

# Seneca Global Income & Growth Trust

## Keeping a cool head in a tough market

Seneca Global Income & Growth Trust (SIGT) has an overriding focus on value, which the team at Seneca Investment Managers believes offers compelling long-term investment opportunities. They employ a multi-asset approach in order to diversify the trust's risk and its return drivers. While stock market volatility has spiked due to the coronavirus outbreak, SIGT's managers are remaining calm. They are continuing to collect income and are topping up the trust's positions that they consider are oversold. SIGT's performance has lagged its inflation-based (CPI +6% pa) benchmark recently, but the managers are confident of outperformance over the course of the investment cycle. The trust's structural bias to the UK and sterling should serve it well once there is increased clarity about the UK's future relationship with the European Union.

12 months ending	Total share price return (%)	Total NAV return (%)	Blended benchmark* (%)	CBOE UK All Companies (%)	MSCI AC All-World (%)
29/02/16	2.7	(1.3)	3.6	(7.6)	(2.2)
28/02/17	22.3	21.0	3.5	23.7	37.5
28/02/18	10.2	8.8	7.0	4.4	7.8
28/02/19	2.5	4.0	8.4	1.6	3.3
29/02/20	(1.0)	(1.8)	7.8	(2.1)	8.8

Source: Refinitiv. Note: 12-month discrete total returns. \*Blended benchmark is three-month Libor +3% to 6 July 2017 and CPI +6% thereafter. Past performance is not necessarily a guide to future performance.

## The market opportunity

The global coronavirus outbreak has led to significant and widespread share price weakness. While markets may remain under pressure for some time until there is greater clarity about corporate earnings growth, share price volatility could provide opportunities for investors with a longer-term perspective. UK shares, especially those with domestic operations, look particularly attractively valued and could benefit from an element of 'catch-up' when there is more certainty about Brexit.

## Why consider investing in SIGT?

- Seeks undervalued investments across a range of asset classes.
- Clearly defined process and a team-based approach to investing.
- Manager actively positions the fund to take advantage of market cycles.
- While shorter-term results have been trickier, over the long term SIGT's NAV and share price have outperformed the blended benchmark.
- Historically, SIGT has had lower volatility of total returns than its peers and the broad UK stock market.
- Diversified revenue stream, with a 5.3% dividend yield.

## Active use of discount control mechanism

SIGT has employed a discount control mechanism (DCM) since August 2016, aiming to ensure that its shares trade close to NAV. The current 2.3% premium to cum-income NAV compares with average premiums of 0.8%, 0.9% and 0.0% over the last one, three and five years respectively. SIGT has a progressive dividend policy and has grown its annual dividend at a rate above the level of UK CPI inflation for the last six consecutive financial years.

## Investment trusts Multi-asset

19 March 2020

**Price** 128.0p  
**Market cap** £62.8m  
**AUM** £69.6m

NAV\* 124.3p  
 Premium to NAV 3.0%  
 NAV\*\* 125.1p  
 Premium to NAV 2.3%

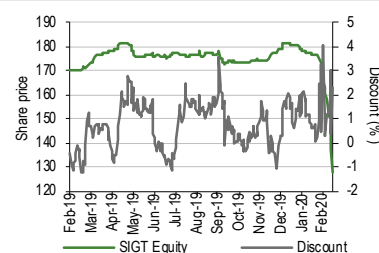
\*Excluding income. \*\*Including income. As at 16 March 2020.

Dividend yield 5.3%  
 Ordinary shares in issue 49.0m  
 Code SIGT

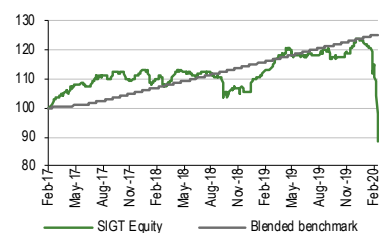
Primary exchange LSE

AIC sector Flexible Investment

## Share price/discount performance



## Three-year share price perf.



52-week high/low 181.8p 128.0p  
 NAV\* high/low 179.9p 136.5p

\*Including income.

## Gearing

Gross\* 8.9%  
 Net liquid\* 0.6%

\*At 29 February 2020.

Sources for this column: Refinitiv, SIGT

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**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

Seneca Global Income & Growth Trust's objective is to achieve net returns in excess of CPI +6% pa over the course of a typical investment cycle, with low volatility. It also aims to grow aggregate annual dividends at least in line with CPI, through investment in a multi-asset portfolio including UK and overseas equities, fixed-income securities and specialist assets (including property).

