Edison investment research

15 March 2012

Midas Income & Growth Trust

12 months Ending	Total share price return* (%)	Total NAV return* (%)	Total return blended b'mark* (%)	Total return FTSE All-Share* (%)	Total return FTSE 350 Hi Yield* (%)
13/03/09	(36.5)	(34.2)	8.0	(32.1)	(31.1)
13/03/10	44.1	42.5	8.0	57.4	49.7
13/03/11	8.1	7.1	8.0	8.4	6.4
13/03/12	(3.7)	3.5	7.4	5.8	8.5

Note: *12 month rolling discrete performance. Blended Benchmark an absolute return of 8% per year until 18 January 2012 and 3-month LIBOR + 3% thereafter.

Investment summary: Low volatility income

Midas Income & Growth Trust (MIGT) has a multi-asset portfolio that has historically provided it with lower volatility in its returns than its global growth and income peers. An EGM in January approved adjustments to its investment objective, policy and benchmark designed to give the manager greater flexibility in managing the portfolio. In addition, the quarterly dividend is rebased to 1.3p, an annual continuation vote has been introduced and the fee structure has also been improved.

Investment strategy: Low volatility multi-asset portfolio

MIGT maintains a multi-asset portfolio that primarily comprises equities (UK and overseas) and fixed income securities. The portfolio also includes property assets, alternative assets and structured products with a view to taking advantage of opportunities in these sectors while reducing overall risk. It is managed using a predominantly top-down investment style supported by in-house analysis of individual stocks and funds. The manager varies the asset allocation around a long-term position for each asset class, with a view to adding value through a tactical asset allocation overlay. MIGT can gear up to 25% of net assets, although this would not ordinarily exceed 20%. Gross gearing is currently 15.1% and net gearing is 9.0%.

Sector outlook: Pockets of opportunity

The managers' top-down view of the global economy is quite cautious but they see pockets of opportunity and are positioning the portfolio accordingly. They strongly believe that rising inflation will lead to an erosion of monetary assets and, as such, the portfolio has been shifted towards equities and other assets that offer superior inflation protection.

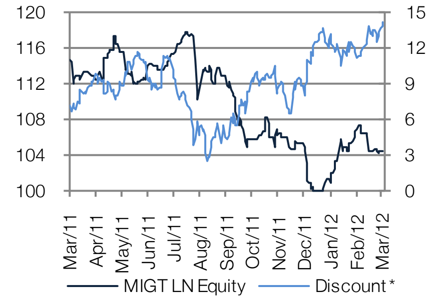
Valuation: Discount above long-term averages

The current ex-income discount of 14.0% is appreciably above its longer-term three- and five-year averages of 8.2% and 6.4% respectively. It is also above its average since the 2005 reorganisation, when Midas Capital/Alan Borrows took over MIGT's management, of 4.2%. Total return performance has tended to lag that of most its peers but the recent EGM saw proposals approved that are designed to address this and, even after the quarterly dividend is rebased to 1.3p, MIGT still has the highest yield amongst its peer group while providing investors with a low volatility return.

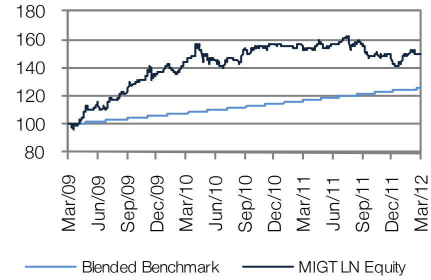
Price	104.75p
Market Cap	£41.8m
AUM	£55.8m
NAV	121.84p*
Discount to NAV	14.0%*
NAV	122.3p**
Discount to NAV	14.3%**
Yield	5.0%***

** Excluding income as at 13 March 2012.*
*** Including income as at 13 March 2012.*
**** 12 months forward yield. Based on a rebased quarterly dividend payment of 1.3p per quarter, or 5.2p, over the next 12 months.*

Share price/discount graph



3-year cumulative performance graph



Share details

Code	MIGT
Listing	FULL
AIC Sector	Global Growth & Income
Shares in issue	39.9m

Price

52 week	High	Low
Price	117.75p	100.00p
NAV*	129.42p	112.05p

**Excluding income*

Gross gearing	15.1%
Net gearing	9.0%

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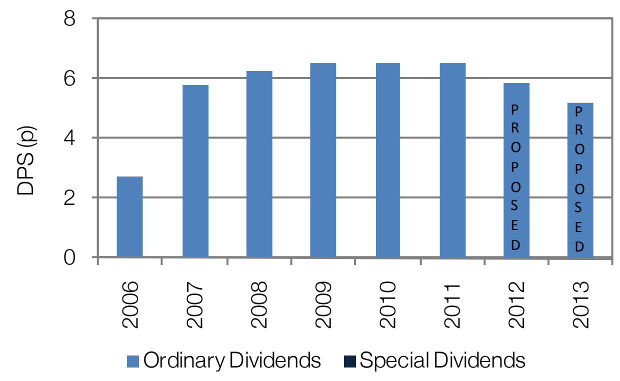
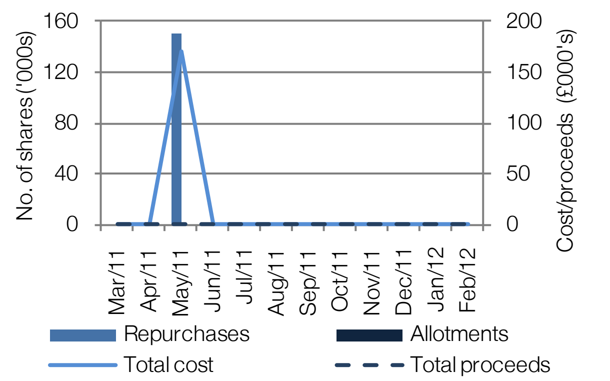
Exhibit 1: Trust at a glance

