Update | Investment companies

11 May 2016

Seneca Global Income & Growth

On track for zero discount policy

Seneca Global Income & Growth Trust (SIGT) is once again trading close to par. We think this positions the Trust well, should its board adopt a zero discount policy following this July's AGM. We believe that the Trust's small premium reflects the attraction of its multi-asset approach (especially in current volatile markets), its performance record, attractive yield and the prospect of increased comfort for investors if the zero discount policy is implemented as we expect.

The UK equity portfolio has been a strong contributor to performance during the last year, but the managers still see good value and have recently been increasing exposure. This is in contrast to fixed income where they see negative interest rates creating the prospect of real capital loss. SIGT derives a good part of its income from mid-cap stocks. We think this is more secure than that from the FTSE 100.

Multi-asset, low volatility, with yield focus

SIGT's investment objective is to outperform three-month Libor+3% over the longer term, with low volatility and the prospect of income and capital growth, through investment in a multi-asset portfolio, which includes both direct investments, mainly UK equities, and commitments to open- and closed-end funds.

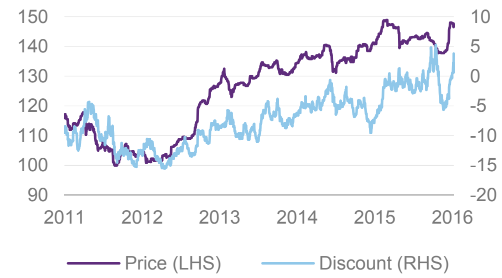
Year ended	Share price total return (%)	NAV total return (%)	FTSE WMA Stock Market Balanced TR (%)	FTSE All-Share TR (%)	FTSE World total return (%)
30/04/12	(4.6)	(1.2)	1.0	(2.0)	(2.6)
30/04/13	28.0	21.3	15.0	17.8	21.4
30/04/14	9.9	7.1	5.8	10.5	6.8
30/04/15	9.2	9.8	11.6	7.5	18.0
30/04/16	9.2	0.7	(1.0)	(5.7)	0.5

Source: Morningstar, Marten & Co

Sector	Global Equity Inc.
Ticker	SIGT LN
Base currency	GBP
Price	147.50
NAV	145.52
Premium/(discount)	1.4%
Yield	3.8%

Share price and discount

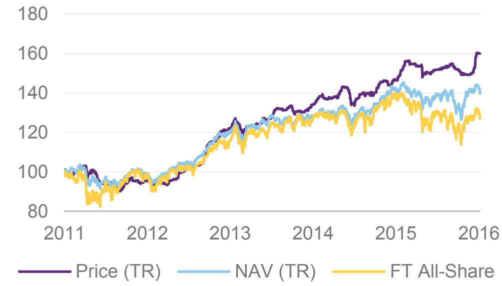
Time period 30/04/2011 to 06/05/2016



Source: Morningstar, Marten & Co

Performance over five years

Time period 30/04/2011 to 30/04/2016



Source: Morningstar, Marten & Co

Domicile	UK
Inception date	19 August 2005
Manager	Alan Borrows Peter Elston
Market cap (m)	57.4
Shares outstanding	38.9m
Daily vol. (1-yr. avg.)	78k shares
Net gearing	11%

Managers' view

Macro fears are overdone

Whilst global growth is muted, SIGT's managers believe that it is sufficiently positive for markets to advance.

The managers are broadly of the view that the macroeconomic fears that surfaced in early 2016 were overdone and that this has been in part verified by equity markets' subsequent recovery. The managers acknowledge that the outlook for global growth remains muted and below the long-term trend but, in their opinion, is still sufficiently positive for global markets to advance.

Global equities

SIGT's managers consider that the UK equities stand out as being good value, across global equity markets.

In the managers' view, looking across global equity markets, the UK market currently stands out as being good value, particularly following the January sell-off. Yields, which are traditionally higher in the UK than in many other global markets, are also high, relative to their own historical averages (see Figure 1), which the managers say is usually supportive of prices. Returns on equity and operating profit margins are also low, relative to history, and so these have ample scope to recover, with the prospect of capital growth as markets rerate. UK equities is an area to which they have been adding recently. When looking at SIGT's exposure to UK equities, it is worth remembering that this is strongly biased towards mid-cap stocks. We think that income from mid-caps is currently more secure than income from the FTSE 100. The latter is heavily dependent on currently troubled mining and oil and gas stocks.

