Seneca Global Income & Growth Trust

Multi-asset investment with a value approach

Investment trusts

Seneca Global Income & Growth Trust (SIGT) aims to generate income and long-term capital growth from a range of asset classes. Investments are made for the long term using a strategic asset allocation to equities (60%: 35% UK and 25% overseas, with modest US exposure), fixed income (15%) and specialist assets (25%, including property and infrastructure assets, where yields can be in the 5-8% range). Around one-third of the fund is invested in UK mid-caps, where over time returns tend to be higher than for large-caps, and where the market is generally less efficient, providing opportunities for stock picking. There is no exposure to safe-haven government bonds, which the managers consider unattractively valued, and SIGT has lower FX exposure than its peers. Following a change in investment mandate in 2012, SIGT's NAV total return has meaningfully outperformed the FTSE All-Share index, with significantly lower volatility.

12 months ending	Total share price return (%)	Total NAV return (%)	Benchmark (%)	FTSE All-Share (%)	FTSE All-World (%)
31/10/12	6.7	8.2	4.8	9.8	9.4
31/10/13	26.2	22.9	3.5	22.8	24.3
31/10/14	5.6	1.0	3.6	1.0	8.8
31/10/15	11.8	7.5	3.6	3.0	4.2
31/10/16	15.7	12.7	3.5	12.2	30.0

Source: Thomson Datastream. Note: 12-month discrete total returns. Benchmark is an absolute return of 8% per year until January 2012 and three-month Libor +3% thereafter.

Investment strategy: Diverse streams of income

SIGT employs a 'Multi-Asset Value Investing' approach that aims to meet the trust's objectives of generating income and long-term capital growth, (which includes significant investments in specialist assets). Tactical asset allocation is employed within a strategic asset allocation framework to enhance potential investment returns. SIGT invests directly in UK equities, while the majority of investments in other asset classes are in dedicated funds. Gearing of up to 25% of net assets is permitted. At 31 October, net gearing was 9.6%.

Market outlook: Searching for income

Since February 2016, developed and emerging equity markets have rerated as investors search for yield in a low interest rate environment. This is despite macro concerns including the path of US interest rates, the outcome of the US presidential election and the impact of the UK's vote to leave the EU. Accommodative policies and generally positive economic growth have been supportive for equities and dividend yields are still meaningfully higher than historical averages as well as government bond yields.

Valuation: Trading close to NAV

SIGT's current 1.8% share price premium to cum-income NAV compares to the average 0.6% premium of the last 12 months and the average discounts of the last three, five and 10 years (3.2%, 6.4% and 7.2%, respectively). While SIGT has no formal income target, the board states that it wants to pursue a progressive dividend policy. The annual dividend has been increased each year since 2013; the prospective dividend yield is 3.8%.

29 November 2016

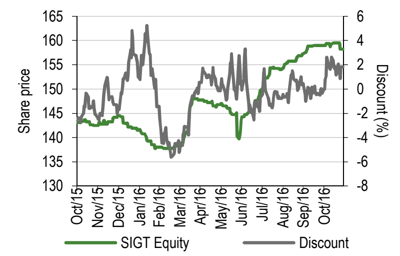
Price	**158.3p**
Market cap	**£63.1m**
AUM	**£68.6m**

NAV*	154.6p
Premium to NAV	2.4%
NAV**	155.4p
Premium to NAV	1.8%

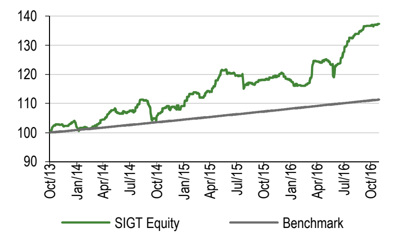
*Excluding income. **Including income. As at 25 November 2016.

Prospective yield	3.8%
Ordinary shares in issue	39.9m
Code	SIGT
Primary exchange	LSE
AIC sector	Global Equity Income

Share price/discount performance



Three-year cumulative perf. graph



52-week high/low	159.5p	137.8p
NAV* high/low	160.1p	132.4p

*Including income.

Gearing

Gross*	11.2%
Net*	9.6%

*At 31 October 2016.