Investment objective and fund background	Developments last quarter
MIGT's investment objective is to outperform 3-month LIBOR plus 3.0%, over the longer term, with low volatility and the prospect of capital and income growth, through investment in a multi-asset portfolio. The asset classes included in the company's portfolio are UK and overseas equities, fixed interest securities, property, alternative assets and structured products.	18 January 2012: EGM – all resolutions passed. 21 December 2011: Release of interim report and proposals to 1) change investment objective, policy, benchmark; 2) reduce management fees; 3) rebase dividends; and 4)introduce annual continuation vote.

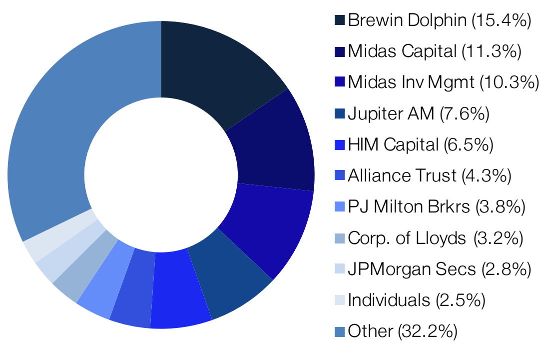
Forthcoming		Capital structure		Fund details	
AGM	September 2012	Total expense ratio	1.71%	Group	MAM Funds
Preliminary	June 2012	Net gearing	9.0%	Manager	Alan Borrows, Simon Callow
Year end	30 April	Annual mgmt fee	See pg 9	Address	Midas Capital, Martins Building, Water Street, Liverpool, L2 3SP
Dividend paid	Quarterly	Performance fee	None		
Launch date	April 1996	Trust life	Indefinite	Phone	0151 906 2461/2475
Wind-up date	See pg 10	Loan facilities	See pg 9	Website	www.mamfundsplc.com/migt

Dividend policy and history	Share buyback policy and history
Quarterly dividends paid in September, December, March and June. MIGT looks to progress the total annual dividend.	Renewed annually, the trust has authority to purchase up to 14.99%, and allot up to 10% of issued share capital.

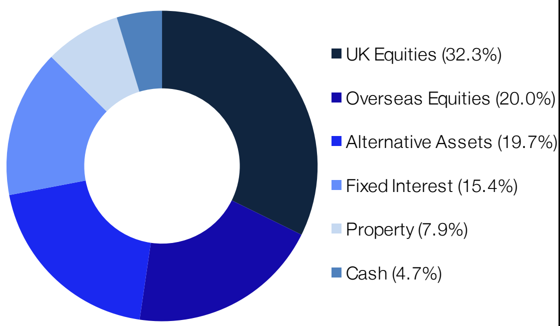




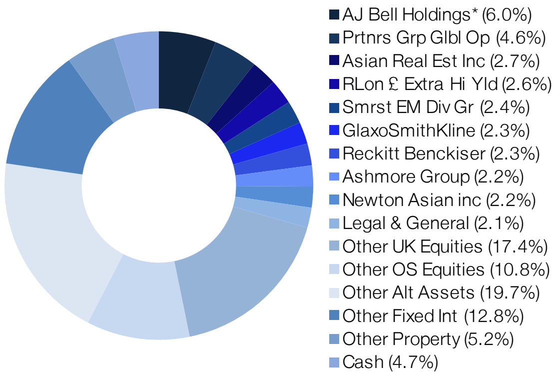
Shareholder base (as at 31 January 2012)



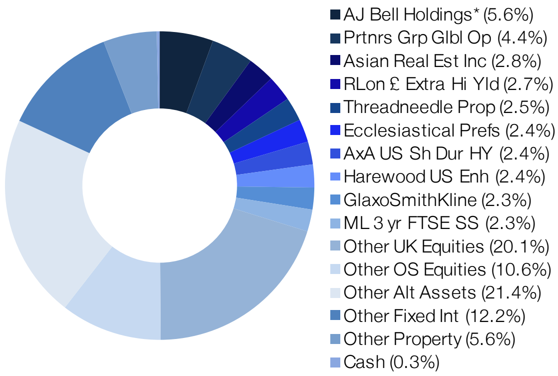
Geographic distribution of portfolio (as at 31 January 2012)



Portfolio composition (as at 31 January 2012)



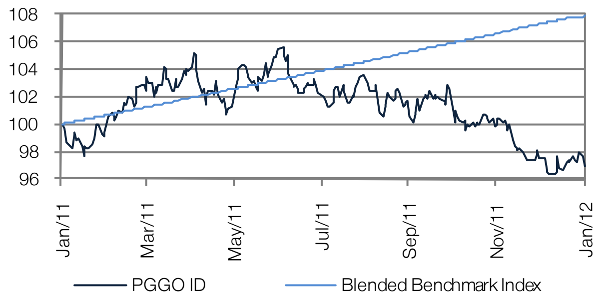
Portfolio composition (as at 31 July 2011)



Source: Midas Income & Growth Trust, Edison Investment Research; Note:* A J Bell is a private equity holding.

