

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

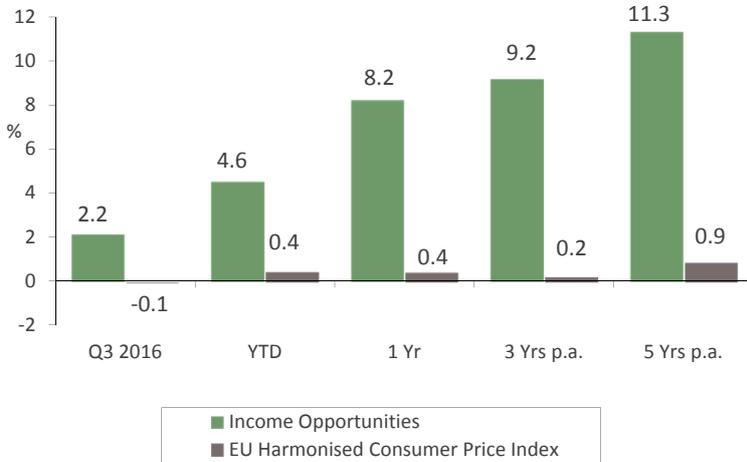


WINNER
Equities Manager of the Year



WINNER
Equities Manager of the Year

FUND PERFORMANCE – 30.09.16



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

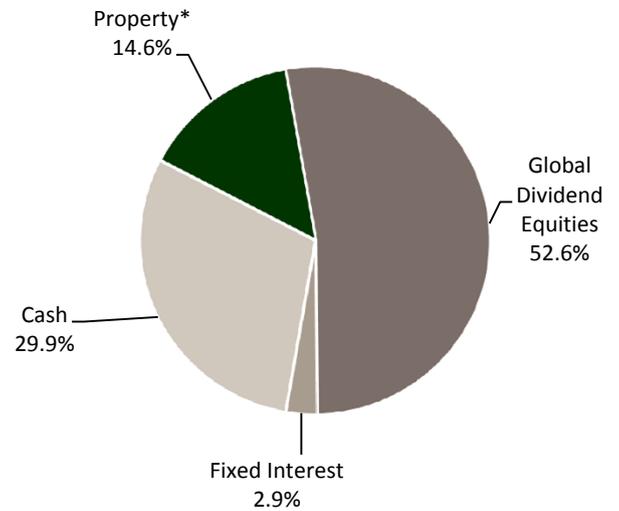
Performance Source: Setanta Asset Management Limited. Benchmark: European Harmonised Consumer Price Index. Fund returns are shown gross of management fees. The performance will be reduced by the impact of management fees paid, the amount of which varies.

* Inception as at 30.09.11

TOP 10 HOLDINGS

COMPANY	SECTOR	% OF FUND
SMITHS GROUP	INDUSTRIALS & MATERIALS	3.3%
CISCO SYSTEMS	INFORMATION TECHNOLOGY	3.1%
LANCASHIRE HOLDINGS	FINANCIALS	3.1%
ENI Spa	ENERGY	2.7%
RICHEMONT(CIE FIN)	CONSUMER DISCRETIONARY	2.6%
YARA INTERNATIONAL	INDUSTRIALS & MATERIALS	2.6%
TELIA COMPANY AB	TELECOMS & UTILITIES	2.5%
GLAXOSMITHKLINE PLC	HEALTHCARE	2.4%
FENNER PLC	INDUSTRIALS & MATERIALS	2.3%
NATIONAL OILWELL	ENERGY	2.2%

GEOGRAPHIC & ASSET SPLIT



*includes 4.8% in IRES REIT

HISTORIC INCOME

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

Hunt for elusive income turns to niche investments

Managers look to student digs, GP surgeries and peer-to-peer for returns



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SEPTEMBER 30, 2016 by: Aime Williams

The Economist

World politics

Business & finance

Economics

Science & technology

Culture

Buttonwood

An emerging threat

Investors are buying emerging-market bonds as the fundamentals are deteriorating

Oct 8th 2016 | From the print edition



We chose to open this quarterly commentary with a couple of recent headlines from the FT and The Economist. In a world of low (and even negative) interest rates, the quest for income is increasingly topical, and while we may be far from the excesses of other times, yields on many risky assets do not compensate fairly for the probability of capital loss in our opinion. At this point in time we remain vigilant in our scrutiny of existing and prospective holdings. We are selective in the stocks that we buy and we strive for a well-diversified portfolio. In accordance with our value investment philosophy, we search for good businesses, with defensible moats and strong fundamentals, while rejecting excessive leverage and business risk. If possible, we try to be opportunistic and are on the lookout for any market dislocation, but **always within Setanta's circle of competence**. In doing so, we often draw on the experience of the other portfolio managers here.

Last quarter, we bought shares in **Redes Energeticas Nacionais (REN)**. REN operates the high voltage electricity transmission lines and the high pressure transport of natural gas in mainland Portugal under a public service concession from the Portuguese government. 100% of its revenues derive from energy transmission tariffs charged on customers' electricity and gas bills, which are calibrated so that REN earns a fair market return on the capital it invests in vital national infrastructure after efficiently covering its costs. The rate of return is set with reference to long term Portuguese government bonds. These are long life infrastructure assets with stable and predictable cash flows, and as such, REN has ready access to debt finance, which is managed conservatively (this was also the case through the recent credit crunch). The company's assets provide a natural hedge against increases in the cost of capital, as allowed returns on capital reprice with market interest rates, making for an attractive investment in our opinion. However, as ever, we are mindful of what can go wrong. Portugal's economy is vulnerable, having accumulated substantial debt in the aftermath of the Global Financial and Euro crises. REN already bears a special levy of 0.85% on the value of its assets, and if Portugal's fiscal condition deteriorates, this tax could be seen as an easy source of revenue. Our purchase of shares in REN was at a slight premium over the regulated value of assets, providing a dividend yield of 6.5%.

Richemont owns some of the most iconic luxury jewellery, and watch, brands in the world, including Cartier, Van Cleef & Arpels, Jaeger LeCoultre and Baume & Mercier. Branded luxury has been an extraordinary business for a long time. Brand owners have been able to exercise pricing power consistently, producing high cash flow returns on capital and creating substantial shareholder value. Richemont has difficulties in recent times as the Chinese economic slowdown, and a clampdown on material excesses by the Communist Party there affected sales both in mainland China and also in a number of Chinese tourism destinations. In Hong Kong, a top market for watches, Swiss exports dropped in June by 29% year on year. As the share price fell we took the opportunity to build a position in the Fund. At our purchase price, Richemont had net cash equivalent to 17% of its market capitalisation, traded on 6% trailing free cashflow to enterprise value and had a 3.0% dividend yield.

In our opinion, the portfolio has substantial embedded positive optionality, both in its book of equity, bond and property holdings, which we believe are underappreciated by the market, but also in the substantial cash position which remains ready to be deployed if a suitable opportunity presents itself. As you know, this Fund is equipped to monetise some of this optionality through writing options. Effectively, option premia is the income we harvest by selling some of that optionality in the market. In doing so, we try to be selective, seeking to obtain as high a price as possible in the recurrent episodes of market turmoil.

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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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