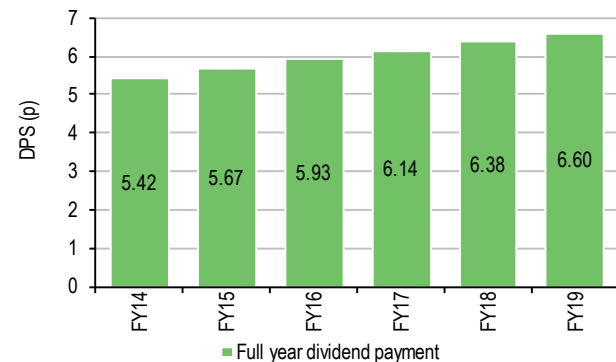
### Recent developments

- 6 March 2020: Appointment of Anne Gilding as a non-executive director with effect from 15 June 2020.
- 18 February 2020: Third interim dividend of 1.68p announced (+2.4% year-on-year).
- 4 December 2019: Six-month results to 31 October 2019. NAV TR -1.6% versus benchmark +3.7%. Share price TR -0.8%.

Forthcoming		Capital structure		Fund details	
AGM	July 2020	Ongoing charges	1.47%	Group	Seneca Investment Managers
Final results	June 2020	Net liquid	0.6%	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	Phone	+44 (0)151 906 2450
Launch date	August 2005	Trust life	Indefinite	Website	<a href="http://www.senecaim.com/sigt">www.senecaim.com/sigt</a>
Continuation vote	None	Loan facilities	£14m three-year rolling (£7m drawn)		

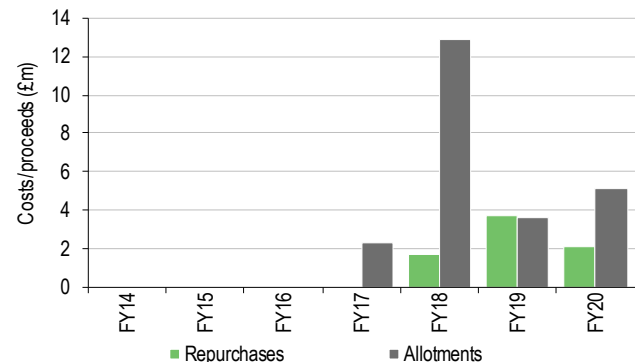
### Dividend policy and history (financial years)

SIGT aims to grow annual dividends at least in line with the rate of CPI inflation.

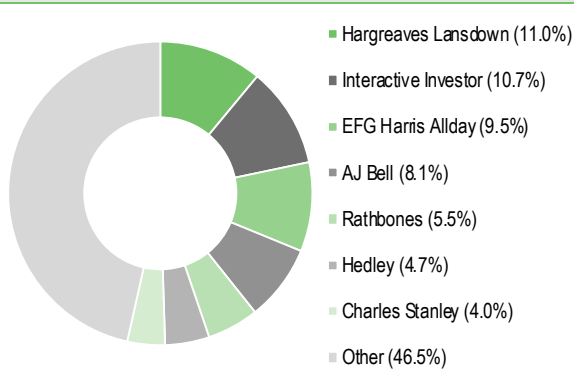


### Share buyback policy and history (financial years)

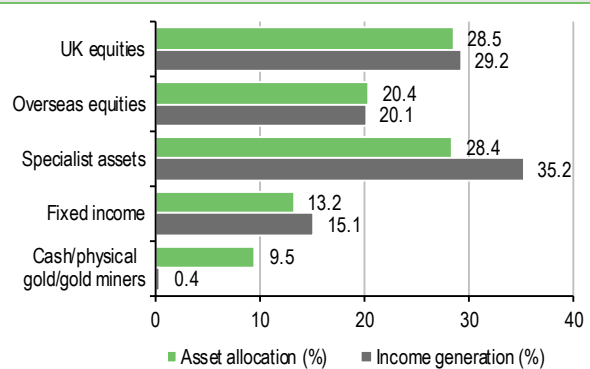
A discount control mechanism was introduced at the July 2016 AGM, effective 1 August 2016.



### Shareholder base (at 29 February 2020)



### Portfolio distribution by capital and income generation (at 29 Feb 2020)



### Top five holdings by asset category (at 29 February 2020)

	Portfolio weight %		Portfolio weight %
<b>UK direct equities</b>		<b>Fixed income</b>	
iShares Core UK 100	3.0	Royal London Short Duration Global HY Bond Fund	8.1
OneSavings Bank	1.7	TwentyFour Select Monthly Income Fund	2.0
Arrow Global Group	1.7	Templeton Emerging Markets Bond Fund	1.9
BT Group	1.7	Royal London Sterling Extra Yield Bond Fund	1.2
Legal & General Group	1.7	N/A	
<b>Overseas equities</b>		<b>Specialist assets</b>	
CIM Dividend Income Fund	4.0	Hipgnosis Songs Fund	2.4
Samarang Asian Prosperity Fund	3.1	International Public Partnerships	2.4
HMG Global Emerging Markets Equity Fund	3.0	Merian Chrysalis Investment Company	2.3
Morant Wright Fuji Yield Fund	2.5	Fair Oaks Income	2.1
Liontrust European Enhanced Income Fund	2.2	Sequoia Economic Infrastructure Income Fund	2.1