Exhibit 2: Top five quoted equity positions at a glance

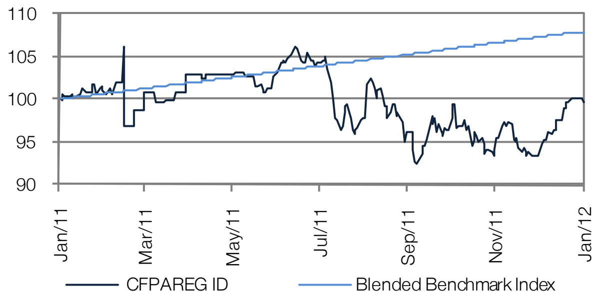
Partners Group Global Opportunities Limited | Code: PGGO ID | Market Cap: €312.0m



Div Yield (trailing 12 m'ths)	N/A
Industry/Sector	Global - Flexible Portfolio
Listing	Irish Stock Exchange
Website	www.pg-globalopportunities.net

Partners Group Global Opportunities (PGGO) is an open-ended investment company incorporated in Guernsey and listed on the Irish Stock Exchange. It invests in a broadly diversified portfolio of private market investments, including private equity and private debt, with a focus on direct investments (72% of the portfolio). In terms of geographic distribution, the US is 62% and Europe is 35% of the portfolio.

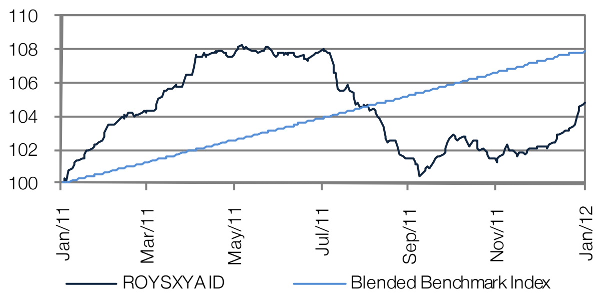
Asian Real Estate Income Fund | Code: CFPAREI ID | Market Cap: £79.9m



Div Yield (trailing 12 m'ths)	9.20%
Industry/Sector	Real Estate - Singapore
Listing	Irish Stock Exchange
Website	www.barclayscapital.com

The Asian Real Estate Income Fund's objective is to provide: 1) a return linked to a basket of 25 stocks from the Asian Real Estate Sector; and 2) a quarterly dividend payment. Its strategy is to: 1) notionally hold stocks that may pay dividends in the next quarter and may appreciate; 2) sell call options on each stock to receive premium income and enforce disciplined profit taking; and 3) buy put options on each stock as a stop loss mechanism.

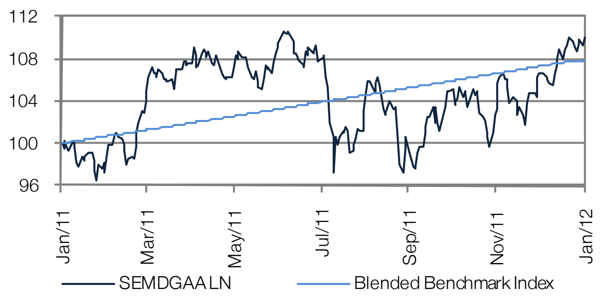
Royal London Sterling Extra Yield Bond Fund | Code: ROYSXYA ID | Market Cap: £579.1m



Div Yield (trailing 12 m'ths)	7.78%
Industry/Sector	UK Government/Corporate Debt`
Listing	Irish Stock Exchange
Website	www.rlam.co.uk

The Royal London Sterling Extra Yield Bond Fund's investment objective is to provide a high level of income. It pays a quarterly dividend and seeks to achieve a gross redemption yield of 1.25x that of the FTSE Actuaries British Government 15 year index. The fund invests in a broad range of fixed interest securities, including investment grade (typically A and BBB), sub-investment grade and unrated bonds.

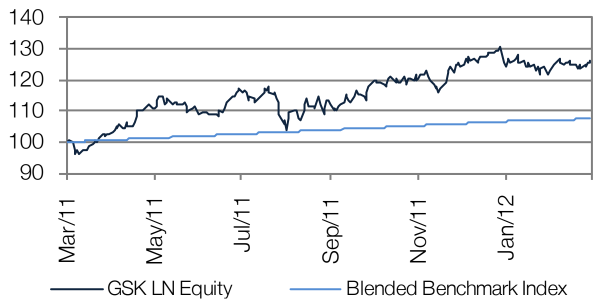
Somerset Emerging Markets Dividend Growth Fund | Code: SEMDGAA LN | Market Cap: £37.2m



Div Yield (trailing 12 m'ths)	3.54%
Industry/Sector	Emerging Market Equity
Listing	UK
Website	www.somersetcm.com

The Somerset Emerging Markets Dividend Growth Fund invests in companies whose dividend is both above the market average and which the manager considers can demonstrate prospects for long term growth. The fund maintains a 40-stock portfolio of conviction ideas. It is managed using a research-driven bottom-up investment process that is focused on long term quality and value.

