EDISON

Seneca Global Income & Growth Trust

Multi-asset investment for income and growth

Investment trusts

Seneca Global Income & Growth Trust (SIGT) is an actively managed closed-ended global income fund differentiated from the majority of peers by its multi-asset approach. SIGT's NAV total return has outperformed its absolute benchmark as well as the FTSE All-Share index and the peer group average over one and three years and since its investment mandate change in January 2012, with significantly lower than average volatility. Paying quarterly, SIGT aims to pursue a progressive dividend policy and has a prospective 4% yield.

12 months ending	Total share price return (%)	Total NAV return (%)	Benchmark (%)	FTSE All-Share (%)	FTSE 350 High Yield (%)
30/06/12	(5.3)	(4.2)	6.2	(3.1)	3.4
30/06/13	28.3	19.7	3.6	17.9	16.0
30/06/14	13.4	10.2	3.5	13.1	12.6
30/06/15	12.8	7.7	3.6	2.6	(3.6)

Note: 12-month rolling discrete total return performance. Benchmark is an absolute return of 8% per year until 18 January 2012 and three-month Libor +3% thereafter.

Investment strategy: Top-down, multi-asset approach

SIGT's investment objective is to outperform three-month Libor plus 3% through investing in a portfolio comprising UK and overseas equities, fixed-interest securities and alternative assets including property. The managers use a structured top-down approach to construct a balanced portfolio with asset allocation varied around a core long-term position with a view to adding value through tactical adjustments within set ranges. In addition to asset allocation, target portfolios comprising the team's best investment ideas are defined for each asset class and these determine SIGT's portfolio composition. Exposure to UK equities is gained through direct investment with specialist funds used to provide exposure to overseas equities and the other asset classes.

Market outlook: Favouring equities

While global equity market valuations have been rising and the developed market's forward P/E multiple is close to a 10-year high, Asian and emerging market valuations are well below peak levels, suggesting that opportunities exist for investors allocating selectively across global markets. While bond markets have recently weakened making yields more attractive, equity market yields in general remain significantly higher, making a favourable relative case for equities. Although global economic growth is maintaining a positive trend, a number of global macroeconomic uncertainties exist and related newsflow could lead to periods of increased market volatility. For investors seeking equity market exposure who wish to moderate market volatility, a multi-asset fund such as SIGT could appeal.

Valuation: Recent discount narrowing

Although subject to some fluctuation, SIGT's share price discount to cum-income NAV has narrowed substantially from 16% in mid-2012 to the current level of c 1%. The strength in recent NAV performance and 4% prospective yield suggest this narrowing can be maintained.

1 July 2015

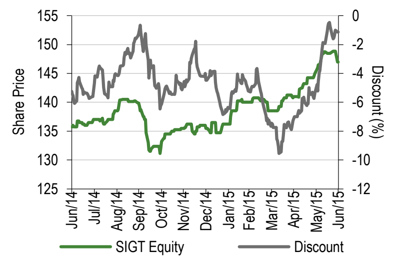
Price	**147p**
Market cap	**£58.7m**
AUM	**£65.8m**

NAV*	147.7p
Discount to NAV	0.5%
NAV**	148.7p
Discount to NAV	1.1%

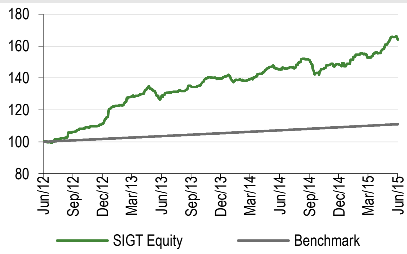
*Excluding income. **Including income.

Prospective yield	4.0%
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	148.9p	131.1p
NAV** high/low	154.0p	135.7p

**Including income.

Gearing

Gross*	11.5%
Net*	6.5%

*As at 31 May 2015.

