EDISON

Seneca Global Income & Growth Trust

More relevant benchmark proposed

Investment trusts

Seneca Global Income & Growth Trust (SIGT) has proposed changing its benchmark to a more relevant CPI +6% versus the current Libor +3%; it aims to generate income and long-term capital growth across multiple asset classes with low volatility. SIGT also aims to grow annual dividends at least in line with UK inflation. It currently has a long-term strategic allocation to equities (60%, split 35% and 25% between UK and overseas), fixed income (15%) and specialist assets (25%, generally yielding 5-8%). SIGT has outperformed its current benchmark and the FTSE All-Share index over three and five years and since its change of mandate in 2012, with lower volatility than the UK equity market. Annual dividends have increased above the level of UK inflation for the last four years and SIGT has regularly added to reserves. The board has been actively utilising the discount control mechanism that was initiated in 2016, with the aim that SIGT's shares trade close to its NAV.

12 months ending	Total share price return (%)	Total NAV return (%)	Benchmark (%)	FTSE All-Share (%)	FTSE All-World (%)
31/05/13	33.3	27.7	3.6	30.1	28.8
31/05/14	10.8	7.6	3.5	8.9	6.4
31/05/15	10.0	10.3	3.6	7.5	16.3
31/05/16	5.6	(0.4)	3.6	(6.3)	(0.2)
31/05/17	22.8	21.6	3.4	24.5	33.3

Source: Thomson Datastream. Note: 12-month discrete total returns. Benchmark is three-month Libor +3%.

Investment strategy: Focus on income and growth

SIGT aims to find value across a range of asset classes via a clearly defined process. Seneca Investment Managers (SIML) employs a team-based approach; each manager is responsible for research into one of the five areas where SIML makes active decisions: tactical asset allocation, UK equities, overseas equities, fixed income and specialist assets. Gearing of up to 25% of net assets is permitted.

Market outlook: Equity valuations more full

Following continued share price upward momentum in 2017, equity valuations are looking less attractive than a year ago based on forward earnings multiples, but equity yields remain relatively attractive versus government bond yields. Developed market equities are now trading at more than a 20% premium to their 10-year average. While relatively less stretched, emerging market equities are trading at a 7% premium to their 10-year average. For investors seeking income with the potential for capital growth, a fund focused on value investing across a variety of asset classes with low volatility of returns may hold some appeal.

Valuation: DCM helps shares to trade close to NAV

SIGT's shares are currently trading at a 1.4% premium to cum-income NAV; this is modestly higher than the 0.3% average premium of the last 12 months. The board has been actively utilising the discount control mechanism (DCM), repurchasing shares when they are trading at a small discount and issuing shares when they are trading on a small premium. The current premium compares to average discounts of the last three, five and 10 years of 1.9%, 4.9% and 6.7%, respectively.

27 June 2017

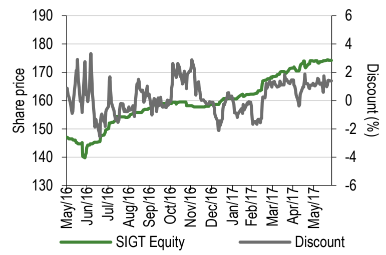
Price	**174.3p**
Market cap	**£71m**
AUM	**£77m**

NAV*	171.2p
Premium to NAV	1.8%
NAV**	171.9p
Premium to NAV	1.4%

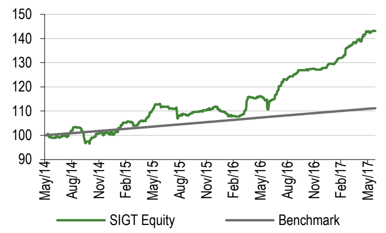
*Excluding income. **Including income. As at 23 June 2017.

Prospective yield	3.5%
Ordinary shares in issue	40.6m
Code	SIGT
Primary exchange	LSE
AIC sector	Flexible Investment

Share price/discount performance



Three-year cumulative perf. graph



52-week high/low	174.5p	139.8p
NAV* high/low	173.1p	136.0p

*Including income.

Gearing

Gross*	10.1%
Net*	8.1%

*At 31 May 2017.