GlaxoSmithKline | Code: GSK LN | Market Cap: £71,713.8m



Div Yield (trailing 12 m'ths)	5.86%
Industry/Sector	Pharmaceuticals & Tech./Pharma
Listing	UK - FULL
Website	www.gsk.com

Headquartered in the UK, GlaxoSmithKline (GSK) is a global healthcare company engaged in the discovery, development, manufacture and marketing of pharmaceutical products, including vaccines, over-the-counter (OTC) medicines and health-related consumer products. The manager considers that GSK is well managed, very cash generative, pays a good yield and is taking the steps necessary to refill its product pipeline.

Source: Thomson Datastream, Edison Investment Research

Fund profile: Low volatility income trust

Launched in April 1996 as the Taverners Trust, MIGT's original investment mandate was to achieve above-average capital growth, mainly through investment in the equity of companies in the restaurants, pubs and breweries sector. However, following shareholder approval in August 2005, MIGT underwent a reorganisation that saw: 1) the investment objective changed to seeking to achieve an absolute return with low volatility through investment in a multi-asset portfolio with the aim of achieving both income and capital returns; 2) Midas Capital Partners appointed as manager, with Alan Borrows assuming responsibility for day-to-day management of the portfolio; 3) the benchmark changed to achieving an absolute return of 8% per year; 4) a policy of quarterly dividend payments introduced; 5) an active discount management policy introduced; and 6) the current name adopted. It should be noted that MIGT's multi-asset approach is unique within UK growth and income where its peers overwhelmingly focus on equities. Alan Borrows has been supported by Simon Callow in managing MIGT's portfolio since October 2008.

Strategy review and policy changes

As illustrated in Exhibits 1 and 8, MIGT has maintained its dividend at 6.52p per year (1.63p per quarter) for the years ended 30 April 2009, 2010 and 2011. This reflects the importance that the board considers MIGT's shareholder base, which has a strong albeit diverse institutional presence, places on MIGT's dividend. As illustrated in Exhibit 8, maintaining the 2010 and 2011 required MIGT to draw on its revenue reserves, which have fallen from 2.45p per share in 2009 to 0.37p per share in 2011 (figures as at 30 April and adjusted for final quarterly dividend payment, which occurs after the year end). The board reports that revenue reserves have improved during the current year but, given the current economic environment, they consider that growth in MIGT's dividend from the 6.52p level is unlikely for a number of years. Moreover the board has stated that, in its view, the constraints imposed on the manager by the requirement to provide for the high dividend were becoming detrimental to shareholders' total return over the longer term. These conditions precipitated a review of MIGT's strategy for its longer-term sustainability. This in turn led to the following changes being approved at an EGM on 18 January 2012:

1) Investment objective, investment policy and benchmark

MIGT's investment objective was changed from "seeking to achieve an absolute return with low volatility through investment in a multi-asset portfolio with the aim of achieving both income and capital returns, with company's performance measured against an absolute return benchmark of 8% per annum" to "seeking to outperform 3 month LIBOR plus 3%, over the long term, with low volatility and the prospect of capital and income growth, through investment in a multi-asset portfolio". The directors intend to measure the company's performance based on rolling three-year periods. As such from 18 January 2012 the company's benchmark is 3 month LIBOR plus 3%.

Changes to the investment policy include increasing the core allocation of overseas equities from 15% to 25% and, to accommodate this, a reduction in the fixed income allocation from 25% to 15%. The view is that with growth potentially constrained in the UK, and with lower yields prevailing in fixed income, this policy shift will allow MIGT greater access overseas, including developing markets, where growth prospects are considered to be superior. In tandem, the investment ranges for the other asset classes have also been broadened to increase the manager's flexibility in making investment decisions while retaining an emphasis on low volatility – see Exhibit 10.

2) Dividend rebased to 1.3p per quarter

Reflecting the board's view that dividend growth from the previous level was unlikely for several years, the quarterly dividend has been rebased to 1.3p per quarter or 5.2p a year (previously 1.63p per quarter or 6.52p a year). This now applies to the third and fourth dividend for the year ended 30 April 2012 but the board expects that, with the changes to MIGT's investment policy, detailed above, it will be able to apply a progressive dividend policy from the fourth quarter of the year ended 30 April 2013.

3) Introduction of an annual continuation vote

Previously MIGT was required to offer shareholders a continuation vote every five years, with the next vote due at the 2016 AGM. From the 2013 AGM, by way of an ordinary resolution, shareholders will be given a vote annually on whether MIGT will continue as an investment trust.

4) Improved management fee structure

Before 1 January 2012, the manager was entitled to a management fee of 1.0% of net assets per year and a performance fee of 10% of any out performance of the company's net asset value against the company's benchmark of 8% per year subject to a high watermark. The management agreement caps the total expense ratio at 3%. Under the new structure the management fee will be calculated with reference to MIGT's market capitalisation, rather than the typically higher net asset value. The fee is calculated at a lower rate of 0.9% (of market capitalisation) and the performance fee has been scrapped.