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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

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-interest securities, property and alternative assets. The trust changed its name from Midas Income & Growth in October 2014.

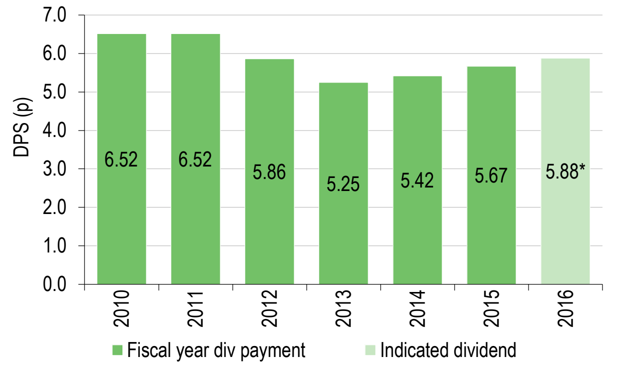
Recent developments

- 11 June 2015: full year results to 30 April 2015 – NAV total return +9.6%.
- 14 May 2015: fourth interim dividend increased 5.0% to 1.47p.
- 12 February 2015: third interim dividend increased 4.5% to 1.40p.
- 2 January 2015: Jimmy McCulloch appointed to the board replacing Adam Cooke.

Forthcoming		Capital structure		Fund details	
AGM	9 July 2015	Ongoing charges	1.51%	Group	Seneca Investment Managers
Interim results	December 2015	Net gearing	6.5%	Manager	Alan Borrows, Simon Callow
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 – see page 7	Loan facilities	£7m rolling	Website	www.senecaim.com/sigt

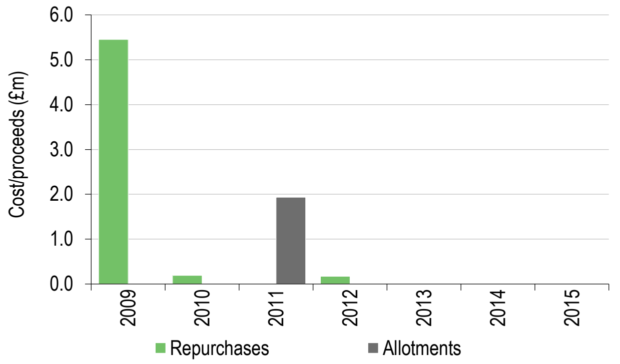
Dividend policy and history

Quarterly dividend rebased to 1.30p in January 2012. Board intends to maintain at least a 1.47p quarterly rate for FY16, giving a 5.88p dividend for the full year.*

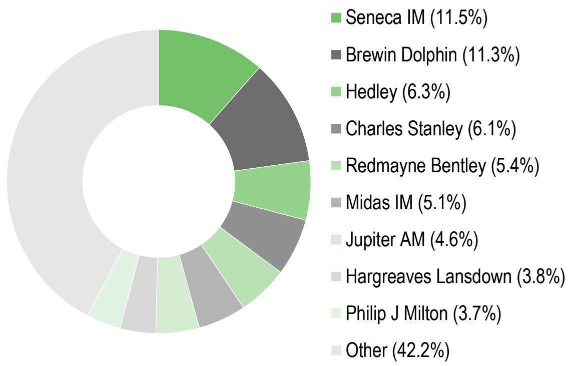


Share buyback policy and history

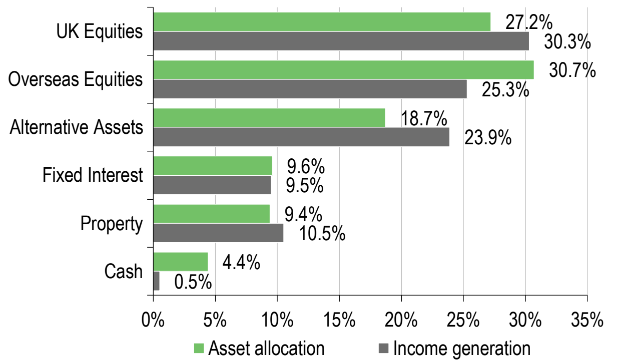
Renewed annually, the trust has authority to purchase up to 14.99%, and allot up to 10% of issued share capital.