Sources for this column: Thomson Datastream, SIGT

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Edison profile page

Seneca Global Income & Growth Trust is a research client of Edison Investment Research Limited

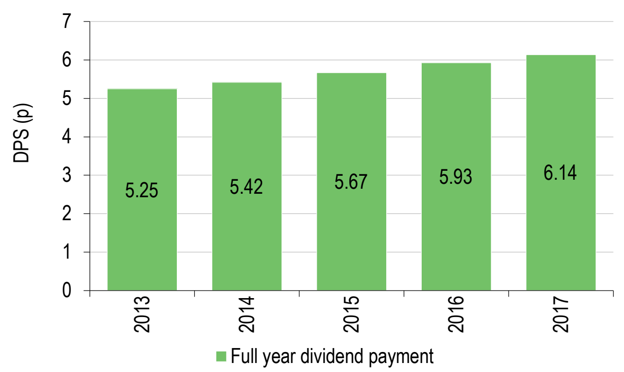
Exhibit 1: Trust at a glance

Investment objective and fund background	Recent developments
SIGT's current objective is to outperform three-month Libor +3.0% over the longer term, with low volatility and the prospect of income and capital growth, through investment in a multi-asset portfolio including UK and overseas equities, fixed-income securities, property and specialist assets. The board has proposed a change in the benchmark to CPI +6%.	■ 8 June 2017: Annual results to 30 April 2017. NAV TR +19.6% versus benchmark TR +3.5%. Share price TR +20.7%. Proposed change to the benchmark from three-month Libor +3% to CPI +6%. ■ 10 May 2017: Fourth interim dividend of 1.58p announced. FY17 annual dividend of 6.14p is 3.5% higher year-on-year.

Forthcoming		Capital structure		Fund details	
AGM	July 2017	Ongoing charges	1.61%	Group	Seneca Investment Managers
Interim results	December 2017	Net gearing	8.1%	Managers	Seneca team
Year end	30 April	Annual mgmt fee	0.90% of market cap up to £50m, 0.65% above £50m	Address	10th Floor Horton House, Exchange Flags, Liverpool L2 3YL
Dividend paid	Sep, Dec, Mar, Jun	Performance fee	None		
Launch date	August 2005	Trust life	Indefinite	Phone	+44 (0)151 906 2461/2475
Continuation vote	Annual	Loan facilities	£11m two-year rolling (£7m drawn)	Website	www.senecaim.com/sigt

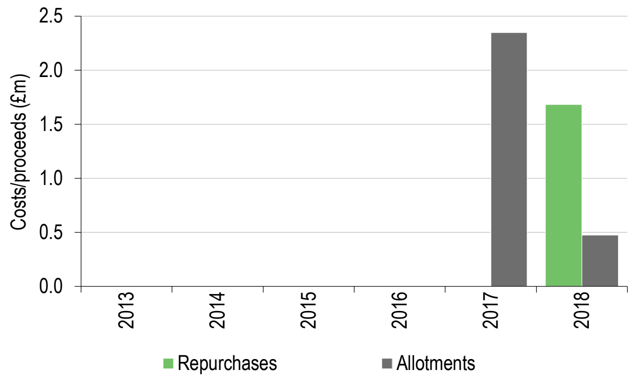
Dividend policy and history (financial years)

SIGT aims to grow annual dividends above the rate of UK inflation.

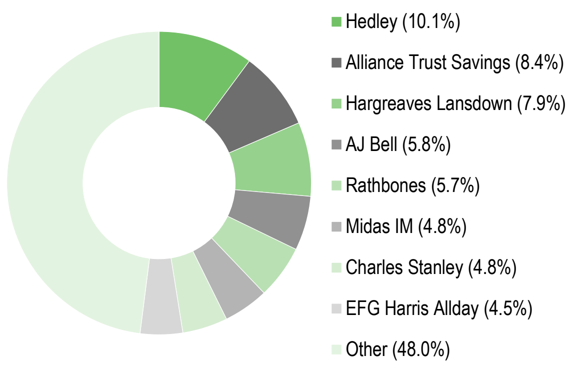


Share buyback policy and history (financial years)

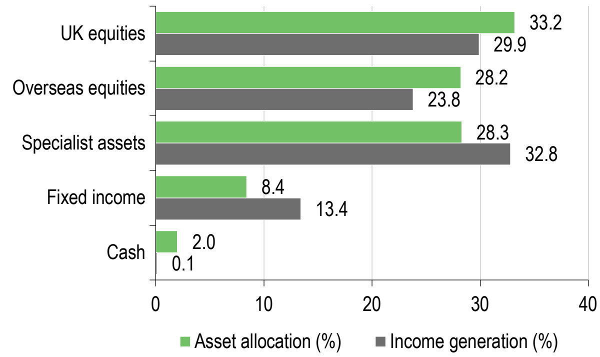
Note: Discount control mechanism was introduced at July 2016 AGM.