Looking elsewhere, the managers say that European, Asia Pacific ex Japan and emerging market equities also appear to be good value and they are happy to maintain their exposure. The managers remain positive about Europe, in particular, as they expect the European Central Bank will continue to be more supportive than monetary authorities in the UK and US.

Figure 1: Global equity market valuation data as at 6 May 2016

Heading	UK	Asia Pacific ex Japan	Emerging Markets	North America	Japan	Europe ex UK	Global/ other
Current yield (%)	4.5	3.4	3.0	2.2	2.2	3.6	2.7
Historical average (%)	3.6	3.1	2.5	2.0	1.6	3.1	2.4
Relative to history	24%	11%	19%	14%	37%	13%	13%
Z-score	1.1	0.6	0.9	0.6	0.9	0.4	0.6
Return on equity (%)	4.5	10.7	10.8	11.3	7.9	7.8	9.5
Historical average (%)	11.6	13.0	14.1	12.3	5.8	11.4	11.3
Relative to history	(61%)	(18%)	(23%)	(8%)	36%	(31%)	(16%)
Operating profit margin (%)	5.3	11.8	11.8	11.6	8.2	8.6	10.2
Historical average (%)	10.8	11.8	12.8	12.5	6.2	9.7	10.7
Relative to history	(51%)	0%	(8%)	(7%)	31%	(11%)	(5%)

Source: Bloomberg, Seneca Investment Managers

Japan and the US appear to be more expensive markets and, in the case of Japan, the managers see little within the macroeconomic backdrop that is a cause for optimism. However, there is a trend of improving corporate governance with an increased focus on shareholder returns and improving dividend payouts. The managers believe that real change is occurring here and this is a theme that they are happy to have exposure to, on a selective basis. Reflecting this, SIGT's long-time holding in the Lindsell Train Japanese Equity Fund has recently been sold in favour of the CC Japan Income and Growth Fund. The managers say that with its stronger focus on income, it better suits their remit and, unlike the Lindsell Train fund, the new fund is unhedged and they would prefer to have an unhedged exposure to the yen currently.

Fixed income

The managers consider that developed market fixed income looks expensive and that the prospect of real capital loss is significant. Emerging market fixed income appears to be much better value.

Looking at fixed income markets globally, the managers think that they are generally very expensive, particularly in developed markets and when adjusted for inflation. The managers think that this is a key issue that is currently being overlooked by many investors. In their opinion, whilst fixed income is less volatile, and so is perceived as less risky, the prospect of real capital loss is significant. However, as illustrated in Figure 2, they consider that emerging market local currency is a notable exception and this is an area to which the managers have been adding recently with the purchase of the Templeton Emerging Markets Bond Fund. The fund has significant exposure to emerging-market sovereign debt and the managers see strong recovery potential, particularly in emerging market currencies.

Figure 2: Global fixed income market valuation data as at 6 May 2016

Heading	G7 real interest rates	UK nominal rates	World nominal rates	Emerging market hard currency	Emerging market local currency	High yield credit
Current yield (%)	(0.4)	2.2	0.6	5.7	4.4	7.0
Historical average (%)	1.3	4.0	1.4	5.5	5.1	6.8
Relative to history	(127%)	(45%)	(55%)	4%	(13%)	4%
Z-score	(1.6)	(2.1)	(1.8)	0.3	(1.9)	0.2

Source: Bloomberg, Seneca Investment Managers

The managers are expecting a reasonable recover in commodities over the next two to three years as a supply crunch leads to a recovery in spot prices.

They also see reasonable recovery potential in commodities over the next two to three years as global growth continues to recover. A low pricing environment has seen capacity removed from the market as well as future projects delayed and cancelled. The managers believe that this will eventually lead to a "supply crunch" and spot prices rising, with the increased revenue largely dropping through to the bottom line. The managers have increased exposure with the purchase of BlackRock World Mining Fund. Concerns over a dividend cut saw BlackRock World Mining derate but SIGT's managers consider that the markets had over reacted, allowing them to purchase the Trust at yields that still could accommodate a sizeable dividend cut.

Renewable energy and property

Renewable energy and property funds are not as good value as they have been previously.