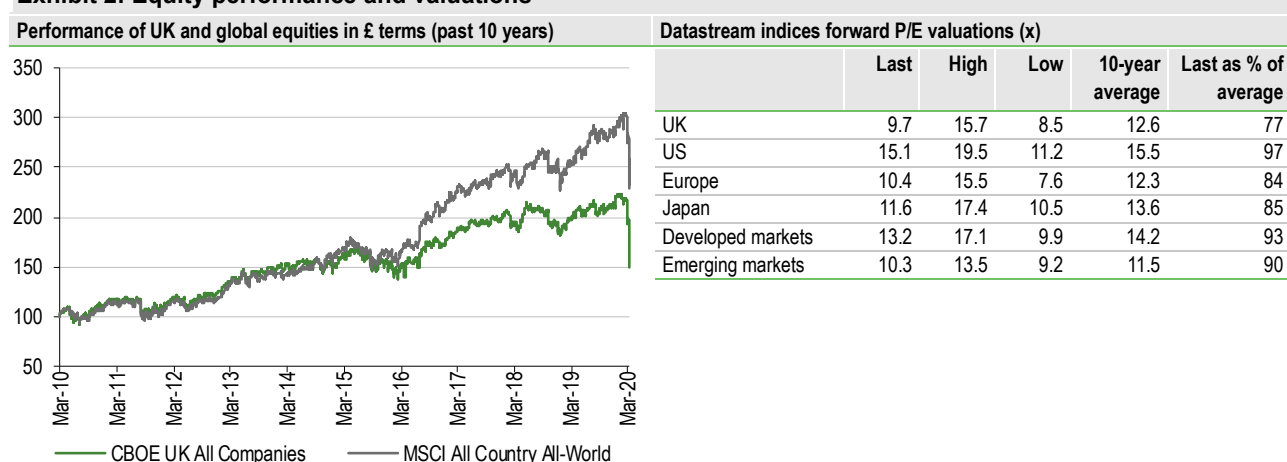
Source: SIGT, Edison Investment Research, Morningstar

## Market outlook: Volatility creating value opportunities

Global stock markets are currently under significant pressure due to the coronavirus outbreak and concerns about its impact on global growth (Exhibit 2, left-hand side). At the time of writing, the dominant US market (c 56% of the MSCI AC World Index) is down 29.5% from its 19 February 2020 peak, while the UK market is down 31.5% since then. Although share price volatility could continue for some time as investors try to figure out realistic levels of corporate earnings growth, current market weakness could provide opportunities for those with a longer-term perspective.

Looking at valuations (Exhibit 2, right-hand side), because of the Brexit overhang, UK stocks appear particularly inexpensive. On a forward P/E basis, they are trading at the lowest multiple of the developed markets shown, and at a 23% discount to their 10-year average. Companies with domestic operations are particularly out of favour and could benefit from an element of 'catch-up' once there is more clarity surrounding the UK's future relationship with the EU.

**Exhibit 2: Equity performance and valuations**



Source: Refinitiv, Edison Investment Research. Note: Data at 16 March 2020.

## Fund profile: Multi-asset value investing

Founded as the Taverners Trust and initially managed by Aberdeen Asset Management, the trust became the Midas Income & Growth Trust in August 2005. In January 2012, the board made a number of changes with a view to improving the trust's future total returns including rebasing the dividend to what was deemed a sustainable level and changing the benchmark from an absolute return of 8% per year to three-month Libor +3%. In March 2014, the fund's investment manager was purchased by Seneca Asset Managers. The fund management business was renamed [Seneca Investment Managers](#) (SIML) and the trust itself was renamed Seneca Global Income & Growth Trust (SIGT), highlighting its diverse mandate.

SIML is a value-based, multi-asset specialist; it employs a transparent investment process and SIGT's holdings are straightforward to understand. The multi-asset strategy aims to provide reasonable returns over the medium to long term, while generating lower volatility of returns versus an equity-only fund. Since July 2017, SIGT's performance is benchmarked against CPI +6% pa, which it aims to outperform over the course of a typical investment cycle. This is defined as a five- to 10-year period, in which returns from various asset classes are generally in line with their very long-term averages. SIML believes that SIGT's investment objective can be achieved using a combination of strategic asset allocation (SAA), tactical asset allocation (TAA) and investing in undervalued assets, while employing a modest level of gearing. The trust has a progressive dividend policy, targeting an annual increase at least in line with UK CPI inflation.