Shareholder base (at 31 May 2017)



Portfolio distribution by capital and income generation (at 31 May 2017)



Top five holdings by asset category (at 31 May 2017)

	Portfolio weight %		Portfolio weight %
UK direct equities		**Fixed income**	
Phoenix Group	1.6	Royal London Short Duration Global High Yield	3.2
Britvic	1.5	Templeton Emerging Markets Bond	2.1
Halfords	1.5	TwentyFour Select Monthly Income	1.9
BT Group	1.5	Royal London Extra Yield Bond	1.1
National Express Group	1.5	N/A	
Overseas equities		**Specialist assets**	
Aberdeen Asian Income	3.9	AJ Bell Holdings (unquoted)	2.7
European Assets Trust	3.1	Doric Nimrod Air Two	1.9
Schroder Asian Income Maximiser	3.1	Aberdeen Private Equity	1.8
Liontrust European Enhanced Income	2.6	International Public Partnerships	1.8
Invesco Perpetual European Equity	2.5	Fair Oaks Income	1.7

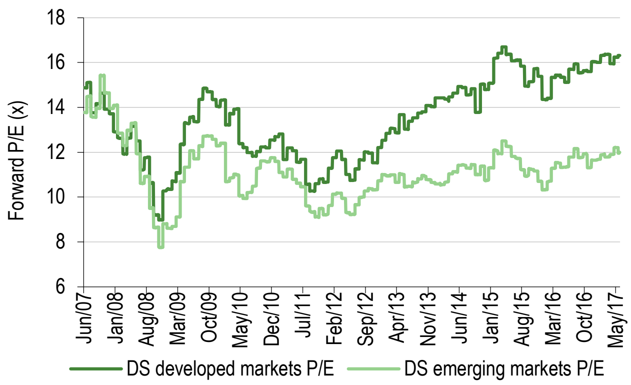
Source for charts and tables above: SIGT, Edison Investment Research, Morningstar

Market outlook: Equity valuations less attractive

Global equities have continued to rally in 2017, following a year of above-average total returns in 2016, as investors are shaking off macro concerns such as Brexit and the uncertain UK political environment and appear to be focusing on the improving outlook for corporate earnings. As a result, equity valuations appear less attractive (Exhibit 2, left-hand side). Looking at Datastream indices, developed market equities are currently trading on a forward P/E ratio of 16.3x, which is towards the top end of the 9.0x to 16.7x range of the last 10 years and is 21% higher than the 10-year average. Emerging markets are offering better value, trading on a forward P/E multiple of 12.0x, which is broadly in the middle of the 10-year range of 7.8x to 15.4x. However, they too are trading above the average of the last 10 years, albeit at a more modest 7% higher. While bond yields have risen from their lows in an environment of rising inflation, as shown in Exhibit 2 (right-hand side), equity yields remain relatively attractive versus bond yields. For investors seeking income with the potential for capital growth, a fund focused on attractively valued assets across the investment spectrum may hold some appeal.

Exhibit 2: Datastream developed and emerging markets valuation metrics over 10 years

DS developed and emerging markets forward P/E ratios



Ratio of UK equity to 10-year government bond yields (DS indices)

Source: Thomson Datastream, Edison Investment Research

Fund profile: 'Multi-Asset Value Investing'

Founded as the Taverners Trust and managed by Aberdeen Asset Management, the trust became the Midas Income & Growth Trust in August 2005. In March 2014, the trust's investment manager was purchased by Seneca Asset Managers Limited with the fund management business being renamed Seneca Investment Managers Limited (SIML); the trust itself was renamed Seneca Global Income & Growth Trust, highlighting its diverse mandate. SIML is a multi-asset specialist, with a focus on value. The investment process is transparent and team based and the portfolio investments are straightforward to understand.

SIGT aims to generate income and capital growth with low volatility by investing in a multi-asset portfolio of equities, fixed income and specialist assets. Its mandate was changed in 2012, aiming to improve the trust's total returns. An annual continuation vote was introduced, the fee structure was simplified and the dividend was rebased to what was considered to be a sustainable level. The strategic asset allocation to fixed income was reduced by 10pp to 15% and increased to overseas equities by 10pp to 25%. The benchmark was changed from a nominal return of 8% per year to three-month Libor +3%.

The board now views the current benchmark as too low and has put forward a proposal for the AGM in July that the benchmark is increased to CPI +6%. SIGT believes that a combination of strategic asset allocation, active management, and a contribution from gearing minus costs could generate average annual returns of CPI +6% over the course of a typical business cycle. The managers note that there will be stages in the investment cycle when returns from equities and bonds will be quite low, which will make it difficult to exceed the benchmark over shorter periods. However, they believe that over the course of a cycle (which typically lasts approximately seven years) the proposed new benchmark is more appropriate and reflects what the team is trying to achieve; there will be no change in SIGT's investment process.