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

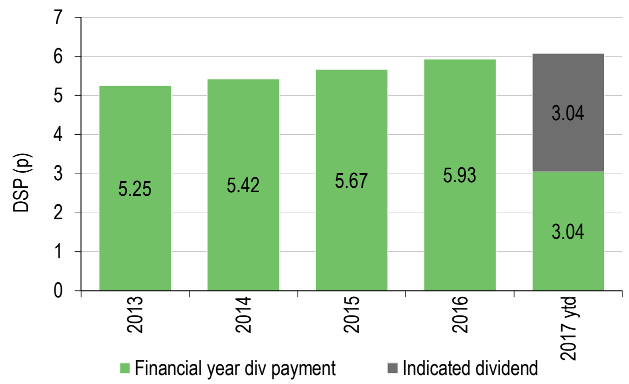
Exhibit 1: Trust at a glance

Investment objective and fund background	Recent developments
SIGT's objective is to outperform three-month Libor plus 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 trust changed its name from Midas Income & Growth in October 2014.	■ 16 November 2016: Second interim dividend 1.52p announced (+3.4% vs prior year). ■ 10 August 2016: First interim dividend 1.52p announced (+3.4% vs prior year). ■ 1 August 2016: Discount control mechanism becomes effective.

Forthcoming		Capital structure		Fund details	
AGM	July 2017	Ongoing charges	1.60%	Group	Seneca Investment Managers
Interim results	December 2016	Net gearing	9.6%	Managers	Alan Borrows, Peter Elston
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	Website	www.senecaim.com/sigt

Dividend policy and history

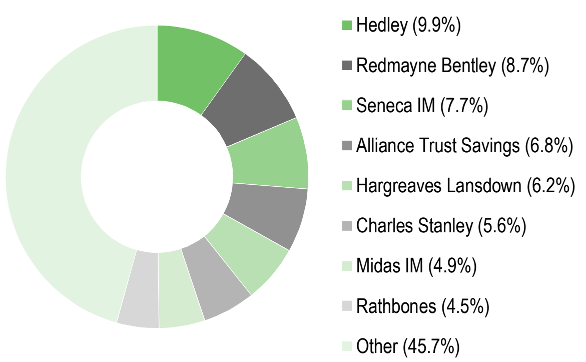
Dividends are paid quarterly in September, December, March and June.



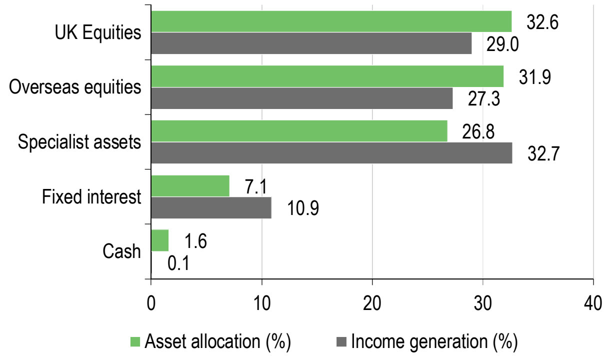
Share buyback policy and history

Note: Discount control mechanism was introduced at July 2016 AGM. There have been no share repurchases or allotments in the last five years.

Shareholder base (at 31 October 2016)



Portfolio distribution by capital and income generation (at 31 October 2016)



Top five holdings by asset category (at 31 October 2016)

	Portfolio weight %		Portfolio weight %
UK direct equities		**Fixed income**	
Kier Group	1.8	Royal London Short Duration Global High Yield	2.1
Vitrex	1.7	TwentyFour Select Monthly Income	2.0
Arrow Global	1.7	Templeton Emerging Markets Bond	1.5
Diploma	1.6	Royal London Extra Yield Bond	1.1
National Express Group	1.6	Maya Gold & Silver Convertible Debenture	0.4
Overseas equities		**Specialist assets**	
Invesco Perpetual European Equity Income	4.2	AJ Bell Holdings (unquoted)	3.0
European Assets Trust	3.4	Fair Oaks Income Fund	2.4
Schroder Asian Income Maximiser	3.0	DP Aircraft	1.7
Aberdeen Asian Income	3.0	Ranger Direct Lending	1.7
Prusik Asian Equity Income	2.6	Doric Nimrod Air Two	1.6