Shareholder base (as at 10 June 2015)



Portfolio distribution by income generation and capital (as at 31 May 2015)



Top 10 holdings (as at 31 May 2015)

Company	Investment class	Sector	Portfolio weight % 31 May 2015	Portfolio weight % 31 May 2014**
AJ Bell Holdings	Unlisted UK equity	Financial services	3.1	3.7
iShares MSCI USA Dividend IQ	ETF	US equity	2.5	N/A
Lindsell Train Japanese Equity	OEIC	Japan equity	2.5	2.1
Somerset EM Dividend Growth	OEIC	Emerging market equity	2.2	2.2
Fidelity Enhanced Income	OEIC	UK equity	2.1	N/A
Aberdeen Asian Income	Investment trust	Asia Pac ex-Japan equity	2.0	N/A
Magna Emerging Markets Dividend	OEIC	Emerging market equity	1.9	2.1
National Express Group	Listed UK equity	Travel & leisure	1.9	1.9
FP Argonaut European Enhanced Income	OEIC	Europe equity	1.9	N/A
Goodhart Michinori Japan Equity	OEIC	Japan equity	1.9	N/A
Top 10			**22.0**	**N/A**

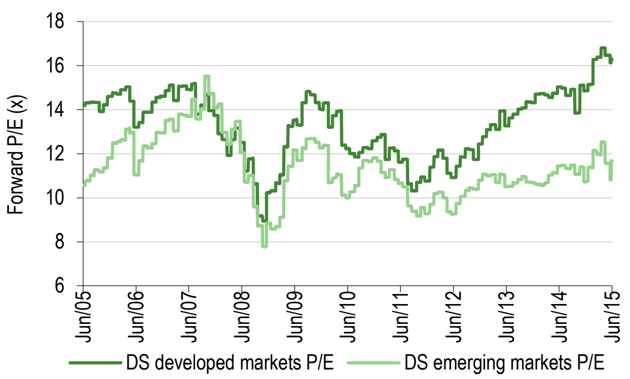
Source: Seneca Global Income & Growth Trust, Edison Investment Research. Note: **N/A where not in May 2014 top 10.

Market outlook: Relatively favourable for equities

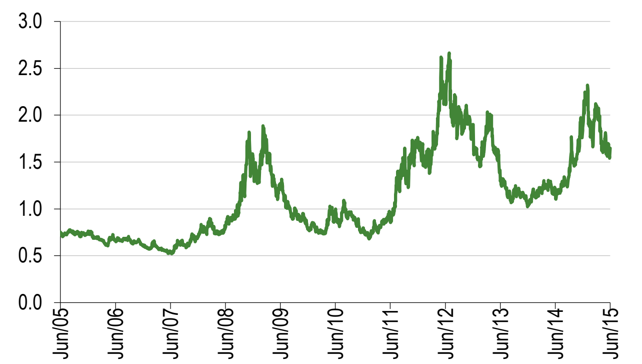
Global equity market valuations have followed an upward trend over the last three years (Exhibit 2), which has pushed the forward P/E multiple for developed markets to a 10-year high of over 16x. However, regions including Asian and emerging markets have valuations well below peak levels and forward P/E multiples similar to 10-year averages, suggesting that opportunities exist for investors allocating selectively across global markets. While bond markets have recently weakened with yields moving higher, equity market yields have been relatively stable and in general remain well above bond yields; the UK equity market yields more than 1.6x the 10-year bond yield (Exhibit 2 right-hand chart). This could provide a cushion for equities once upward moves in US and UK policy rates are initiated. While the global economy is maintaining a positive trend, a number of global macroeconomic uncertainties exist, including the timing of US rate rises and growth in China, which could lead to fluctuations in markets as sentiment changes. For investors seeking equity market exposure who wish to moderate market volatility, a fund such as SIGT could appeal.