SIGT currently has investment limits in place; at the time of investment, up to 5% may be in a single security, up to 10% in any one company and up to 7.5% in unquoted securities (currently c 3%). Up to 25% may be held in cash (currently 2.0%) and gearing of up to 25% of net assets is permitted. SIML adopts a team-based approach with all investment professionals contributing to the management of SIGT's portfolio. Each team member has specific research responsibilities: Peter Elston – tactical asset allocation; Alan Borrows – fixed income fund selection; Mark Wright – direct investment in UK equites; Tom Delic – overseas equities fund selection; and Richard Parfect – specialist assets. Given SIML's team-based investment approach, an oversight role for the SIGT portfolio is carried out by Elston and Borrows but they have only limited discretion to move away from the target portfolio, which has been agreed by the team. Alan Borrows intends to retire at the end of 2017; SIML will supplement the investment team in due course.

The fund managers: Seneca team

The managers' view: Positioning for the longer term

The managers take a longer-term view, which they say is a differentiating feature of the trust. They suggest that there is a possibility that 2020 will see the next economic downturn. As a result SIGT has gradually been reducing its equity exposure. 12 months ago, the managers were positive on equities based on the outlook for a more robust global economy, which was evidenced by an improvement in the OECD composite leading indicators. Hence, a year ago the trust was 5% overweight equities, 65% versus a strategic asset allocation (SAA) of 60%; this has gradually been reduced to 61%. Over the past year, global equities have rallied meaningfully and the managers suggest that equity valuations are now less compelling.

SIGT assesses the economic outlook via extrapolation of historical trends. The managers note that the US unemployment rate of 4.3% is low compared to the historical average and although wage pressure is not yet evident, they believe that it will come and monetary policy will continue to tighten. Other developed economies' employment trends are improving, such as the UK and even Europe, which has been behind the curve, but has seen its unemployment rate fall below 10%. If there is an economic downturn in 2020, it will mean the global economy has expanded for 11 years, which is longer than an average expansion phase and follows the severe downturn in 2009. The managers suggest that by 2020, SIGT could be 10-20pp underweight equities versus the SAA, which they view as an appropriate asset allocation given their macroeconomic outlook.

Asset allocation

Investment process: Seeking diverse income stream

SIML's investment style is 'Multi-Asset Value Investing'. Currently, SIGT's managers employ a long-term SAA based on the likely long-term returns from individual asset classes. SIML also adopts a tactical asset allocation (TAA), which aims to enhance returns by taking advantage of the shorter-term relative valuations of different asset classes. Given SIML's team-based approach, potential new holdings are subject to a peer review and changes to the portfolio have to be agreed by a majority, which acts as a risk control. Actual portfolio weights can vary modestly from the TAA, as successful positions are allowed to run or when the managers wait for income to be captured; however, any variances are limited and closely monitored.

Exhibit 3: Asset allocation ranges, long-term core and tactical asset allocations (TAA)			
%	Asset allocation range	Core asset allocation (SAA)	TAA end-May 2017
UK equities	15-60	35	33.0
Overseas equities	10-40	25	28.0
Total equities	**25-85**	**60**	**61.0**
Fixed income	0-40	15	8.2
Specialist (ex-property)	0-25	15	22.2
Property	0-25	10	7.0
Cash	0-10	0	1.6
	100	**100**	**100**

Source: Seneca Global Income & Growth Trust

Proposed changes at July 2017 AGM

SIGT has proposed the following changes that will be voted on at the 6 July 2017 AGM:

- Revised investment objective – SIGT will seek to deliver a total annual return of at least CPI +6%, after costs and with low volatility and intends to grow annual dividends at least in line with inflation via a multi-asset investment policy.
- Changes to the investment policy – the board proposes that the SAAs for each asset class are removed, but the current asset allocation ranges are retained and that the property and specialist asset classes are combined with an asset allocation range of 0-50%. As well as via direct investments, with prior board approval, UK exposure may be achieved by investment in third-party funds. Exposure to overseas equities may be, with prior board approval, in direct investments as well as via third-party funds. A maximum of 7.5% of gross assets at the time of investment may be in any direct equity or fixed income investment and a maximum of 10% will be in any collective investment. There will be no change to the investment process.

The board believes that the proposed benchmark is more commensurate with SIGT's investment profile. Proposed changes to the investment policy are expected to provide a more flexible approach to strategic asset allocation and stock selection, while the focus on specialist assets should continue to enhance the risk/return profile of the trust.

