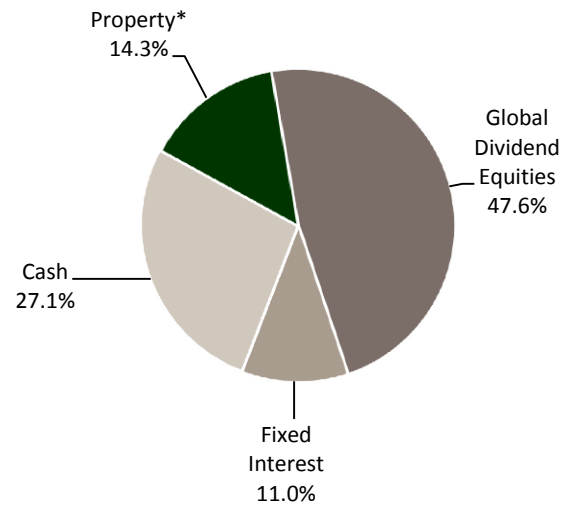
Performance Source: Setanta Asset Management Limited. Benchmark: European Harmonised Consumer Price Index. Fund returns are shown gross of management fees. The performance will be reduced by the impact of management fees paid, the amount of which varies.

* Inception as at 30.09.11

TOP 10 EQUITY HOLDINGS

COMPANY	SECTOR	% OF FUND
PROXIMUS SA	TELECOMS & UTILITIES	2.5%
CISCO SYSTEMS	INFORMATION TECHNOLOGY	2.2%
NWS HOLDINGS LTD	INDUSTRIALS & MATERIALS	2.0%
NATIONAL GRID	TELECOMS & UTILITIES	2.0%
ORIGIN ENTERPRISES	CONSUMER STAPLES	1.9%
OESTERREICH POST	INDUSTRIALS & MATERIALS	1.8%
VODAFONE GROUP	TELECOMS & UTILITIES	1.8%
GLAXOSMITHKLINE	HEALTHCARE	1.8%
COCA-COLA AMATIL	CONSUMER STAPLES	1.5%
FEDERATED INVESTORS	FINANCIALS	1.5%

GEOGRAPHIC & ASSET SPLIT



*includes 2.5% 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%
2017	4.1%

“There’s this unbelievable company, these guys just crushed it -- not sure whether it’s in biotech or a technology business, but they’re up 80 percent this year. It’s this company called XIV,”

According to Bloomberg, this is part of a conversation between an Uber driver and a hedge fund manager in New York in the second half of 2017. Our commentary on that same time period noted the placidity of markets, which struck us as strange given a number of seemingly destabilising events that happened then. Soon after writing these comments, we witnessed the S&P 500 index fall more than 10% in a matter of days, while the Chicago Board Options Exchange (CBOE) index of implied volatility ‘VIX’ escalated from 14% at the beginning of February to nearly 40% a week later.

You might be wondering what this has to do with the unbelievable biotech \ technology company called XIV! The VIX index is simply the level of volatility, or dispersion, that is implied by the price of short term options on the S&P index. It is regarded as a useful bellwether of market sentiment and is known as ‘Wall Street’s fear index’. XIV is the inverse of VIX, both literally and in its design. However, the “company” in question, the XIV, is actually an Exchange Traded Note (ETN), created by Credit Suisse bank and designed to offer inverse exposure to the one day performance of the VIX index. So, if the VIX index decreased from 12% to 10% in a day, the product would increase by 20% in the same day. Sounds good, not least in the environment of recent times, when volatility seemed to many to be heading inexorably downward?

Originally manufactured to suit the risk management needs of institutional clients, funds invested in XIV grew massively, attracting a significant number of retail investors (possibly including the Uber driver above). However, the product embeds a massive amount of leverage. Perhaps, this shouldn’t be a surprise – after all, it’s based on something volatile, volatility itself! Virtually all of the value of the note was wiped out in one single day in February 2018, as the VIX futures almost doubled in one session. The sheer size of XIV and similar products and their inner workings are believed to be factors that contributed to amplify the volatility spike. This in turn caused ‘fear’ in the equity markets, a likely factor in the S&P sharp fall.

While this episode in the world of structured finance is far removed from how we invest at Setanta, it does provide some relevant lessons. Excessive leverage, whether embedded in a financial product like XIV or sitting on or off the Balance Sheet of a company, is to be avoided. People, Uber drivers and professionals alike, shouldn’t put their money into products or ‘instruments’ that they don’t understand. If something seems too good to be true (doubling in a short period of time when the world hasn’t changed), then investors should proceed with caution.

Thankfully, these are risks that we at Setanta don’t feel we have to take. While it is always a challenge to find attractive investments, the fact is that there are thousands of opportunities, yet we only need to find 40 good ones. In taking our time, doing thorough research, avoiding investments that we don’t understand and \ or that involve too much speculation, all the time investing for the long-term, we mitigate, if not eliminate, the type of risks highlighted above. Generally speaking, we seek to invest in high quality companies that have limited amounts of debt and that are available at a reasonable valuation. We try to protect the Fund through a healthy dose of scepticism, sensible diversification and a margin of safety ‘buffer’ embedded in our valuation work.

During the most recent quarter, we took a position in Coca-Cola Amatil, a bottling company that has the exclusive rights to manufacture, distribute, market and sell The Coca-Cola Company products in Australia, New Zealand, Indonesia and other Asia-Pacific countries. Through this relationship, Amatil benefits from strong market shares and economies of scale, which result in an attractive return on capital. Recent challenges include growing pains in the promising Indonesian franchise and some regulatory headwinds in the shape of a container deposit scheme in a number of Australian States, not to mention shifting consumer tastes. Nonetheless, we believe that the business is sustainably strong over the long-term and we like its plentiful cash flow and small debt burden. The relationship with The Coca-Cola Company is a terrific asset and works both ways – Coca-Cola owns 30% of Amatil’s equity. We acquired a position for the Fund at a multiple of 14x our estimate of sustainable earnings and at a dividend yield of 5.3%.

1 Source <<https://www.bloomberg.com/news/articles/2018-02-13/uber-driver-s-investment-tip-confirmed-britton-s-doubts-on-xiv>>

2 XIV had to rebalance into the close of session every day, buying more VIX futures when the VIX was up in the day, and selling VIX futures when the VIX was down. As the VIX index spiked up on the 5th of February into the close of the session, XIV and other similar instruments bought VIX futures, arguably contributing to further increases in VIX futures price.

Contact Details:

Setanta Asset Management Limited,
Beresford Court,
Beresford Place, Dublin 1, Ireland.

Brendan Moran, Tel: + 353 1 704 2028
Email: brendan.moran@setanta-asset.com
www.setanta-asset.com

IMPORTANT INFORMATION

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

Setanta Asset Management Limited is regulated by the Central Bank of Ireland, New Wapping Street, North Wall Quay, Dublin 1, Ireland. This factsheet, which is for information purposes only, does not form part of any contract. This is a marketing communication that (a) has not been prepared in accordance with legal requirements designed to promote the independence of investment research, and (b) is not subject to any prohibition on dealing ahead of the dissemination investment research. The information contained in this document is based on current legislation and is, therefore subject to change. The contents are intended as a guideline only and should not be construed as an interpretation of the law. You should always seek the advice of an appropriately qualified professional. Performance disclosures are stated above.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages

WARNING: Past performance is not a reliable indicator of future results. The price of units and the income from them may go down as well as up and investors may not get back the amount invested. The return may increase or decrease as a result of currency fluctuations. Forecasts are not a reliable indicator of future performance