The investment changes have required portfolio adjustments. The manager expects these will be completed by the end of March 2012. Portfolio turnover is typically between 40% and 50% per year but is expected to be c 20% higher this year due to these changes.

The fund managers: Alan Borrows and Simon Callow

Manager's view

Despite recent progress, European sovereign debt issues remain unresolved and deleveraging, both consumer and corporate, is creating headwinds to economic growth in western economies. With austerity measures biting, western economies will continue to experience low growth, particularly as banks continue to deleverage and look to recapitalise. Given the level of quantitative easing that continues to take place the prospect of an uptick in inflation remains a real issue. The manager expects there will be a significant uptick in inflation in the UK and elsewhere and that the UK is likely to lose its AAA credit rating next year. This, combined with the general state of the economy, will constrain the ability to raise interest rates to dampen inflation which, in turn, will lead to an erosion of monetary assets. As such, the manager is looking to gain exposure to 'real assets' and is shifting the focus away from fixed interest assets to equities, which frequently offer superior inflation protection. In particular, the manager is avoiding gilts as yields are very low and he does not consider they can really be considered as 'risk-free'. The manager is also avoiding longer-dated bonds as they generally have inferior inflation protection. This is not to say that the fixed interest space is devoid of opportunities. The manager considers that in the current climate of bank deleveraging and scarce credit, good opportunities are available in both the senior secured corporate loan market and the distressed debt market.

The manager also believes that equity valuations are selectively attractive but, in a low-growth credit-constrained environment, maintains a preference for financially strong, dividend paying companies. He also considers that dividends will be a major component of returns. The manager favours equities exposed to secular growth themes and particularly those exposed to the demographic trends of increased urbanisation, global consumerism and savings growth in the developing world. The manager agrees with the consensus that emerging economies will grow faster than developed economies and, while emerging economies are not expected to decouple from the developed world, they are believed to offer solid medium- and long-term growth prospects.

Asset allocation

Investment process: Top down strategic asset allocation

MIGT is managed using a predominantly top-down investment style supported by in-house analysis of individual stocks and funds. The manager varies the asset allocation, around a long-term position for each asset class, with a view to adding value through tactical asset allocation. The recent changes to investment policy changes have not altered the range of assets that MIGT can invest in but has led to changes in the core allocations as illustrated in Exhibit 4. The manager takes a long-term view with MIGT's holdings. The time horizon for investments is typically three to four years although the manager notes that increased volatility may precipitate a general lengthening of holding periods. In terms of UK equities, where growth is expected to be constrained, the manager is placing strong emphasis on cash-generative dividend paying companies with strong balance sheets. The manager is also looking for companies with exposure to secular growth themes such as growing emerging markets businesses.

MIGT does not make direct investments in overseas equities. Instead this is achieved by investing in funds where MIGT have identified what it considers to be good managers. The manager selection process, which applies across all of the funds irrespective of underlying asset class, has a number of qualitative elements. The team must feel comfortable that it can work with the underlying manager, it likes the manager's approach and agrees with its view of the world. Manager access is key and MIGT will typically look to meet underlying managers twice a year. In addition, funds must have a quality custodian and the MIGT team strongly prefers funds to be meet UCITS 3 criteria. Paradoxically, while MIGT considers fund performance this is not a primary screen, as it is frequently contrarian in its approach. Recent fund performance may have been poor, provided that there is a clearly identifiable reason why, and MIGT considers that the fund is well positioned to provide exposure to a key theme going forward.

In terms of the fixed interest allocation Midas has in house expertise and investment grade bonds are purchased directly. MIGT has exposure to non-investment grade bonds but once again this is obtained by investing in funds that have dedicated managers with the right experience. Historically MIGT's portfolio has contained a reasonable allocation to structured products but MIGT has been reducing these as it is not comfortable with the levels of counterparty risk in the current environment.

Exhibit 4: Core strategic portfolio allocations to asset classes

	Old core allocation (range)	New core allocation (range)	Change in core %
UK equities	35% (20-55%)	35% (15-60%)	-
Overseas equities	15% (10-25%)	25% (10-40%)	+10
Total equities	50% (30-80%)	60% (25-85%)	+10
Fixed interest	25% (15-45%)	15% (0-40%)	-10
Alternative assets & structured products	15% (10-25%)	15% (10-25%)	-
Property	10% (0-25%)	10% (0-25%)	-

Source: Midas Income & Growth Trust

Overview

As at 31 January 2012, MIGT had 64 investments. The top 10 holdings account for 29.4% of total assets while other UK equities, overseas equities, fixed income, alternative assets, property and cash account for 23.4%, 15.4%, 12.8%, 9.1%, 5.2% and 4.7% respectively. The manager does not have look-through data covering the entire portfolio, and so more expansive spectral and geographic data is not available, however, with its fund investments MIGT has a well diversified portfolio with exposure to c 3,000 underlying companies.