Current portfolio positioning

At end-May 2017, SIGT held 64 positions split as follows: 23 UK equities, 12 overseas equity funds, four fixed income investments, and 25 specialist/property investments. UK equity exposure is primarily in mid-caps, which are less well researched than larger-cap companies. The manager seeks companies with strong fundamentals and which are trading on attractive valuations. Fundamental analysis includes a detailed assessment of a company's economic profit and its ability to pay dividends. Overseas funds are selected from managers who adopt a value approach and have a high active share (active share is a measure of how a portfolio differs from its benchmark, with 0% meaning full index replication and 100% having no holdings in common). Fixed income funds are selected on the basis of valuation, yield and credit quality. Specialist assets provide a diversified income stream across a range of asset classes including infrastructure, property and private equity.

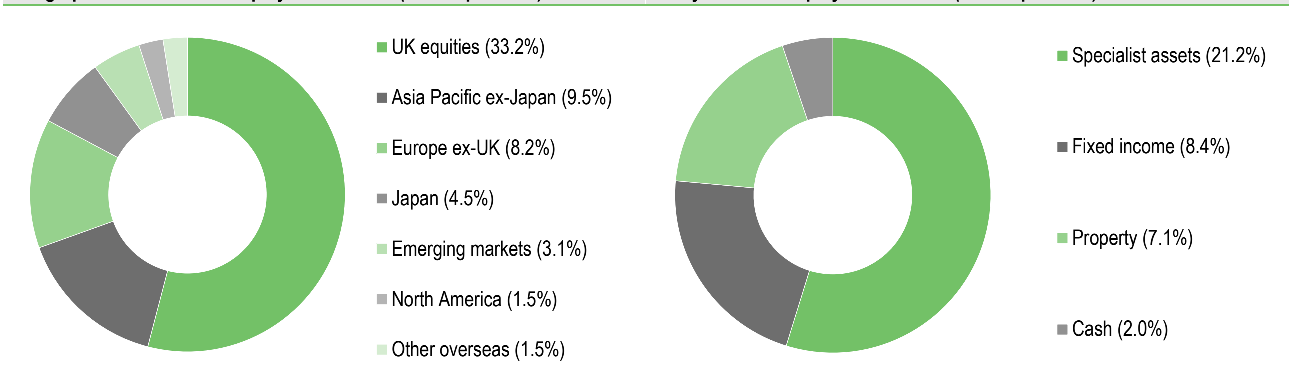
A relatively recent new holding in the UK equity portfolio is flexible packaging company RPC. It is a name that the SIML team knows well as it has been held in other Seneca funds. RPC's stock pulled back on investor concerns about an over-reliance on acquisition, rather than organic-led growth, and dilution from equity issuance. However, the team is confident in RPC's business momentum and the company has a 24-year history of consecutive dividend increases; its share price decline provided SIGT with an attractive valuation entry point.

Within specialist assets, SIGT has initiated a position in PRS REIT (PRS is an acronym for private rented sector within the property market). The company is seeking to invest in both completed and private rented sites under development. There is a drastic need for more housing in the UK and its development is afforded a high level of government support. PRS targets a yield of 6%, which the managers believe could contribute towards a possible 10% total annual return for investors, within two to three years.

Exhibit 3 shows SIGT's current TAA versus SAA by asset class. It is currently 1% overweight equities; 2% underweight in UK equities versus a 3% overweight in overseas equities (overweight Europe, Japan, Asia Pacific ex-Japan and global funds and underweight North America and emerging markets). Unlike many global funds, SIGT has a very small weighting in US equities. It is underweight fixed income exposure, remaining zero weighted in developed markets government debt, which the managers consider is too expensive. SIGT is underweight property and overweight other specialist assets. Exhibit 4 shows SIGT's equity and non-equity exposure; 61% and 39% respectively at end-May 2017.

Exhibit 4: Distribution of equity and non-equity investments at 31 May 2017

Geographic distribution of equity investments (61% of portfolio) | **Analysis of non-equity investments (39% of portfolio)**



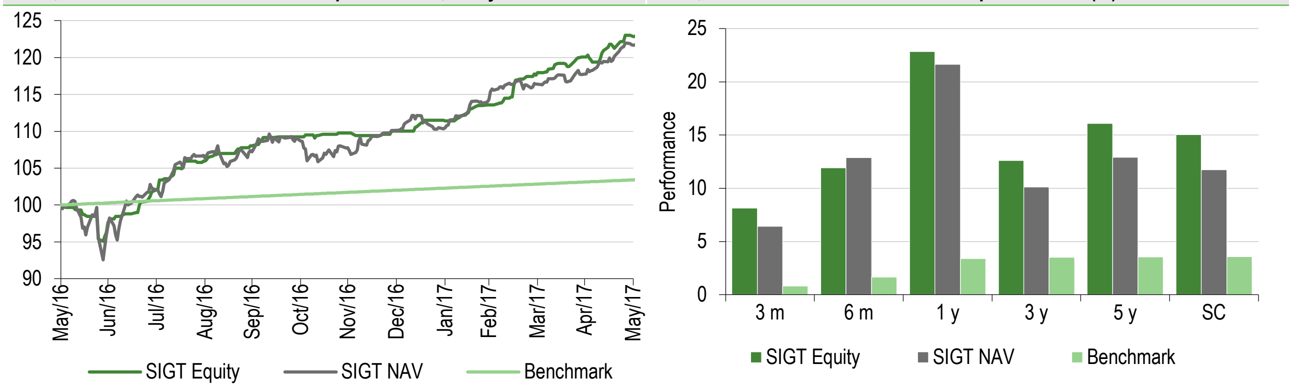
Source: Seneca Global Income & Growth Trust, Edison Investment Research