Exhibit 2: Datastream developed and emerging markets valuation metrics

DS developed and emerging markets forward P/E ratios over 10 years



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



Source: Thomson Datastream, Edison Investment Research

Fund profile: Low-volatility, global multi-asset portfolio

Launched in August 2005, the trust's objective is to outperform an absolute return benchmark over the long term through investment in a multi-asset portfolio. The trust's investment manager was purchased by Seneca Investment Managers in March 2014 and the trust renamed Seneca Global Income & Growth Trust (SIGT) recognising its global mandate. SIGT aims to generate capital and income growth with low volatility by investing in a portfolio comprising UK and overseas equities, fixed-interest securities, property and alternative assets.

In January 2012, the board made a number of changes aimed at improving the trust's total return prospects. Core allocations to overseas equities and fixed income were changed from 15% to 25% and 25% to 15% respectively and asset class investment ranges were broadened, increasing scope for tactical asset allocation. The dividend was rebased to a sustainable level with growth prospects, the benchmark was changed from 8% pa to three-month Libor +3% with performance measured over rolling three-year periods and an annual continuation vote was introduced from the 2013 AGM. In 2015, the board reviewed the benchmark's suitability, concluding that, as it is used as a long-term performance measure and not a reference for portfolio allocation, no change was required.

SIGT's investment manager is Seneca Investment Managers, with Alan Borrows (co-founder of the original investment company) acting as portfolio manager since August 2005, joined by co-manager Simon Callow in 2008. Recently appointed CIO of Seneca, Peter Elston (previously at Aberdeen Asset Management) has assumed responsibility for tactical asset allocation.

The fund managers: Alan Borrows and Simon Callow

The managers' view: Maintaining an emphasis on real assets

The managers continue to view alternative assets as a differentiated source of returns, able to contribute significantly towards SIGT's income objectives in a low interest rate environment. Their favoured alternative strategies include asset leasing, renewable energy and UK property. Leasing exposure has increased with the purchase of SQN Asset Finance Income Fund, focused on private and public sector business-critical equipment leases, which offers the prospect of a 7.25% yield and a targeted total return of up to 10% pa. Property investment focuses on niche areas of the UK market such as warehousing and primary healthcare properties. Recent portfolio additions are LondonMetric Property, which has been repositioning into provincial UK markets, and Ediston Property at its IPO in October 2014, funded by the sale of Macau Property Opportunities Fund.

Although underweight in fixed income due to current low yields, the managers have taken selective opportunities in senior loans, corporate high-yield and asset-backed lending. Fair Oaks Income Fund, investing in collateralised loan obligations (CLOs), was recently added to the portfolio, funded by a reduction in Royal London Extra Yield Bond and the sale of TwentyFour Income Fund. While a new position was taken in Aberdeen Private Equity Fund, private equity exposure is reducing, with more attractive investment opportunities identified in other alternative asset classes.

In equity holdings, the managers see market leadership moving away from the US and are maintaining an underweight US exposure. European exposure has increased, with potential seen for further re-rating and for profits to improve further from earlier depressed levels. The overweight to Asia is justified by the managers' view that strong secular trends should provide a healthy backdrop, while market inefficiencies provide opportunities for active managers to outperform.