The different asset classes within SIGT's portfolio are UK equities (primarily direct investments), overseas equities (funds), fixed income securities (direct or funds), specialist assets (funds – infrastructure, specialist financial, property and private equity), and cash/managed liquidity/physical gold/gold miners. In order to mitigate risk, SIGT has a series of investment guidelines in place: at the time of purchase, up to 7.5% of gross assets may be held in any individual direct equity or fixed income investment, and up to 10% in any collective vehicle; a maximum 7.5% of gross assets may be invested in unquoted securities; and up to 25% of gross assets may be held in cash and equivalents. Gearing of up to 25% of NAV is permitted at the time of drawdown; at end-February 2020, SIGT had a 0.6% net liquid position.

SIML's investment team has four fund managers, all of whom have individual research responsibilities:

- Mark Wright (UK equities);
- Gary Moglione (developed markets overseas equities/fixed income and specialist financial assets);
- Tom Delic (emerging markets overseas equities/fixed income); and
- Richard Parfect (specialist assets, excluding specialist financials).

Moglione and Parfect also have portfolio oversight responsibilities, which involve decision implementation and cash and cash flow management; however, they only have limited discretion to deviate from the target portfolio that is agreed by the whole team.

## **The fund managers: Seneca team**

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### **The manager's view: 'Keep calm and carry on'**

Moglione says that while it is difficult to comment on the macro backdrop when markets are being heavily influenced by the coronavirus outbreak, he believes that there will be a significant negative impact on global supply chains, and multiple profit warnings from companies across a range of sectors. However, the manager reiterates that SIGT focuses on the long term, and the short-term market sell-off may be providing interesting investment opportunities. He says he will not panic and sell positions at depressed valuations into a falling market; instead he has been incrementally adding to SIGT's holdings that the team considers have become oversold.

While historically, disease epidemics have led to sharp shocks in the market, Moglione says in 11 of the last 12 incidences, stocks had rallied within the subsequent six months. However, he does acknowledge the impact of increased globalisation in the spread of COVID-19, which may mean this disease has more serious implications for economic growth than prior outbreaks. Despite this, the manager believes that markets will eventually recover.

Moglione highlights that SIGT's UK equity exposure is domestically focused and should respond positively to any good news surrounding Brexit. In the two days following the Conservative victory at the December 2019 general election, the broad UK market rallied by 5.4%, while SIGT's UK portfolio rose by 11.0% on hopes of progress towards leaving the European Union. However, the manager says following an initial period of euphoria, UK stocks fell the following week as a hard end-2020 Brexit transition deadline was announced. Moglione expects Brexit-induced volatility in the UK market until the end of the year, commenting that if a deal is done, domestic stocks should perform relatively well; he notes that until the situation is resolved and valuations normalise, he is happy to collect a steady stream of dividends from SIGT's UK equity holdings.

The manager explains that value stocks are more cyclical than growth stocks and have been hurt more in the recent stock market sell-off. Central banks are reducing interest rates, which is beneficial for the performance of long-duration assets, suggesting high-quality growth stocks may continue to outperform. Moglione says there was a promising sign of a return to value-led stock market leadership in Q419, but he believes the coronavirus will exacerbate the divergence in

performance between quality and value stocks. However, when there is an environment of rising bond yields, the manager suggests that 'value stocks could move up quickly'.

## Asset allocation

### Investment process: Seeking undervalued assets

SIGT's investment team seeks undervalued opportunities across a range of asset classes, aiming to generate aggregate total returns in excess of CPI +6% pa over the course of a typical investment cycle. As the trust's income is derived from a wide range of sources, there is a good degree of certainty regarding the ability to generate a robust and growing revenue stream.

The team employs a long-term strategic asset allocation (SAA) between UK equities, overseas equities, fixed income and specialist assets (including property), on the assumption that future long-term returns of individual asset classes will be comparable to their historical long-term returns. There is also a shorter-term tactical asset allocation (TAA); this differs from the SAA according to which assets offer the best value and future return prospects given the stage of the investment cycle (expansion, peak, recession or recovery). In order to determine the stage of the cycle, the managers assess economic indicators such as yield curves, inflation and unemployment.

- UK equities – these are primarily direct investments, with a focus on mid-cap companies. The manager seeks businesses with growing cash flows and dividends. Smaller companies have superior growth potential and have outperformed large-cap firms in recent decades; they can be under-researched and therefore mispriced in the market.
- Overseas equities – these are funds run by benchmark-agnostic, niche managers, whose portfolios have a high active share.
- Fixed income – investments are currently all in funds, with a focus on capital preservation as well as yield. SIML seeks active managers who avoid defaults.
- Specialist assets – SIGT invests in funds in this heterogeneous asset class providing exposure to real assets. There is a focus on security of income, and asset and terminal values. These securities offer the potential to reduce portfolio volatility while enhancing returns.