AJ Bell

MIGT's largest holding is in unquoted A J Bell, a provider of pension administration services in the UK. A J Bell offers online, low cost Self Invested Personal Pension (SIPP) services, together with offering third-party SIPP administration solutions. MIGT owns 1.64% of AJ Bell's stock, which represents 6.0% of MIGT's portfolio. The manager considers that A J Bell has a very attractive business model. It provides a strong income stream, has provided good earnings growth, is debt free and, on current valuations, offers a 4.2% yield. MIGT originally purchased the stock at 100p in August 2006. It is currently valued, based on a recent third-party transaction, at 500p. The board reviews the valuation twice yearly. At 6.0% of the portfolio, A J Bell represents a concentration risk and so the manager has been selling the position down but believes that full divestment is most likely to come through an IPO, or trade sale, although neither of these are on the horizon.

Current portfolio positioning

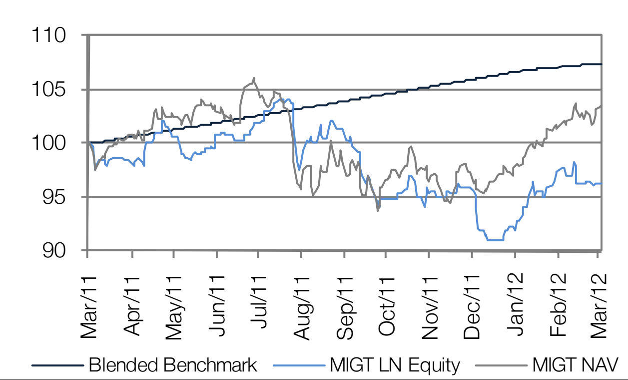
With its significant allocations to fixed income and property assets, MIGT's portfolio has been inherently more defensive in its positioning than its predominantly equity-focused peers. With the shift in investment policy, and a move towards an increased equity exposure, the portfolio may become relatively less defensive and experience greater return volatility. That said, MIGT can still retain a significant fixed income allocation and allocations to property and alternative assets that historically have not been strongly correlated with equities. As such, is expected to remain relatively defensive when compared to its peers.

Recent performance

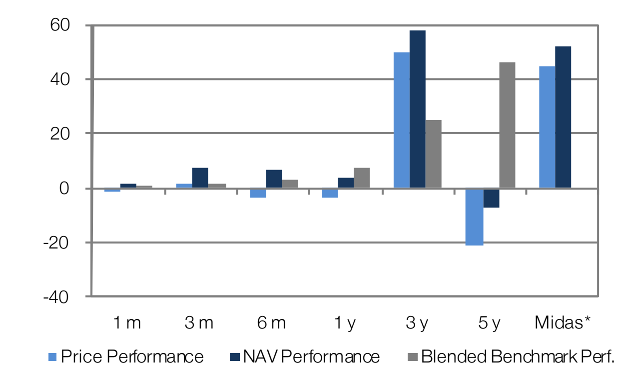
As Exhibits 5 and 6 illustrate, MIGT has underperformed the blended index, in terms of both price and NAV total return, over one year, five years and since Midas Capital Partners (now part of MAM Funds Plc) has managed the trust. In contrast, MIGT has outperformed the blended benchmark, in terms of price and NAV total return over the three-year period and, more recently, NAV performance against the blended benchmark has turned positive. This mixed performance must in part reflect the difficulty of a managing a portfolio to achieve a consistent 8% return during the last few years, which have been characterised by low yields in the fixed income space (a substantial component of MIGT's portfolio) as well as general market volatility. Looking forward we consider the new benchmark is more realistic for what should be achievable for the trust. In addition the manager and board are confident that the revised investment policy will, with less emphasis on providing a high level of revenue, give the manager the flexibility to improve total return performance over the longer term, although this maybe at the expense of short-term performance.

Exhibit 5: Investment trust performance

Price, NAV & benchmark total return performance 1 year rebased



Price, NAV & benchmark total return performance (%)



Source: Thomson Datastream, Edison Investment Research

Exhibit 6: Share price and NAV total return performance (sterling adjusted), relative to benchmarks

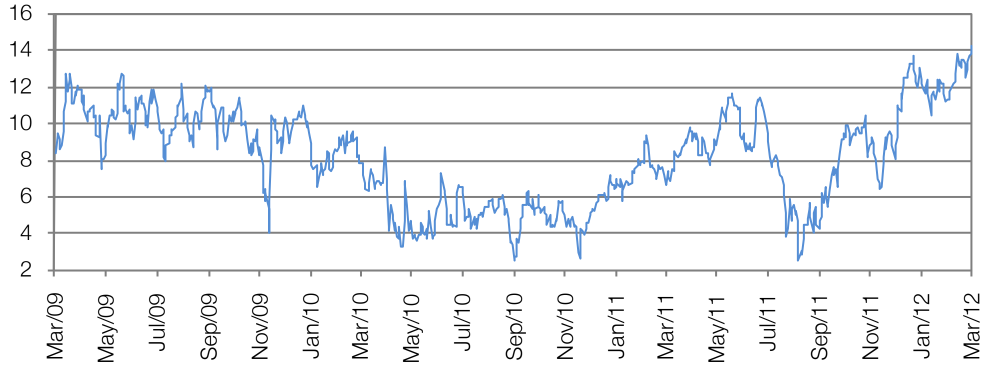
Note: *Midas measurement period is from 19 August 2005 when Midas Capital Partners (now part of MAM Funds Plc) were appointment as manager.