Asset allocation

Investment process: Top-down asset allocation

SIGT seeks to achieve its investment objective through investing in a diversified portfolio of equities, fixed-interest securities and alternative assets including property. A broad multi-asset, global approach helps in diversifying the portfolio and delivering relatively low volatility. The manager uses a predominantly top-down approach, assessing the risk/return characteristics of the main asset classes, taking into account current valuations, expected returns and major long-term themes driving markets. Alternative assets, which include private equity, renewable energy, leasing investments and property, are intended to provide an absolute return element to the portfolio, while fixed income contributes to income security and capital preservation. Asset allocations are varied around a core long-term position (see Exhibit 3) with a view to adding value through tactical asset allocation within a range for each asset class. Individual investments are selected as the manager's best ideas in the top-down framework. UK equity exposure is gained through direct investment, principally focused on FTSE 250 companies, while specialist funds are primarily used to invest in overseas equities, fixed-income securities, property and alternative assets.

An initial quantitative screening of the FTSE 350 ex-IT index and universe of c 25,000 funds produces a short list of stocks and funds that undergo qualitative analysis to give a candidate investment list. From this, investment team members have individually assigned responsibility for constructing target portfolios for each asset class which, when combined, creates an overall portfolio for SIGT comprising 15 to 20 high-conviction stocks and between 30 and 50 funds. Changes to the target portfolios are proposed by the relevant asset class specialist and must be agreed by the investment committee before being actioned.

Exhibit 3: Asset allocation ranges, long-term core allocation and recent position

%	Asset allocation range	Core asset allocation	Allocation end May 2015
UK equities	15-60	35	27.2
Overseas equities	10-40	25	30.7
Total equities	**25-85**	**60**	**57.9**
Fixed interest	0-40	15	9.6
Alternative assets	0-25	15	18.7
Property	0-25	10	9.4
Cash	N/A	N/A	4.4
	100	**100**	**100.0**

Source: Seneca Global Income & Growth Trust

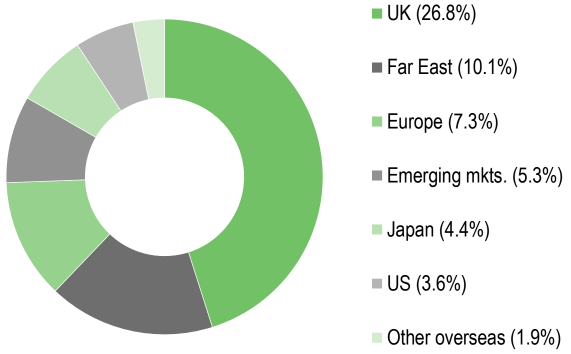
Current portfolio positioning

As shown in Exhibit 1, SIGT's portfolio is well diversified across all asset classes in terms of both capital allocation and income generation. SIGT had 61 principal investments as at 30 April 2015 with the top 10 accounting for 24% of the portfolio. The top 10 holdings declined to 22% of the portfolio at end-May 2015 (see Exhibit 1) with AJ Bell (unlisted) moving from 3.6% to 3.1% due to a part sale, although the carrying value was increased to reflect the transaction price.

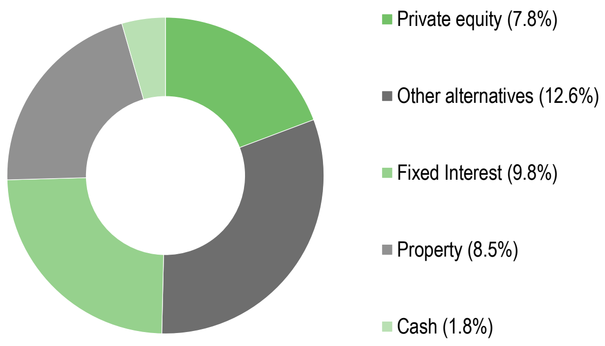
As shown in Exhibit 4, the geographic split of SIGT's equity investments differs noticeably from global equity indices, with structural underweight US and overweight UK exposures. SIGT's 4% and 27% weighting in these markets in its equity investments compares with 53% and 8% for the FTSE World Index. The main changes from a year earlier have been a reduction in UK exposure, which is partly due to the reclassification of REITs to the property asset class, and an increase in exposure to Europe.