SIML employs a team-based investment approach and all portfolio changes are agreed before implementation, which acts as an effective risk control. Any variances between actual portfolio exposures and their target weightings are closely monitored.

### Current portfolio positioning

<b>Exhibit 3: Asset allocation ranges, long-term core SAA and target TAA</b>				
%	Asset allocation range	SAA	TAA end-February 2020	
UK equities	15–60	35	30.6	
Overseas equities	10–40	25	20.0	
<b>Total equities</b>	<b>25–85</b>	<b>60</b>	<b>50.6</b>	
Fixed income	0–40	15	13.0	
Specialist assets	0–50	25	27.4	
Cash/managed liquidity/physical gold/gold miners	0–10	0	9.0	
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100.0</b>	
Source: Seneca Global Income & Growth Trust				

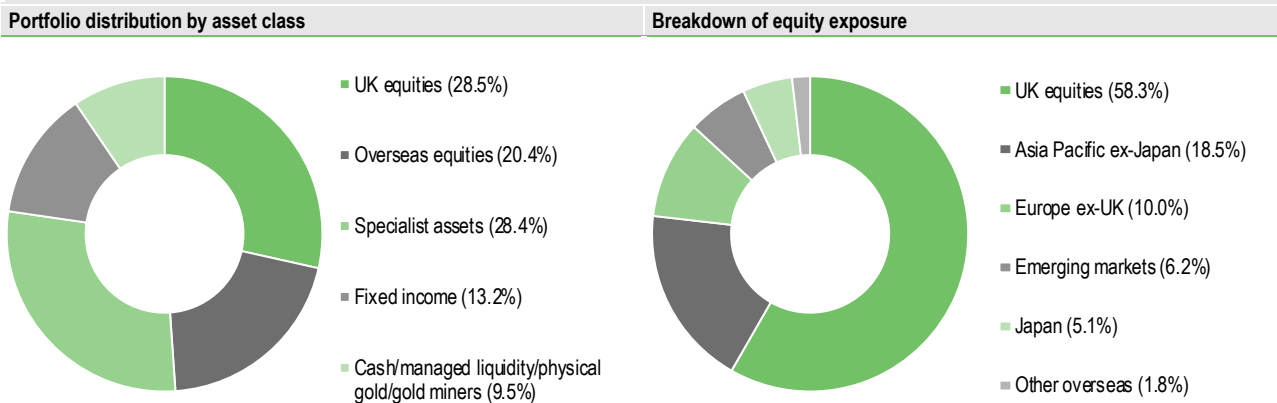
SIGT's SAA and TAA at end-February 2020 are shown in Exhibit 3. The fund was tactically underweight equities (-4.4pp UK and -5.0pp overseas, with no US exposure), underweight fixed income (-2.0pp, with no exposure to safe-haven government debt), overweight specialist assets (+2.4pp), and overweight cash, managed liquidity, physical gold and gold miners (+9.0pp).

There have been modest TAA changes in recent months – towards the end of 2019, there was a 1.0% increase to UK equities, and in January 2020, a 1.0% increase to cash, managed liquidity, physical gold and gold miners (the Investec Global Gold Fund) versus a 2.0% TAA decrease to the

Royal London Cash Plus Fund. SIGT's gold exposure is now c 6.5% of the portfolio, which has been beneficial to the trust's performance during the recent stock market weakness.

While SIGT has had no exposure to US equities since August 2017, Moglione says this position is under consideration. He argues that although there are many expensive technology and growth stocks in the country, the median valuation of US stocks is 'not that expensive'. The manager has been researching value-focused niche funds in the US; he favours those with a small amount of assets under management, as he believes this offers a broader opportunity set.

#### Exhibit 4: Portfolio distribution as at 29 February 2020



Source: Seneca Global Income & Growth Trust, Edison Investment Research. Note: Numbers subject to rounding.

The trust's actual portfolio breakdown at end-February 2020 is shown in Exhibit 4; it was split c 49:51 between equity and non-equity investments. Specialist assets exposure comprised c 6% infrastructure, c 12% specialist financial, c 6% property, and c 4% private equity. The 9.5% most liquid part of the fund was split broadly two-thirds physical gold/gold miners and one-third cash.