Performance: Outperformance versus the benchmark

SIGT has recently released its FY17 results (12 months to end-April); its NAV and share price total returns of 19.6% and 20.7% were significantly ahead of the benchmark's 3.5% total return. All asset classes achieved double digit returns, led by overseas equities (+24.9%), followed by UK equities (+18.4%), specialist assets (+15.1%) and fixed income (+13.5%). The best performing individual holdings were Fair Oaks Income Fund (specialist financial, +1.06pp contribution) and Aberdeen Asian Income Fund (Asia Pacific ex-Japan, +0.80pp), while the two largest negative contributors were both UK equities (BT -0.51pp and International Personal Finance -0.44bp).

Exhibit 5: Investment trust performance to end-May 2017

Price, NAV and benchmark total return performance, one-year rebased | **Price, NAV and benchmark total return performance (%)**



Source: Thomson Datastream, Edison Investment Research. Note: Since change of mandate (SC) is from 18 January 2012. Benchmark is an absolute return of 8% per year until 18 January 2012 and three-month Libor +3% thereafter. Performance figures for periods of more than one year are annualised.

Over the last 12 months, SIGT's returns have been helped by the unhedged portion of its overseas exposure due to sterling weakness. Its share price and NAV total returns of 22.8% and 21.6% respectively are meaningfully ahead of the benchmark's 3.4% total return.

Exhibit 6: Share price and NAV total return relative performance

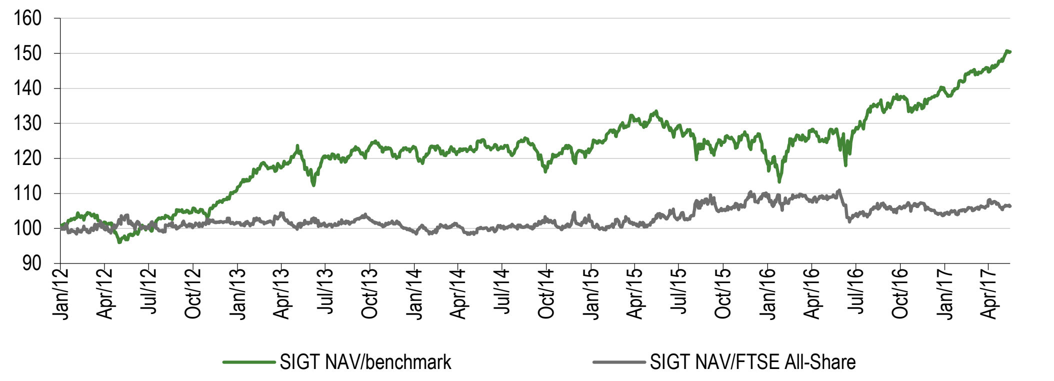
	Three months	Six months	One year	Three years	Five years	Since change of mandate
Price relative to benchmark	7.3	10.1	18.8	28.7	77.3	75.6
NAV relative to benchmark	5.6	11.0	17.6	20.4	54.1	50.2
Price relative to FTSE All-Share	2.7	(1.5)	(1.3)	13.9	18.8	24.6
NAV relative to FTSE All-Share	1.1	(0.6)	(2.3)	6.5	3.3	6.6
Price relative to FTSE All-World	6.6	1.6	(7.9)	(7.8)	(0.6)	2.7
NAV relative to FTSE All-World	4.9	2.5	(8.8)	(13.7)	(13.6)	(12.1)

Source: Thomson Datastream, Edison Investment Research. Note: Data to end-May 2017. Geometric calculation. Benchmark is an absolute return of 8% per year until 18 January 2012 and three-month Libor +3% thereafter.