Exhibit 4: Distribution of equity and non-equity investments at 30 April 2015

Geographic distribution of equity investments (59.4% of portfolio)



Analysis of non-equity investments (40.6% of portfolio)



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

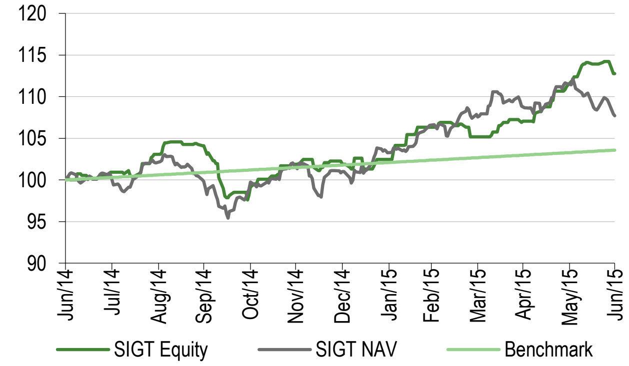
As shown in Exhibit 3, while overall exposure to non-equity investments is similar to the core allocation, similar to a year earlier the portfolio is underweight fixed income and overweight alternative assets. In alternatives, private equity exposure has reduced with NB Private Equity Partners sold and Partners Group Global Opportunities moving fully into realisation phase. Other alternatives exposure increased with the purchase of leasing fund, SQN Asset Finance Income, while exposure to renewable energy assets remains at c 5%.

Performance: Outperformance since mandate change

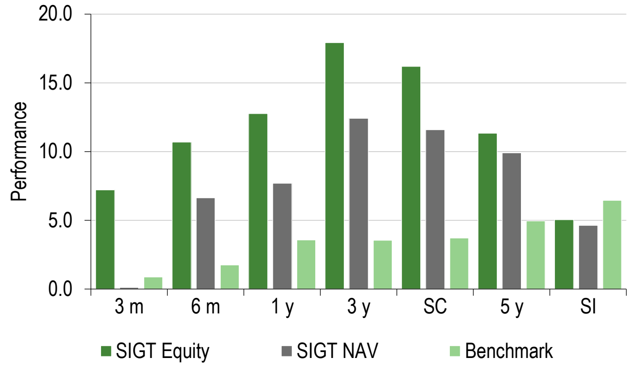
As shown in Exhibit 6, over one and three years and since the change of investment mandate in January 2012, SIGT's NAV total return has outperformed its LIBOR +3% benchmark as well as the FTSE All-Share and FTSE 350 High Yield indices. Over five years, SIGT has outperformed its absolute benchmark while performance has been modestly lower than the equity indices. Exhibit 7 illustrates the similarity of SIGT's performance relative to the FTSE All-Share and FTSE 350 High Yield indices since the mandate change, with notable outperformance over the last six months. The volatility of SIGT's NAV returns has been considerably lower than either the FTSE All-Share index or its peer group (see Exhibit 9), with Morningstar data showing SIGT's NAV volatility below 7% over the period from 18 January 2012 to 31 May 2015 compared with 12% for the FTSE All-Share.

Exhibit 5: Investment trust performance to 30 June 2015

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



Price, NAV and benchmark total return performance (%)