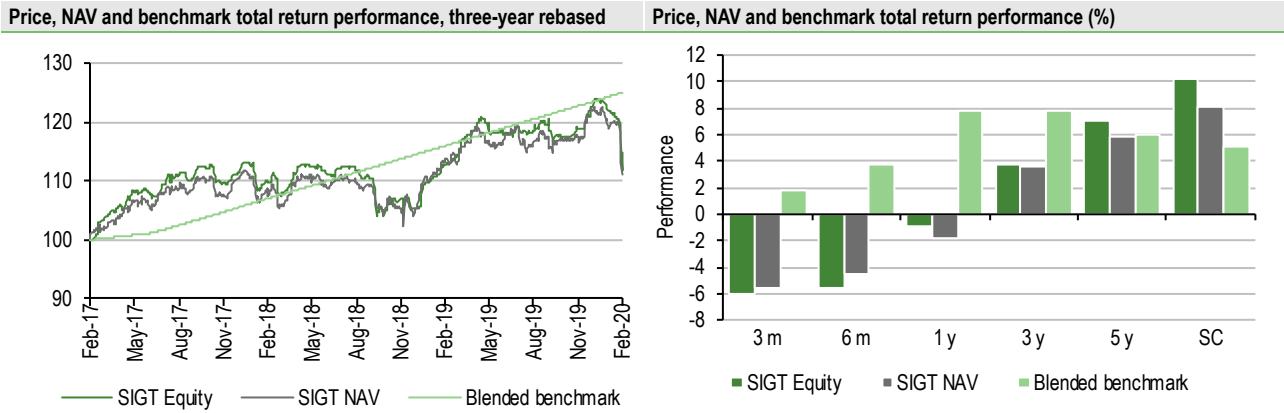
Moglione highlights the important portfolio changes over the last few months. Within UK equities, Polypipe was sold on valuation grounds, while the remaining holding in AJ Bell was divested. Within specialist assets, Assura and Primary Health Properties (both invested in GP surgeries) were sold as they were trading at significant premiums to NAV, while there is a new position in LXI REIT. This fund has a modestly higher commercial risk than the two funds that were sold; its tenants include Travelodge and supermarkets ALDI and LIDL on long 20-year leases. However, the manager believes that LXI offers an attractive risk/reward profile. There is also a new position in specialist healthcare fund Syncona, which the SIGT team has been monitoring for a number of years. The company invests in early-stage companies through to their listing. It is cash rich having sold two of its investments, Blue Earth Diagnostics and Nightstar, and has a strong performance track record. Moglione explains that Syncona's investments are conservatively valued (mostly at book cost), so he believes there is latent value that can be unlocked in the future. While the fund trades at a premium, the manager likes the diversification benefits that the holding brings to SIGT's portfolio, as it has different performance drivers from the other positions.

## Performance: Outperformance since mandate change

In H120 (ending 31 October 2019), SIGT's NAV and share price total returns of -1.6% and -0.8%, respectively, were behind the benchmark's +3.7% total return. The largest positive contributors to absolute NAV performance in H120 were Arrow Global Group (+0.45pp) and Investec Global Gold Fund (+0.45pp), while the largest detractors were Kier Group (-1.21pp) and Woodford Patient Capital Trust (-0.94pp). Over the period, SIGT's annualised volatility was 6.2% compared with 11.4% for the broad UK market.

Over the longer term, data from SIML show that since the change in mandate (January 2012) to end-February 2020, the trust's volatility of returns is 8.4% pa, versus an average 11.8% pa for the AIC Flexible Investment sector and 13.2% pa for the broad UK market.

**Exhibit 5: Investment trust performance to end-February 2020**



Source: Refinitiv, Edison Investment Research. Note: Since change of mandate (SC) is from 18 January 2012. Blended benchmark is three-month Labor +3% to 6 July 2017, and CPI +6% thereafter. Performance figures for periods of more than one year are annualised.

As shown in Exhibit 6, while not unexpected given its inflation-linked benchmark, SIGT's relative returns have suffered in recent months in a falling market, which has negatively affected its longer-term track record. The trust retains its significant outperformance versus the blended benchmark in both NAV and share price terms since the change in mandate in 2012. However, its NAV is now modestly behind over five years, and is lagging over the last one and three years.

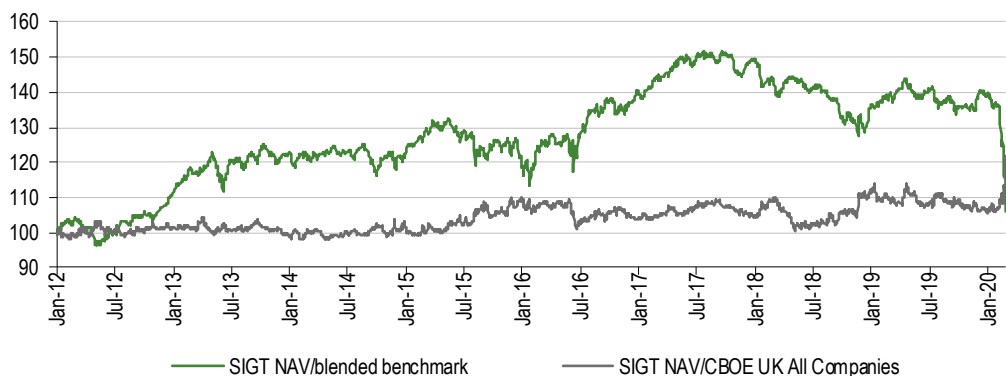
SIGT continues to outperform the broad UK market; it is ahead over all periods shown, particularly over the last three and five years and since the change in mandate.