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

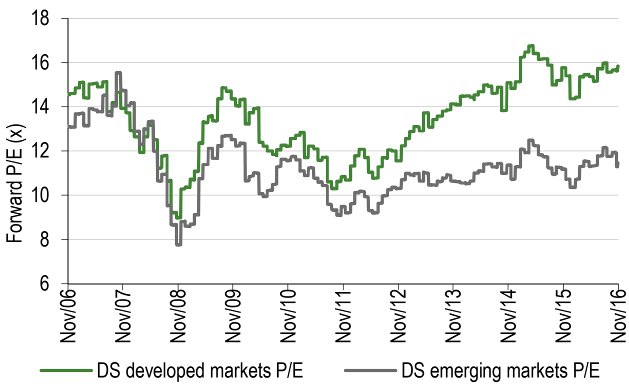
Market outlook: Investors still searching for yield

In the current low interest rate environment, investors are continuing to search for yield. Exhibit 2 (left-hand side) shows the valuation of both developed and emerging equity markets as measured by a forward P/E multiple. Developed markets are trading on 15.8x and emerging markets on 11.5x, which are 10.4% and 10.8% higher respectively versus the recent low points in February 2016. Looking at the US, the largest global stock market by some margin, the benchmark S&P 500 index has rallied by c 20% since the February low, with cyclically depressed sectors financials and energy the top two performing sectors over the period. Although uncertainties remain, such as the timing and magnitude of US interest rate rises, the election of Donald Trump and the impact of the UK voting to leave the EU, investors have been encouraged by stimulus in China, which has been supportive for commodity prices and further monetary easing in Europe.

While growth in the global economy remains modest, it is on an improving path. In its October 2016 World Economic Outlook, the International Monetary Fund maintained its forecasts for global growth of 3.1% in 2016 and 3.4% in 2017. These included modest increases in both years for Europe against more meaningfully lower forecasts for the US. Although there has been a recent increase in government bond yields, as reflected in Exhibit 2 (right-hand side), equity yields are still considerably higher than bond yields, which should provide support for equities as an asset class. For investors seeking income and capital growth, in an uncertain, low interest rate environment, an actively managed, multi-asset fund with a diverse income stream and low volatility may 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 global mandate. 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.

In January 2012, the board made a number of changes with a view to improving the trust's future total returns. Strategic asset allocation to overseas equities was increased by 10pp to 25%, while the allocation to fixed income was reduced by 10pp to 15%. The dividend was rebased to what was deemed a sustainable level and the benchmark was changed from an absolute return of 8% per year to three-month Libor +3% per annum.

No more than 5% of total assets may be invested in any single security and no more than 10% in any one company. Up to 7.5% of the portfolio may be invested in unquoted securities (currently c 3%) and a maximum 25% may be held in cash (currently c 2%). Gearing of up to 25% of net assets is permitted. SIGT is unique within the AIC Global Equity Income sector as it invests in a selection of asset classes to generate income and capital growth rather than focusing on equities. SIGT has been managed by Alan Borrows since inception in 2005; Peter Elston, Seneca's chief investment officer, was appointed co-manager in March 2016.

The fund managers: Alan Borrows and Peter Elston

The managers' view: Seeking value opportunities

SIGT takes a long-term approach to investing, seeking value in various asset classes and markets. The tactical asset allocation framework incorporates a view on the business cycle across different economies alongside the managers' valuation considerations within bonds and equities. Explaining their overweight equity position, the managers suggest that although in general economies are in the later stages of the business cycle, they still have some way to run. They highlight that during the recovery in the US, the labour force participation rate has not risen meaningfully, providing scope for the cycle to last longer than may generally be perceived. Drawing more people into the workforce should keep a lid on inflation and allow further economic growth. In Europe, core inflation is below the central bank target and monetary policy is supportive, which is seen as positive for equity valuations. SIGT is underrepresented in the US but, according to the managers, this should be seen as a relative rather than an absolute view, driven by their assessment of valuation. European equity exposure was recently reduced by 2pp (but SIGT remains overweight) following a strong rally over the summer and increased uncertainty following the Brexit vote.