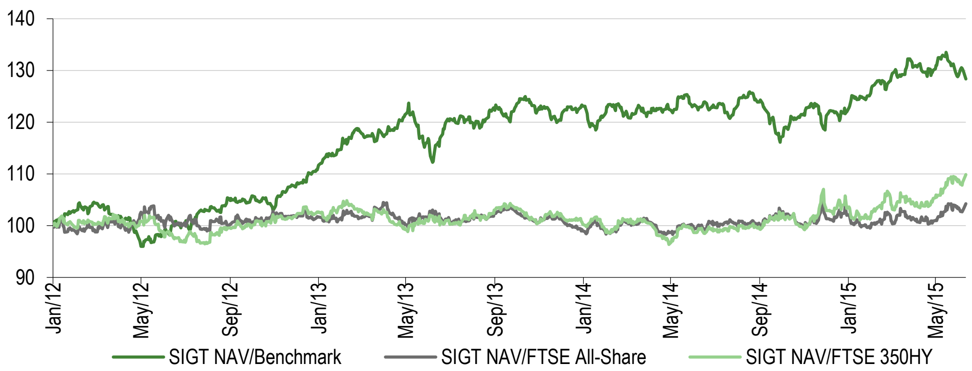
Source: Thomson Datastream, Edison Investment Research. Note: Since change of mandate (SC) is from 18 January 2012. Since inception (SI) is from 19 August 2005 when the company changed its name from The Taverners Trust to Midas Income & Growth Trust. Benchmark is an absolute return of 8% per year until 18 January 2012 and three-month Libor +3% thereafter. Three- and five-year, SC and SI performance figures annualised.

Exhibit 6: Share price and NAV total return performance, versus indices (percentage points)

	Three months	Six months	One year	Three years	Since change of mandate	Five years	Since August 2005
Price relative to benchmark	6.3	8.8	8.9	47.7	46.6	34.2	(12.4)
NAV relative to benchmark	(0.7)	4.8	4.0	28.0	27.9	25.9	(15.7)
Price relative to FTSE All-Share	8.9	7.4	9.9	19.8	20.5	2.7	(14.0)
NAV relative to FTSE All-Share	1.7	3.5	5.0	3.8	5.1	(3.7)	(17.2)
Price relative to FTSE 350 High Yield	12.0	11.8	17.0	30.3	27.5	4.9	3.5
NAV relative to FTSE 350 High Yield	4.6	7.7	11.8	13.0	11.3	(1.6)	(0.4)

Source: Thomson Datastream, Edison Investment Research. Note: Data to end-June 2015. 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, FTSE All-Share and FTSE 350 High Yield total return since change of mandate, rebased



Source: Thomson Datastream, Edison Investment Research.

Discount: Recent narrowing

In July 2014, the board indicated its intention, together with the investment manager, to engage in active marketing with a view to building demand for the shares and, when appropriate, actively to pursue the enlargement of the company and this intention remains unchanged. For shareholders, this should improve liquidity in the shares and spread fixed costs over a larger base. New shares would only be issued at or above NAV and the board committed to introduce a discount control mechanism if the envisaged enlargement were to take place. Currently, the annual continuation vote acts as the principal discount control mechanism.

As illustrated in Exhibit 8, having followed a narrowing trend from August 2012 to October 2014, when the shares reached a discount to NAV including income of less than 1%, the trend reversed and the discount widened over the next six months. However, over the last two months the discount has contracted from close to 10% to its current level of 1.1%, reinstating the near three-year narrowing trend.

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

Source: Thomson Datastream, Edison Investment Research.

Capital structure and fees

SIGT has 39.9m shares in issue. While the trust has authority to purchase up to 14.99%, and allot up to 10% of issued share capital, no shares have been repurchased or issued since May 2011. SIGT has a £7m short-term rolling debt facility that runs until 31 October 2015 and a replacement facility is currently being considered. At 31 May 2015, with the facility fully drawn, gross gearing stood at 11.5% and net gearing was 6.5%.

SIGT pays a management fee to Seneca Investment Managers of 0.9% pa of its market cap up to £50m and 0.65% pa of its market cap in excess of £50m. Based on the trust's income and capital objective, the management fee is allocated 50:50 to capital and revenue. No performance fee is payable. Ongoing charges for FY15 were 1.51%.

Dividend policy

SIGT pays dividends quarterly in September, December, March and June, typically maintaining a stable interim dividend for first three quarters of the financial year and paying a higher fourth interim dividend which, in recent years, has served as an indicator of the quarterly dividends to be paid in the following year. There is no formal income target but, following the rebasing of the dividend in January 2012, the board stated its aim of pursuing a progressive dividend policy.