	1 month	3 months	6 months	1 year	3 years	5 years	Midas*
Price relative to Blended benchmark	(1.7)	(0.2)	(7.2)	(11.1)	24.9	(67.4)	(64.3)
NAV relative to Blended benchmark	1.3	5.8	3.3	(4.0)	32.7	(53.4)	(51.6)
Price relative to FTSE All-Share Index	(3.4)	(9.5)	(20.9)	(9.5)	(30.4)	(36.9)	(45.2)
NAV relative to FTSE All-Share Index	(0.4)	(3.5)	(10.4)	(2.3)	(22.6)	(22.9)	(32.4)
Price relative to FTSE 350 High Yield	(3.4)	(5.2)	(20.0)	(12.1)	(22.6)	(26.4)	(26.2)
NAV relative to FTSE 350 High Yield	(0.4)	0.7	(9.4)	(5.0)	(14.8)	(12.4)	(13.4)

Source: Midas Income & Growth Trust, Thomson Datastream, Edison Investment Research

Discount

Exhibit 7: Discount over three years



Source: Edison Investment Research

MIGT has an active share repurchase policy where under “normal” market conditions, the trust will look to repurchase shares if the discount exceeds 5%. The last three years have not been normal market conditions, so while using MIGT’s repurchase authority, the board has exercised caution and not used it aggressively. Repurchase activity during the last 12 months has been limited to one repurchase of 150k shares at a cost of £170k in May 2011. As Exhibit 7, which shows the discount over the last three years illustrates, MIGT experienced a period of general discount tightening, between May 2009 and May 2010. This was a reversal of the widening seen during the financial crisis at the end of 2008. The last 18 months have seen the discount widen to July 2011, tighten substantially to September 2011 and then widen again so that MIGT is now trading close to its three-year discount high. The current discount of 14.0% is above longer-term averages of 7.4%, 8.2% and 6.4% over two, three and five years, respectively. The discount is also above its average, since the 2005 reorganisation of 4.2%. It is noteworthy that, given the recent discount highs, both Adam Cooke and Ian Davis (non-exec directors) have taken the opportunity to purchase MIGT shares.

Capital structure

MIGT is a conventional investment trust, having only one class of share in issue – 25p ords. The trust is able to gear up to 25% of net assets, although the board ordinarily seeks to limit this to 20%, and it has a £7.0m rolling debt facility with the Royal Bank of Scotland for this purpose. As at 31 January 2012 the facility was fully drawn and MIGT had gross and net gearing of 15.1% and 9.0% respectively.

Fees

Between the 2005 reorganisation and 1 January 2012, the manager was entitled to a management fee calculated as 1.0% of net assets per year paid quarterly in arrears, and a performance fee of 10% of any out performance of the company’s net asset value against the company’s benchmark of 8% per year, from a base date of 14 February 2006. The performance fee, charged fully to the capital account, has been calculated annually and subject to a high watermark based on the higher of the total return above 8% per year and the previous highest NAV on which a performance fee was paid. No performance fee was accrued by the manager in any year from 2008 to 2011. In addition, the management agreement caps the total expense ratio at 3%. As part of the measures to reposition the trust, since 1 January 2012 the management fee is calculated with reference to market capitalisation rather than the typically higher net asset value. The fee is calculated at a lower rate of 0.9% (of market capitalisation) and the performance fee has been scrapped in its entirety. MIGT has an agreement with Aberdeen Asset Managers for the provision of company secretarial and administration services at a rate of £90,000 per year where the company's net asset value is less than £50m and £110,000 where the NAV exceeds £50m. The investment management and company secretarial agreements can be terminated, by either side, at 12 months' and three months' notice respectively. The total expense ratio (TER) was 1.71% for the year ended 31 April 2011 (1.70% for the year ended 31 January 2010). MIGT's TER has typically been higher than its peers, as illustrated in Exhibit 9, which arguably reflects the additional resources required to manage the multi asset portfolio. The board and manager expect that the new arrangements will bring MIGT more into line with its peers.

Life

The trust was launched in 1996 with an initial life of 15 years and continuation votes at five-yearly intervals thereafter. This would have seen a wind-up vote at the August 2011 AGM but the 2010 AGM saw directors released from the obligation to provide the 2011 wind up vote although the requirement to provide a continuation vote at five-yearly intervals was retained. As such, unless released from this obligation by the passing of an ordinary resolution at the previous years AGM, continuation votes were required every five years from the 2016 AGM. With a view to giving shareholders more frequent opportunities to determine the trust's future, the recent EGM saw a resolution passed whereby shareholders will now be given an annual continuation vote by way of ordinary resolution, at each AGM beginning 2013. In the event that a continuation vote does not pass the directors are required to bring forward proposals to liquidate, open-end or otherwise reconstruct the company to be voted on at a general meeting within 180 days. Providing shareholders greater opportunities to exit the trust, at valuations close to par, may lead to an improvement in the rating of the trusts shares.