SIGT has an underweight position in UK equities, as the managers have a slightly cautious medium-term view due to Brexit challenges. However, they remain extremely positive on selected mid-cap companies such as Ultra Electronics, a recent addition to the portfolio. It is a global aerospace & defence electronics company, its shares derated due to a slowdown in organic growth and weaker cash generation. However, currency benefits and merger and acquisition contributions are expected to lead to an improvement in earnings growth.

Within fixed income, SIGT has an underweight exposure and the managers continue to avoid safe haven developed market government bonds on the basis of valuation. Although valuations have continued to increase in recent years, the managers are confident in their view and point to the rise in government bond yields over the last month. They believe that we are at the point in the business cycle where inflationary pressures are starting to build, which should put pressure on government bond prices as interest rates rise.

SIGT has an overweight exposure to specialist assets; these are straightforward investment propositions, such as property and infrastructure funds, which have low/negative correlations to equities and the potential to enhance investment returns. The managers consider that their inclusion in the portfolio adds an interesting dimension for income-seeking investors. A recent addition to the portfolio is pure infrastructure fund International Public Partnerships. It is conservatively managed, and as interest rates have come down, management has not lowered the discount rate used to calculate its NAV, suggesting a conservative valuation. SIGT's managers consider the outlook for infrastructure spending is positive; while private sector demand is not particularly strong, they see the prospect of higher government demand.

Asset allocation

Investment process: Diverse income stream

SIGT is managed on a 'Multi-Asset Value Investing' basis. Its managers assess the likely long-term real returns for individual assets classes to determine an appropriate asset allocation; in many cases the assumption is that future real returns will be similar to past long-term real returns, with small adjustments where deemed necessary. Individual investment decisions are based on whether the asset class, market or individual stock is cheap. Valuation is assessed primarily on a yield consideration, both in absolute and relative terms.

SIGT invests for the long term in assets with diverse income streams, starting with a strategic asset allocation (SAA), which is designed to meet the fund's income and capital growth objectives. While the benchmark is to outperform three-month Libor plus 3.0%, with low volatility and the prospect of income and capital growth, the managers suggest that the SAA should, over time, generate average annual returns of 4.8%, with an additional 2.8% return from active management less 1.5% in costs, generating annual returns of c 6.0% over time. There is a 60% SAA to equities (35% to UK and 25% to overseas equities). Investment in UK equities is direct and primarily in mid-cap companies, where the managers see better long-term capital returns, higher dividend growth and more share price inefficiencies. Overseas equity investment is via third-party funds, which like SIGT have a value bias. The remaining 40% SAA is split between fixed income (15%, mostly in third-party funds), specialist assets (15%, mainly closed-end vehicles) and property (10%, through REITs). Aiming to enhance investment returns, SIGT also adopts a tactical asset allocation (TAA) to take advantage of the shorter-term relative attractiveness of different asset classes, typically on at least a three-year time frame.

Co-managers Elston (who specialises in asset allocation) and Borrows (fixed income) are assisted by three other colleagues: Richard Parfect (specialist assets); Mark Wright (UK equities); and Tom Delic (overseas equities and investment themes). All five team members have research responsibility for the different asset classes. They work on a collegiate basis, with proposed portfolio changes agreed by a majority, which acts as a risk control. Actual portfolio weights vary modestly from the target as a result of allowing successful positions to run or 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-October 2016
UK equities	15-60	35	33.0
Overseas equities	10-40	25	31.0
Total equities	**25-85**	**60**	64.0
Fixed income	0-40	15	7.0
Specialist (ex-property)	0-25	15	21.5
Property	0-25	10	5.5
Cash	0-10	0	2.0
	100	**100**	**100**

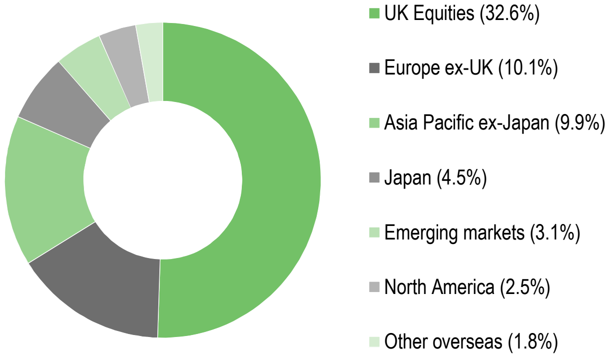
Source: Seneca Global Income & Growth Trust