Although not illustrated here, the managers consider that renewable energy funds and property funds are not as good value as they have been and have been reducing their exposure to these areas. However, on the whole, they are seeing very solid yields in the specialist assets space and are happy to maintain exposures at the current level.

Brexit

The managers believe opinion polls are currently understating the vote for Britain to remain in the EU.

The managers think that, if you currently look at the opinion polls, it is still too close to draw any firm conclusions. However, they think these mask a clearer underlying trend. Firm 'ins' and 'outs' form their opinion early, but undecided voters are more likely to declare themselves as undecided early on. However, as polling day approaches, 'undecideds' will increasingly commit to a side, which for the majority will be the 'safe option', to preserve the status quo. In this instance, this is for the UK to remain in the EU: the managers believe that this 'safe option' approach will have a strong impact on the outcome.

It is difficult to determine what the long term impact on SIGT's portfolio would be from a vote to exit the EU.

In terms of the effect on SIGT's portfolio, if the UK were to opt to leave the EU, the managers expect that SIGT's portfolio would be affected in the near term, with the value of UK equities likely to fall. However, it is very difficult to determine what the longer-term impact on the portfolio might be.

At least in the short term, it seems that sterling would likely depreciate and, for UK companies with overseas earnings and costs denominated in sterling, this would actually be beneficial. However, the managers comment that they are picking stocks based on their long-term prospects, strengths and valuations, which they expect would continue to be good irrespective of the outcome of the vote.

Asset allocation

Multi-asset approach

SIGT's board has set a strategic asset allocation. Peter Elston, Seneca IM's CIO sets a tactical asset allocation based on the attractiveness of different asset classes. Seneca's IM's research specialists set the individual holding levels.

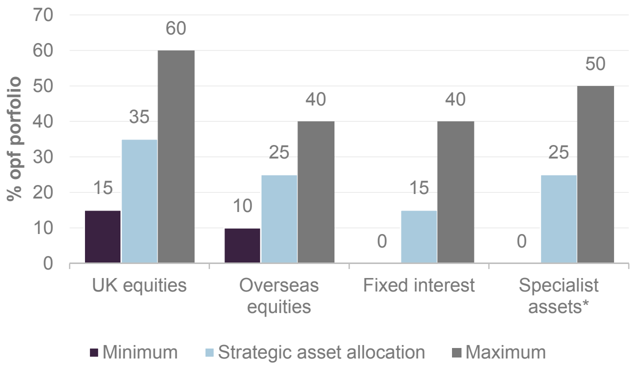
Readers who are interested in seeing more detail on SIGT's investment process, should see our initiation note of November 2015. However, in summary, the portfolio is constructed using a mixture of top-down asset allocation and bottom-up selection of individual stocks. The board has set a strategic asset allocation (including maximum and minimum allocations) for the various asset classes in which SIGT invests (these are illustrated in Figure 3). Peter Elston, Seneca Investment Managers' (Seneca IM's) CIO, then sets a tactical asset allocation based on his assessment of the relative value attractions of different asset classes (yield being a key determinant).

The research specialists, responsible for the different asset classes (Alan Borrows – fixed income, Mark Wright – UK equities, Richard Parfect – specialist assets and Tom Delic – overseas equities), then set the target levels for the individual holdings. The named managers then construct the portfolio but have some discretion to deviate from the target holding levels (for example to maintain efficient portfolio management by not continuously rebalancing).The Trust invests in UK equities directly (it is biased towards mid-cap stocks) whilst exposure to the other asset classes is achieved using funds. Although, as illustrated in Figure 3, UK equities and overseas equities are limited to maximums of 60% and 40% of the portfolio respectively, the maximum permitted combined allocation to equities (UK and overseas) is 85%.

Weighting to UK equities has been increased.