**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 blended benchmark	(7.7)	(8.9)	(8.2)	(10.5)	4.8	46.5
NAV relative to blended benchmark	(7.3)	(8.0)	(8.9)	(11.1)	(0.9)	25.9
Price relative to CBOE UK All Companies	3.9	0.2	1.2	7.7	18.3	29.6
NAV relative to CBOE UK All Companies	4.4	1.2	0.4	7.0	11.8	11.4
Price relative to MSCI AC All-World	(1.4)	(2.2)	(9.0)	(7.7)	(13.8)	(10.6)
NAV relative to MSCI AC All-World	(1.0)	(1.3)	(9.7)	(8.3)	(18.5)	(23.2)

Source: Refinitiv, Edison Investment Research. Note: Data to end-February 2020. Geometric calculation. Since change of mandate is from 18 January 2012. Blended benchmark is three-month Labor +3% to 6 July 2017, and CPI +6% thereafter.

**Exhibit 7: SIGT NAV total return vs blended benchmark and CBOE UK All Companies Index total returns since change of mandate\* to 16 March 2020, rebased**



Source: Refinitiv, Edison Investment Research. Note: \*Change of mandate on 18 January 2012.

As shown in Exhibit 7, which illustrates SIGT's more up to date performance, this month has proved to be a torrid time for investors. From the end of February to 16 March 2020, while the trust has underperformed its benchmark by 15.6pp, it has outperformed the broad UK market by 9.6pp.

## Valuation: Regularly trading at a premium

SIGT is currently trading at a 0.8% premium to cum-income NAV, which compares with a range of a 4.1% premium to a 1.2% discount over the last 12 months. Over the last one, three and five years, SIGT's premium has averaged 0.8%, 0.9% and 0.0% respectively.

Renewed annually, SIGT has authority to buy back up to 14.99% and issue up to 30% of its outstanding shares. The trust employs a discount control mechanism (DCM), which is used actively, both to repurchase shares when they are trading at a small discount and to issue them when they are trading at a small premium, thereby increasing liquidity and ensuring SIGT's shares trade close to NAV. Since the DCM programme was introduced on 1 August 2016, 4.6m shares have been repurchased, at a cost of c £7.5m, while 13.7m shares have been issued, raising c £24.0m; in aggregate, the share base has increased by 22.9%.

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



Source: Refinitiv, 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 49.0m ordinary shares outstanding, with a further 0.6m held in treasury. It has a £14m three-year rolling credit facility with the Royal Bank of Scotland, at a rate of Libor +1.1%; only £7m is drawn, while the balance is available to assist with the DCM if required. The manager can employ gearing up to 25% of NAV; at end-February 2020, it had a 0.6% net liquid position.

SIML is paid an annual management fee of 0.90% of SIGT's market cap up to £50m, and 0.65% above £50m, allocated 50:50 between the capital and revenue accounts. The trust's ongoing charges in FY19 were 1.47% (FY18: 1.45%).

SIGT's historical annual continuation vote was removed at the July 2018 AGM, with significant support from shareholders.

## Dividend policy and record

So far in FY20, SIGT has declared three interim dividends of 1.68p per share. In the absence of unforeseen circumstances, the board intends to pay at least this amount for the fourth interim dividend, which would equate to a total distribution of 6.72p per share (an increase of 1.8% year-on-year and a yield of 4.5%). The trust pays regular dividends in September, December, March and June, with first three historically being equal, and the fourth acting as an indicator for the first three in the following financial year.



The 6.60p per share FY19 annual dividend was 3.4% higher year-on-year and was 1.1x covered by revenue income. The increase was comfortably above the UK CPI of 2.1% over the period, and represented the sixth consecutive year of above-inflation dividend growth. At end-H120, SIGT had c £2.2m of revenue reserves, which is equivalent to around 0.7x the FY19 annual dividend.