Current portfolio positioning

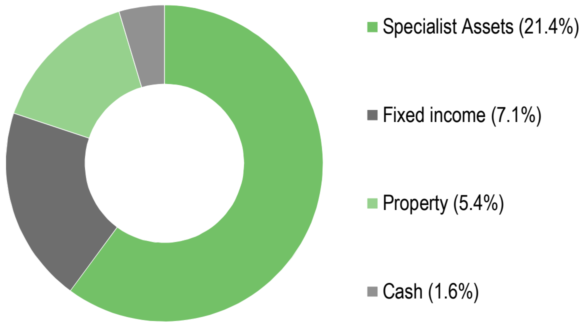
At end-October 2016, there were 60 holdings spread across the four major asset classes (23 UK positions, 13 overseas equity funds, five fixed income investments and 20 specialist/property investments). In recent years, SIGT has been gradually consolidating the number of funds in the portfolio. Exhibit 3 shows SIGT's current TAA versus SAA by asset class. It is currently 4% overweight equities; 2% underweight in UK equities versus a 6% overweight in overseas equities (including a 3% overweight in European equities). Unlike a lot of global funds, SIGT has a modest exposure to US equities. It is underweight fixed income and property exposure and overweight specialist assets. Exhibit 4 illustrates that approximately two-thirds of the portfolio is held in equities, with the remaining third in fixed income, specialist assets, property and a small holding in cash. The unquoted exposure in the portfolio is in specialist assets: a long term-holding in UK pension administration services provider AJ Bell.

Exhibit 4: Distribution of equity and non-equity investments at 31 October 2016

Geographic distribution of equity investments (64% of portfolio)



Analysis of non-equity investments (36% of portfolio)



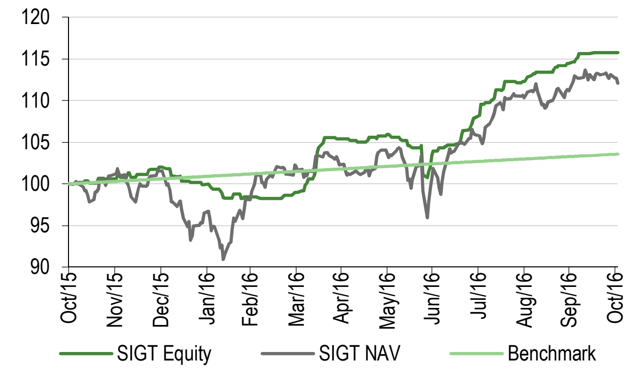
Source: Seneca Global Income & Growth Trust, Edison Investment Research

Performance: Improving record of outperformance

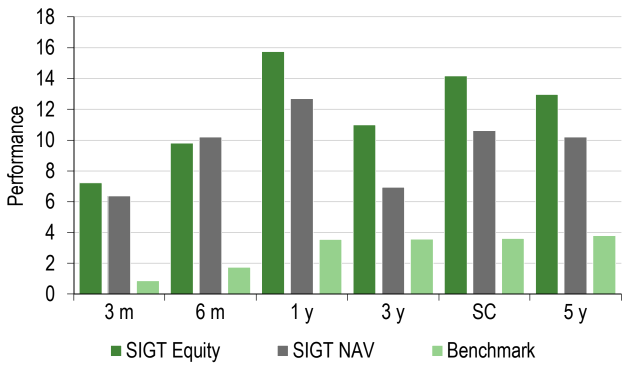
Strong near-term performance versus the benchmark has added to SIGT's long-term record; its share price and NAV total returns have outperformed over one, three and five years and since the change in mandate in January 2012 (Exhibit 6). Recent absolute performance has been helped by the increase in value of SIGT's overseas assets, which have been boosted by the weakness of sterling following the result of the UK's EU referendum. However, we note that SIGT's peers in the AIC Global Equity Income sector have benefited to a greater extent from sterling weakness due to their higher overseas exposure, including the US. SIGT's NAV volatility from the mandate change to the end of September 2016 is significantly lower than the FTSE All-Share index (8.3% versus 13.9%). The company indicated that it is also meaningfully lower than the volatility of all its peers in the AIC Global Equity Income sector.