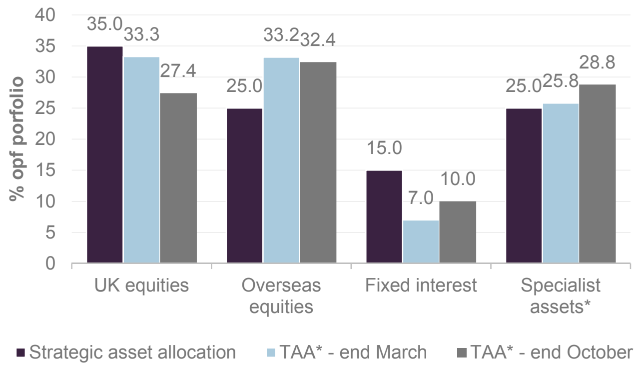
Figure 4 compares SIGT's tactical asset allocation as at the end of March 2016 against both its strategic asset allocation and its tactical asset allocation as at the end of October 2015 (the most recent data available when we last wrote about SIGT in November). The key change in the Trust's tactical asset allocation, in the intervening period, has been an increase in the weighting to UK equities, which has been funded by reductions in the allocation to fixed income and specialist assets. The allocation to overseas equities has remained largely unchanged.

Figure 3: Strategic asset allocation and ranges



Source: Seneca Investment Managers *Note: specialist assets includes property.

Figure 4: SIGT tactical asset allocation vs. strategic asset allocation



Source: Seneca Investment Managers *Note: specialist assets includes property,. TAA = Tactical asset allocation.

> The market correction earlier this year brought a number of stocks into more sensible valuation levels.

The increased allocation to UK stocks largely took place during January and February, following the market correction at the beginning of the year, which brought a number of stocks, which the team liked but felt were previously overvalued, back to more attractive valuation levels. The principal additions were Royal Dutch Shell, Marks and Spencer, International Personal Finance and Victrex.

> The Templeton Emerging Markets Bond Fund is a new portfolio addition.

A number of short-duration bond funds that had performed well have been sold down. A key new addition has been the Templeton Emerging Markets Bond Fund.

Reflecting the managers' positive outlook on Europe, the top three overseas equities funds remain the same (they all have European mandates: see Figure 6). Other changes, within overseas equities, have been limited. The Lindsell Train Japanese Equity Fund has been replaced with the new investment trust from Coupland Cardiff – the CC Japan Income & Growth Trust. The Aberdeen Asian Income Fund, whilst still held within SIGT's portfolio, has been replaced by the Schroder Oriental Income Fund as a top five overseas equities holding.

We discuss some of these new positions, as well as some of those that have made way for them, in more detail below.

Royal Dutch Shell

> SIGT's managers consider that Royal Dutch Shell has become too cheap, reflecting the market's concerns over a low oil price and a difficult growth outlook.

The managers added Royal Dutch Shell (Shell) in January. Given the oil price malaise, the market has been concerned about the prospects of a dividend cut by Shell as well as a difficult growth outlook. SIGT's managers felt that, despite the issues created by the low oil price, the stock had become too cheap (they were able to make purchases when it was at a historic yield of around 10.5%) and that the market had become unduly negative. They say that, when purchasing at a historic yield of 10.5%, there is plenty of room to accommodate a dividend cut and so there is a good margin of safety. However, the company continues to be strongly cash generative and its downstream operations actually benefit from a lower oil price. Furthermore, when they were buying Shell in January, the futures price for oil was in the region of $50 per barrel and so significantly above the then price in the spot market. Seneca IM says that, at this time, short oil positions were at a record high and that speculation and the momentum trade had driven the oil spot price down to an unsustainably low level, taking Shell's share price with it. Seneca IM's view would appear to be supported by Shell's recent share price performance – the stock has increased by 37.9% since its January low.

International Personal Finance

International Personal Finance (IPF) is an international home-credit business. It is focused primarily on eastern Europe but also has a significant Mexican business and a smaller operation in Australia. The company serves 2.8m customers globally.

SIGT's managers think that the market's concerns over the impact on IPF from regulatory changes has been overdone.

IPF had derated over concerns regarding regulatory changes, principally price caps in its core eastern European markets, which the market considered to be negative for profits growth. A pricing cap became effective in Poland in March 2016 and a cap came into effect, in Slovakia, in December 2015. The company's share price fell to the point where it was trading at around 1.5x P/B and a 6% yield, which in Seneca IM's view, was extremely good value. Seneca IM considers that the interest-rate caps are not as detrimental as the market first presumed and that, actually, there is scope for good growth. It firmly believes that it is not the regulators' intention to be overly punitive and push lenders out of the market, as this would have the effect of reducing the supply of credit and effectively forcing some borrowers out of the legitimate market and into the hands of unregulated lenders.

IPF's 'door step approach' provides for good visibility over lenders and acts as a significant barrier to entry.