Dividend policy and record

Dividends are paid quarterly. The first interim dividend is paid in September (2011: 1.63p), which has historically established the level for the second, third and fourth interims in December, March and June. For the year ending 30 April 2011 MIGT paid a total dividend for the year of 6.52p (6.52p in 2010 and 2009). Since the reorganisation in 2005, which saw the introduction of the quarterly dividend, MIGT has maintained or increased its dividend every year, as is illustrated in Exhibit 1. However, the year ended 30 April 2012 will be an exception to this trend. As illustrated in Exhibit 8, which details MIGT's revenue return and revenue reserve history, 2010 and 2011 dividends have been paid partly out of reserves. The board consider that, given the challenging economic environment coupled with current low yields on cash and gilts, dividend growth from the 6.52p level is unlikely for several years. As such, the proposals agreed at the January EGM included a provision to rebase the quarterly dividend to 1.3p per quarter (5.2p annually). This now applies to the third and fourth dividend for the year ended 30 April 2012 but the board expect that, with MIGT's new investment policy, they will be able to apply a progressive dividend policy from the fourth quarter of the year ended 30 April 2013. As illustrated in Exhibit 8, revenue return per share more than covers the rebased dividend of 5.2p from 2007 through 2011, ie the full years under which Midas Capital has managed MIGT.

Exhibit 8: Revenue return, dividend payment and revenue reserves per share

Note: *Investment policy change and the quarterly dividend was introduced part way through the 2006 year.

Year ended 30 April	2006*	2007	2008	2009	2010	2011
Revenue return pence per share	3.75	6.40	7.64	6.52	5.63	5.37
Total dividend payment pence per share	2.76	5.80	6.27	6.52	6.52	6.52
Revenue reserve pence per share, at year end, post final quarterly div.	0.22	0.26	2.02	2.45	1.57	0.37

Source: Midas Income & Growth Trust, Thomson Datastream, Edison Investment Research

In terms of expense allocation, transaction costs relating to the purchase and sale of investments and exchange gains/losses are charged to the capital account. Management fees and finance costs are charged on a 50:50 split to the revenue and capital accounts, while other costs are charged to the revenue account. This allocation reflects MIGT's investment mandate, which aims to provide both income and capital growth. While this offers capital less protection than if management fees and interest were charged predominantly or exclusively to the revenue account, it provides greater flexibility to smooth dividends.

Peer group comparison

As Exhibit 9 illustrates, the AIC global growth & income sector has nine constituents but it should be noted that MIGT differs substantially from the rest of its peers. In addition to its equity portfolios, MIGT has a substantial fixed income component as well its multi-asset approach, which includes property and other alternative assets. The peer group, by comparison, are focused overwhelmingly on equities. Within this peer group, MIGT ranks seventh over one and five years, and sixth over three years, when considering share price total return. In terms of dividend yield, MIGT ranks first, even after allowing for the drop in the quarterly dividend to 1.3p. As Exhibit 10 illustrates, MIGT has the lowest volatility of NAV daily returns and second lowest volatility of price daily returns when compared to its peers.

Exhibit 9: Global growth & income sector, as at 13 March 2012

Company	Share price total return on £100 1 year	3 year	5 year	Total Expense Ratio	(Disc)/ Prem	Net Gearing (100= no gearing)	5 Year Dividend Growth (%)	Div yield (%)
Sector average	112.3	190.3	156.4	0.78	2.7	115	7.7	4.0
Midas Income & Growth	96.3	152.4	79.9	1.73	(15.0)	110	0.2	5.6
British Assets	104.0	188.7	117.6	0.60	0.1	120	1.4	4.7
F&C Managed Portfolio Income	99.5	186.7	N/A	1.45	(3.8)	105	N/A	4.3
Henderson International Income	N/A	N/A	N/A	N/A	1.1	99	N/A	4.1
Invesco Perpetual Select Glbl Eqty Inc	93.6	146.1	115.8	1.13	(9.7)	99	34.3	3.4
London & St Lawrence	109.2	151.8	119.4	0.70	(10.7)	99	2.5	4.4
Murray International	115.4	185.9	190.5	0.74	4.7	114	12.0	3.7
Scottish American	105.2	221.7	118.6	0.92	6.5	127	2.8	4.0
Securities Trust of Scotland	121.0	207.1	113.8	0.70	1.7	106	(1.6)	3.8

Source: The Association of Investment Companies

Exhibit 10: Global growth & income volatility comparison, as at 13 March 2012

	Standard Deviation of NAV daily returns, over 1 year, annualised (%)	Standard Deviation of Price daily returns, over 1 year, annualised (%)
Midas Income & Growth	20.09	24.06
British Assets	15.01	13.20
F&C Managed Portfolio Income	15.73	12.71
Henderson International Income	18.35	15.48
Invesco Perpetual Select Glbl Eqty Inc	12.07	5.88
London & St Lawrence	10.04	8.98
Murray International	15.77	19.45
Scottish American	16.10	22.46
Securities Trust of Scotland	18.15	21.70

Source: Thomson Datastream, Edison Investment Research

The board

All directors are non-executive and independent of the manager. They are Hubert Reid (chairman), Ian Davis and Adam Cooke (directors). The average length of board member service is 10.0 years.

Edison Investment Research

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