Exhibit 5: Investment trust performance to end-October 2016

Price, NAV and benchmark total return performance, one-year rebased



Price, NAV and benchmark total return performance (%)



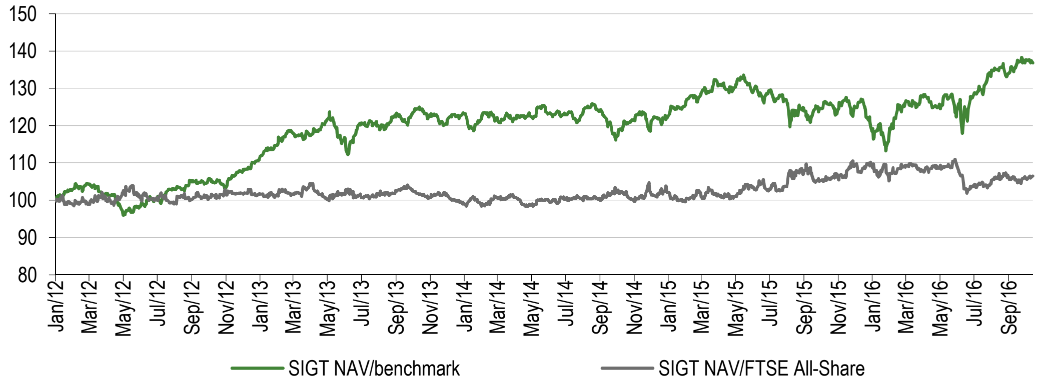
Source: Thomson Datastream, Edison Investment Research. Note: Since change of mandate (SC) is from 18 January 2012. Benchmark is an absolute return of 8% per year until 18 January 2012 and three-month Libor +3% thereafter. Performance figures for periods of more than one year are annualised.

Exhibit 6: Share price and NAV total return relative performance

	Three months	Six months	One year	Three years	Since change of mandate	Five years
Price relative to benchmark	6.3	7.9	11.8	23.1	59.2	52.7
NAV relative to benchmark	5.5	8.3	8.8	10.1	36.9	34.9
Price relative to FTSE All-Share	2.9	(2.1)	3.1	17.1	23.8	16.9
NAV relative to FTSE All-Share	2.1	(1.8)	0.4	4.7	6.4	3.3
Price relative to FTSE All-World	(0.8)	(11.4)	(10.9)	(7.3)	(0.9)	(8.2)
NAV relative to FTSE All-World	(1.6)	(11.1)	(13.3)	(17.1)	(14.8)	(18.9)

Source: Thomson Datastream, Edison Investment Research. Note: Data to end-October 2016. Geometric calculation. Benchmark is an absolute return of 8% per year until 18 January 2012 and three-month Libor +3% thereafter.

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: Control mechanism introduced

The board introduced a discount control mechanism, effective from 1 August 2016, aiming to ensure that SIGT's share price trades very close to NAV, by buying shares when they trade at a small discount to NAV and issuing shares when they trade at a marginal premium. To date, the discount control mechanism has not been utilised. At the July 2016 AGM, shareholders approved the resolution to issue up to 14.99% of new shares. The non-dilutive enlargement of the company through issuing shares at a price higher than NAV is likely to improve liquidity in the shares as well as spreading fixed costs over a larger base. Exhibit 8 shows SIGT's share price premium/discount to cum-income NAV over the last three years. The current 1.8% premium compares to the average 0.6% premium over the last 12 months (ranging from a 5.3% premium to a 5.6% discount). The current premium compares to the average discounts of the last three, five and 10 years of 3.2%, 6.4% and 7.2%, respectively.

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 39.9m ordinary shares outstanding. On 27 July 2016, SIGT announced an extension to its existing rolling debt facility of £4m at similar terms to the existing facility announced on 31 October 2015 at 0.7% over Libor. The total debt facility is now £11m; the extension is mainly to assist with the operation of the discount control mechanism. It will enable gearing levels to maintained should the mechanism result in the issuance of new shares or provide short-term working capital if shares are repurchased. At the end of October 2016, net gearing was 9.6%.

SIGT's investment manager Seneca Investment Managers is paid 0.9% 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; there is no performance fee. Ongoing charges for FY16 were 1.60%, a modest increase from 1.51% in the prior year. While this is generally higher than peers, it reflects investment in specialist assets, which have the potential to increase returns, while lowering performance volatility. SIGT is subject to an annual continuation vote.