## Peer group comparison

SIGT is a member of the AIC Flexible Investment sector; in Exhibit 9, we highlight the 17 funds in the group with a market cap greater than £45m and a track record of more than three years. While they follow a wide variety of mandates, a comparison does have some merit. SIGT's NAV total returns are below average over the periods shown, ranking 16th over one year, 16th over three years and 12th over five years, although its returns have been less volatile than the average of its peers and the broad UK market (see page 7). Despite the recent stock market sell-off, the trust has retained its rating; SIGT is one of the four funds that are currently trading at a premium. Its ongoing charge is modestly below average and the trust is currently ungeared. SIGT offers the fifth-highest dividend yield at 5.3%, which is 2.3pp higher than the selected peer group average.

**Exhibit 9: Selected AIC Flexible Investment sector peer group at 16 March 2020\***

% unless stated	Market cap £m	NAV TR 1-year	NAV TR 3-year	NAV TR 5-year	Premium/discount	Ongoing charge	Net gearing	Dividend yield
Seneca Global Income & Growth Trust	62.8	(16.6)	(7.8)	12.4	2.3	1.5	100	5.3
Aberdeen Diversified Income & Growth	294.3	(0.0)	2.8	0.4	(15.9)	0.6	115	5.8
BMO Managed Portfolio Growth	63.2	(9.7)	2.4	23.4	4.5	1.0	100	0.0
BMO Managed Portfolio Income	48.2	(11.0)	(5.4)	9.7	2.8	1.1	100	5.8
Caledonia Investments	1,360.0	6.5	18.1	44.3	(31.5)	0.9	100	2.4
Capital Gearing	460.4	2.9	9.2	29.4	(1.8)	0.7	100	0.6
Hansa Trust 'A'	168.3	(13.7)	(2.9)	10.9	(40.3)	0.6	100	1.6
Henderson Alternative Strategies Trust	96.7	(8.7)	(4.8)	13.1	(16.5)	0.9	100	2.0
JZ Capital Partners	164.2	(36.7)	(40.3)	(28.0)	(55.7)	3.2	104	0.0
Livermore Investments	59.8	9.0	21.9	90.9	(57.2)	6.6	100	9.7
Miton Global Opportunities	63.2	(14.2)	(5.8)	26.8	(2.0)	1.4	100	0.0
New Star Investment Trust	68.9	3.0	10.9	40.2	(38.1)	0.9	100	1.4
Personal Assets	1,105.0	4.4	5.7	26.0	(0.5)	0.9	100	1.4
RIT Capital Partners	2,625.6	4.2	11.7	36.0	(13.3)	0.7	111	0.0
Ruffer Investment Company	414.0	5.3	1.3	10.6	0.7	1.1	100	0.8
Tetragon Financial	668.4	17.7	35.2	99.5	(64.1)	2.1	100	8.3
UIL	125.5	(10.3)	9.5	103.2	(49.2)	2.1	177	5.1
<b>Simple average (17 funds)</b>	<b>461.7</b>	<b>(4.0)</b>	<b>3.6</b>	<b>32.3</b>	<b>(22.1)</b>	<b>1.6</b>	<b>106</b>	<b>3.0</b>
<b>SIGT rank in peer group (17 funds)</b>	<b>15</b>	<b>16</b>	<b>16</b>	<b>12</b>	<b>5</b>	<b>5</b>	<b>6</b>	<b>5</b>

Source: Morningstar, Edison Investment Research. Note: \*Performance to 13 March 2020 based on ex-par NAVs. TR = total return. Net gearing is total assets less cash and equivalents as a percentage of net assets.

## The board

Following the retirement of Ian Davis in 2019, SIGT's board currently has three directors, all of whom are non-executive and independent of the manager. Richard Ramsay joined the board on 2 April 2013, and assumed the role of chairman on 3 September 2013. James McCulloch was appointed on 2 January 2015, and Sue Inglis on 1 March 2019.

On 6 March 2020, SIGT announced the appointment of a fourth non-executive director. Anne Gilding will join the board on 15 June 2020 to coincide with the expected date of the publication of SIGT's FY20 annual results. She has a background in marketing and communications, including previous roles at Impax Asset Management Group, BMO (formerly F&C), GAM, Vernalis Group and UBS. Gilding is currently a senior advisor to Peregrine Communications and a non-executive director of Aberdeen New Thai Investment Trust.

## Glossary

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### **CPI**

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

### **Discount control mechanism (DCM)**

A 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 (SAA)**

SAA can be thought of as the broad allocation to each asset class that would be required to help achieve the investment performance objective over time. For example, a simple multi-asset fund might have an SAA 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 (TAA)**

TAA is generally used in conjunction with SAA. TAA refers to decisions to deviate from time to time from SAA. 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.

**Typical investment cycle**

A typical investment cycle is defined as one in which various asset classes produce total real returns over the entire cycle that are broadly in line with their historical, and expected, long-term average real returns. The use of the term is in recognition of the likelihood there will be investment cycles, principally those during periods of higher inflation, when real returns from asset classes are lower than normal.

**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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