The trust's relative returns are shown in Exhibit 6; its NAV and share price total returns are meaningfully ahead of the current benchmark over all periods shown. We also highlight that SIGT has outperformed the FTSE All-Share index over three, five and 10 years, while lagging over one year due to its UK equity bias to mid-cap companies. Mid-caps significantly underperformed the broader UK equity market following the result of the Brexit vote, as sterling weakness led investors to gravitate to larger companies with a higher proportion of overseas earnings.

SIGT's management indicates that annualised NAV volatility since the mandate change in January 2012 to the end of May 2017 is significantly lower than the FTSE All-Share index (8.04% versus 13.33%). It also calculates that it is meaningfully lower than the average annualised volatility of its peers in the AIC Flexible Investment sector (9.96%).

Exhibit 7: SIGT NAV total return vs benchmark and FTSE All-Share total return since change of mandate, rebased



Source: Thomson Datastream, Edison Investment Research

Discount: Utilising the discount control mechanism

SIGT's current 1.4% premium to cum-income NAV compares to the average 0.3% premium of the last 12 months (range of a 3.3% premium to a 2.6% discount) and the average discounts of the last three, five and 10 years of 1.9%, 4.9% and 6.7%, respectively.

SIGT's board introduced a discount control mechanism (DCM), effective from 1 August 2016, with the aim of ensuring that its share price trades close to NAV (addressing the fear for investors that they may suffer from a widening discount, while providing sufficient liquidity for investors wishing to purchase shares). The board appointed PATAC, SIGT's company secretary and administrator, to purchase shares when they trade at a small discount to NAV and issue shares when they trade at a small premium. So far, since the DCM was introduced, 1.0m shares have been repurchased at a cost of £1.7m; 1.7m shares have been issued raising £2.8m; and SIGT's shares have traded close to its NAV. The execution of both purchases and sales of shares highlights that the board is committed to the DCM process.

Renewed annually, SIGT has the ability to buy back up to 14.99% and issue up to 20% of new shares; issuance above the prevailing NAV is modestly enhancing to existing shareholders. A higher number of shares in issue would likely improve liquidity and would spread costs over a larger asset base.

Exhibit 8: Share price premium/discount to NAV (including income) over three years (%)

Source: Thomson Datastream, Edison Investment Research. Note: Negative values indicate a discount, positive values a premium.

Capital structure and fees

SIGT is a conventional investment trust with one class of share; there are currently 40.6m ordinary shares outstanding. SIGT has an £11m revolving credit facility with Royal Bank of Scotland, ending in October 2017, of which £7m is drawn; interest costs are 0.7% over Libor. The debt facility was increased by £4m in July 2016 to support the adoption of the DCM, but additional borrowing has not been utilised as the manager believes that the markets do not offer sufficient value to warrant a higher level of gearing. Gross gearing at end-May was 10.1%.

Following the change in mandate in January 2012, SIGT's annual management fee was reduced from 1.0% per year and the performance fee was removed. SIML subsequently has further reduced fees and is now paid 0.90% of SIGT's market cap per year up to £50m and 0.65% per year above £50m. The management fee is allocated 50:50 to capital and income. In FY17, ongoing charges were 1.61%, in line with 1.60% in the prior financial year.

Dividend policy and record

SIGT pays quarterly interim dividends in September, December, March and June. Since the dividend was rebased in January 2012, the interim dividend has been the same for the first three quarters of the financial year, with an increase in the fourth interim dividend serving as an indicator of the quarterly dividends to be paid in the following year.

The board aims to grow annual dividends at least in line with UK inflation. The FY17 dividend of 6.14p was a 3.5% increase on the prior financial year and represented the fourth year where the uplift was higher than the UK inflation rate; it was c 1.3x covered by revenue. Based on the fourth FY17 interim dividend of 1.58p, barring unforeseen circumstances, the FY18 annual dividend should be at least 6.32p, representing a prospective dividend yield of 3.5%.

Peer group comparison

SIGT moved from the AIC Global Equity Income sector to the AIC Flexible Income sector on 1 January 2017 as SIGT's managers believe that the new sector better reflects their multi-asset approach, focusing on income and capital growth, not just on income. Its NAV total return has outperformed the peer group averages over one, three and five years, ranking eighth and sixth out of 13 funds over one and three years respectively, and third out of 12 funds over five years. The manager highlights that these returns have been achieved with lower annualised volatility than the peer group average. SIGT is currently one of six peers that are trading on a premium; it has the second highest ongoing charges in the sector and the highest level of gearing. The trust has the third highest dividend yield, which is 1.8pp higher than the peer group average.