Dividend policy and record

Dividends are paid quarterly in September, December, March and June. Since the dividend was rebased in 2012, the interim dividend has been stable 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. While there is no formal income target, the board states that it wants to pursue a progressive dividend policy.

In FY16, the annual dividend of 5.93p was 4.6% higher than in FY15; the increase was in line with the prior year and higher than the FY14 increase of 3.2%. The FY16 dividend was more than covered by income, leading to a small increase in revenue reserves. The board has indicated that barring unforeseen circumstances, quarterly dividends paid for FY17 will be at least 1.52p; this would give a total annual dividend of 6.08p equating to a prospective yield of 3.8%.

Peer group comparison

Exhibit 9 shows all the investment trusts in the AIC Global Equity Income sector. Although SIGT has a multi-asset investment approach, while most of the peers invest solely in equities, a comparison is valid given SIGT's broadly two-thirds exposure to equities.

Exhibit 9: Selected peer group at 25 November 2016

% unless stated	Market cap £m	NAV TR 1 Year	NAV TR 3 Year	NAV TR 5 Year	Sharpe 1y (NAV)	Sharpe 3y (NAV)	Discount (ex-par)	Ongoing charge	Net gearing	Dividend yield (%)
Seneca Global Income & Growth	63.1	11.9	22.9	69.2	(0.6)	(0.2)	2.0	1.6	109	3.8
Blue Planet Investment Trust	19.0	11.2	14.2		(0.2)	(0.1)	(24.5)	3.9	134	7.8
F&C Managed Portfolio Income	51.2	8.8	18.0	74.6	(0.8)	(0.3)	0.5	1.1	103	4.3
Henderson International Income	224.5	24.3	38.1	103.1	0.2	0.2	0.2	1.1	100	3.2
Invesco Perp Select Global Eq Inc	59.6	21.0	38.6	111.8	(0.2)	0.1	(1.7)	1.0	107	3.3
JPMorgan Global Growth & Income	324.6	28.2	46.6	119.1	0.1	0.2	(8.3)	0.6	100	2.5
London & St Lawrence	103.6	8.2	19.9	74.9	(1.1)	(0.3)	(5.8)	0.7	99	4.1
Murray International	1,441.8	34.5	24.5	67.6	1.4	0.1	4.9	0.8	113	4.1
Scottish American	417.9	26.5	37.7	83.3	0.3	0.2	(0.6)	0.9	119	3.5
Securities Trust of Scotland	176.1	24.0	28.0	87.5	0.1	(0.1)	(4.5)	1.0	108	3.7
Simple average	**288.2**	**19.9**	**28.9**	**87.9**	**(0.1)**	**(0.0)**	**(3.8)**	**1.3**	**109**	**4.0**

Source: Morningstar, Edison Investment Research. Note: TR=total return. The Sharpe ratio is a measure of risk-adjusted return. The ratios shown are calculated by Morningstar for the past 12- and 36-month periods by dividing a fund's annualised excess returns over the risk-free rate by its annualised standard deviation. Net gearing is total assets less cash and equivalents as a percentage of net assets.

SIGT's NAV total return has lagged the peer averages over the periods shown, seen as reflecting the fact that the peers are close to 100% exposed to equities and tend to have a lower weighting in the UK, so have benefited more than SIGT from recent sterling weakness. In terms of risk-adjusted returns as measured by the Sharpe ratio, SIGT is below the peer group average over one and three years, reflecting relative performance, while the company highlights that its volatility continues to be lower than peers. Unlike most of the peers, at 25 November, SIGT's shares were trading at a premium versus a sector average 3.8% discount. Recent share price momentum has led to a lower dividend yield; SIGT is now yielding modestly below the peer-group average, while its gearing is in line.

The board

SIGT has three board members, all non-executive and independent of the investment manager. Chairman Richard Ramsay was appointed to the board in April 2013 and took up his current role in September of that year; he has a background in investment banking. Ian Davis was appointed in November 2004, becoming chairman of the audit committee the following month; he has a background in finance. The newest board member is James McCulloch; he was appointed in January 2015 and was previously executive chairman of Speirs & Jeffrey.

Glossary

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.

Ongoing charge

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

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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