For FY15, SIGT increased the fourth interim dividend by 5.0% to 1.47p resulting in the total dividend for the year increasing by 4.6% to 5.67p. The total dividend was fully covered with a small increase to revenue reserves. The board intends to at least maintain the quarterly dividend at 1.47p throughout FY16, which would result in the total dividend for FY16 increasing by 3.7% to 5.88p.

Peer group comparison

Exhibit 9 shows a comparison of SIGT with the AIC global equity income sector peer group. SIGT's multi-asset approach differentiates it from the majority of peers, which primarily invest in equities, with BlackRock Income Strategies the only other fund with an explicit multi-asset strategy (although only adopted in February 2015). However, SIGT's c 60% exposure to equities adds relevance to the comparison. SIGT's NAV total return is ahead of the peer group average over one and three years and modestly below the average over five years, while the volatility of SIGT's returns is the lowest in the peer group. Although SIGT's share price discount to NAV is narrower than the peer group average, half of the peer group is trading at a premium to NAV. SIGT's ongoing charge is higher than the peer group average, partly reflecting the smaller size of the fund. SIGT's gearing and dividend yield are both modestly below the peer group average.

Exhibit 9: Global equity income sector as at 29 June 2015

% unless stated	Market cap £m	NAV TR 1 year	NAV TR 3 year	NAV TR 5 year	NAV Vol 1 year	NAV Vol 3 year	Sharpe 5y (NAV)	Discount (ex-par)	Ongoing charge	Perf fee	Net gearing	Dividend yield (%)
Seneca Global Income & Growth	**58.6**	**7.7**	**42.1**	**62.5**	**6.7**	**6.5**	**1.3**	**(0.2)**	**1.53**	**No**	**110**	**4.0**
BlackRock Income Strategies	385.3	0.4	28.3	53.2	11.6	10.9	0.7	(3.2)	0.65	No	111	5.0
Blue Planet Investment Trust	18.8	3.0	70.2		14.2	13.9	(0.8)	(31.3)	4.20	No	145	6.1
F&C Managed Portfolio Income	41.7	6.7	46.0	75.5	8.0	8.0	1.2	1.2	1.16	Yes	96	4.2
Henderson International Income	97.3	5.3	41.2		11.1	9.9		4.5	1.24	No	107	3.7
Invesco Perp Select Glo Eq Inc	50.6	10.8	53.6	70.5	12.6	10.8	0.9	1.0	0.94	Yes	111	2.9
London & St Lawrence	102.2	5.7	44.6	78.7	10.5	9.7	1.4	(3.4)	0.89	Yes	99	4.0
Murray International	1,241.2	(5.8)	10.7	44.1	12.6	11.5	0.7	8.2	0.73	Yes	116	4.8
Scottish American	356.5	5.6	31.1	54.3	10.4	9.9	0.8	4.0	0.90	No	125	3.9
Securities Trust of Scotland	157.6	1.2	31.0	77.9	11.3	10.5	1.1	(5.7)	0.89	No	109	3.8
Simple average	**251.0**	**4.1**	**39.9**	**64.6**	**10.9**	**10.1**	**0.8**	**(2.5)**	**1.31**		**113**	**4.2**

Source: Morningstar, Edison Investment Research. Note: TR=total return. Sharpe ratio is a measure of risk-adjusted return. The ratios shown are calculated by Morningstar for the past 60-month period 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.

The board

The board consists of three independent non-executive directors. Chairman Richard Ramsey was appointed a director in April 2013 and chairman in September 2013, with Ian Davis serving on the board since November 2004. After more than nine years' service, Adam Cooke stepped down in December 2014 to be replaced by Jimmy McCulloch, chairman of Glasgow-based investment management firm Speirs & Jeffrey, who was appointed as a director in January 2015.

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