Exhibit 9: AIC Flexible Income sector at 26 June 2017*

% unless stated	Market cap £m	NAV TR 1 Year	NAV TR 3 Year	NAV TR 5 Year	Discount (ex-par)	Ongoing charge	Net gearing	Dividend yield (%)
Seneca Global Inc & Growth Trust	70.7	22.3	35.5	80.7	1.9	1.6	108	3.5
Aberdeen Diversified Inc & Growth	390.8	8.8	5.6	37.7	(10.7)	0.6	106	5.5
Capital Gearing	183.5	14.9	25.7	36.2	1.8	1.0	100	0.5
Establishment Investment Trust	45.0	32.9	41.7	52.1	(17.7)	1.2	100	2.5
Henderson Alternative Strategies	104.8	24.9	17.2	6.2	(16.8)	1.0	100	1.4
Invesco Perp Select Balanced	9.4	8.3	13.6	30.2	(0.4)	1.2	100	0.0
Miton Global Opportunities	62.8	40.2	49.7	88.0	(4.8)	1.2	100	0.0
New Star Investment Trust	78.1	28.1	39.9	58.0	(29.8)	0.9	100	0.3
Personal Assets	829.1	12.5	26.5	31.6	1.1	1.0	100	1.4
RIT Capital Partners	3,032.5	22.4	37.4	67.0	7.8	1.1	104	0.0
Ruffer Investment Company	382.4	11.6	18.7	30.6	2.1	1.2	100	0.8
Syncona	1,043.5	23.2	25.3		15.7	1.3	100	1.4
Tetragon Financial	1,232.7	25.6	73.2	114.0	(35.2)	2.3	100	5.4
Simple average	**574.2**	**21.2**	**31.5**	**52.7**	**(6.5)**	**1.2**	**101**	**1.7**
SIGT rank in sector	**10**	**8**	**6**	**3**	**4**	**2**	**1**	**3**

Source: Morningstar, Edison Investment Research. Note: *Performance at 23 June 2017. TR=total return. Net gearing is total assets less cash and equivalents as a percentage of net assets.

The board

There are three directors on SIGT's board; all are non-executive and independent of the investment manager. Chairman Richard Ramsay was appointed in April 2013 and assumed his current position in September 2013. The other two board members and their dates of appointment are Ian Davis (November 2004) and James McCulloch (January 2015). All three directors have broad experience in the finance sector and each board member holds shares in SIGT, ensuring that the interests of all shareholders are aligned.

Glossary

CPI

The Consumer Price Index, which is a measure of UK inflation.

Discount control mechanism

A discount control mechanism (DCM) will usually involve a trust buying back its own shares in the market and either cancelling them or holding them in treasury to be reissued when demand is stronger.

Gearing

Investment companies frequently employ a moderate level of borrowing to buy additional investments to increase returns when they appreciate. The risk is that gearing magnifies losses if the investments fall in value.

Libor

The London Interbank Offered Rate is a reference interest rate widely used in financial markets as a basis for lending rates or an indication of the return available on cash.

Multi-asset fund

Multi-asset funds have a mandate to invest across different asset classes such as equities, fixed income, property and other specialist areas. The fund manager will vary exposures according to market conditions, seeking to optimise the balance of risk and reward.

OECD

The Organisation for Economic Co-operation and Development. It is a group of 35 member countries that discuss and develop economic and social policy.

Ongoing charge

This is a measure of the regular, recurring costs of running an investment company expressed as a percentage of the NAV.

P/E ratio

A price-to-earnings ratio, which is a valuation measure of a company's share price relative to its annual net income per share.

Premium/discount to net asset value (NAV)

The net asset value of a company, including an investment company, is the value of its assets less liabilities. Depending on a range of factors, including the market's assessment of the prospects for a company or appetite for yield, its shares may trade at a price above the NAV, at a premium, or at a discount.

Strategic asset allocation

Strategic asset allocation can be thought of as the broad allocation to each asset class that would be expected to achieve the investment performance objective over time. For example, a simple multi-asset fund might have a strategic asset allocation of 60% global equities and 40% global bonds. Given an understanding of how global equities and global bonds would be expected to behave over the longer term, one would have an understanding of how the fund should behave over the longer term as a result of exposure to bonds and equities in the proportions mentioned.

Tactical asset allocation

Tactical asset allocation is generally used in conjunction with strategic asset allocation. Tactical asset allocation refers to decisions to deviate from time to time from strategic asset allocation. Using the example cited, this might mean a decision to have only 50% in equities rather than the strategic allocation of 60% because one might have a slightly negative view on the outlook for equities.

Volatility

This is a term used to describe the frequency and severity with which the price of an investment goes up and down.

Yield (income)

The amount of income you receive in monetary terms will be equivalent to the dividend per share multiplied by the number of shares you own. This is usually expressed annually as a percentage based on the investment's market value.

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