Looking at IPF in particular, it has a 'doorstep approach', which not only gives its agents good visibility over a borrower's personal circumstances (for example any changes in employment for the key wage earners in a household) but, as this sort of lending tends to be driven by relationships, it also acts as a significant barrier to entry. Furthermore, with a view to aligning their lending agents with shareholders, IPF's agents are rewarded based on what is recovered rather than on the size of their loan book.

Marks & Spencer

SIGT's managers believe that there is a strong prospect for a sustained turnaround in Marks & Spencer's business.

Marks & Spencer (M&S) is a recent addition to the portfolio that, with a market cap. in excess of £7bn, runs counter to SIGT's mid-cap bias. However, Seneca IM has been able to buy M&S, for SIGT's portfolio, at what they consider to be an attractive yield (3.5% to 4%) and they think that there is a strong prospect of a sustained turnaround in the business. The company has a new CEO, Steve Rowe (appointed April 2016), and Mark Wright, Seneca IM's UK equities research specialist believes that Rowe has a credible plan for rejuvenating M&S. Reflecting his efforts so far, the company's recent trading statement was broadly positive (the share price saw a modest bounce following the results release) with sales and margins increasing slightly and its food business performing well.

Seneca IM says that M&S has the necessary scale to compete effectively in its space but, in its view, it could be significantly more profitable. It believes that the trading outlook is positive, the company is making progress in improving its margins, plans to improve the product mix should support top-line growth and that, in addition to growing the dividend, there is the potential to increase the payout ratio as well.

Victrex

SIGT's managers are very positive on the outlook for Victrex and its principle product PEEK.

Victrex's main product is PEEK, a semi-crystalline thermoplastic with very good mechanical and chemical resistance properties that are retained at high temperatures. PEEK is robust and so can be used in demanding environments. It is widely used to make industrial machinery for the automotive and aerospace industries. The product is also used in medical applications (according to Victrex, PEEK-OPTIMA polymers have been used in over 5m implanted devices globally). Seneca IM's UK equity specialist, Mark Wright, is very positive on the outlook for PEEK and for Victrex. He says that Victrex has proven to be very successful in finding new applications for the product and has invested heavily in operating capacity, which reduces the need for significant capital expenditure near term and acts as a significant barrier to entry. Seneca IM was able to purchase Victrex for SIGT's portfolio at what it considered to be attractive valuations following the market sell-off earlier in the year. The company's recent H1 results show performance is down year-on-year. The company attributes this primarily to a shift in the phasing of its consumer electronics volumes (it expects these to come through in the second half) and deteriorating sentiment towards oil and gas (a move that Seneca think is overdone – see commentary on Royal Dutch Shell above).

Funding the new UK equity positions

Tritax Big Box REIT has been sold down whilst Assura and UBM have been exited.

Funding for the new positions came from a number of sources. The managers sold down SIGT's position in Tritax Big Box REIT and sold out of Assura (both from the specialist assets portfolio). They have also sold out of UBM (from the UK equities portfolio) reflecting valuation and growth concerns (see below). The managers have also top-sliced a number of other positions across SIGT's portfolio that have performed well. In the cases of Tritax and Assura, Richard Parfect, Seneca IM's research specialist responsible for specialist assets, continues to like both of the companies but, reflecting their recent strong share price performances, both had seen their yield compress and Richard felt that neither represented as good value as they had done previously.

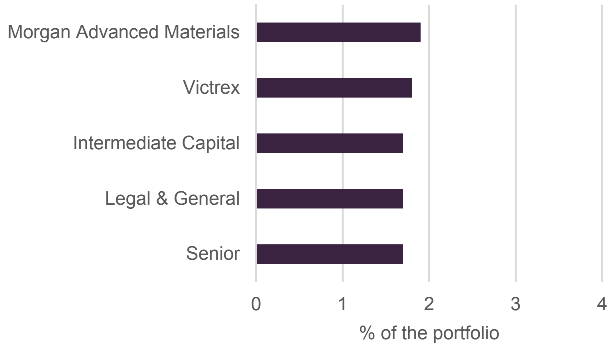
Looking at UBM, Seneca IM's UK equity specialist, Mark Wright, felt that this had become expensive and could not justify its valuation. Having sold its newswire business, UBM is now an events business that is heavily focused on Chinese trade shows. Mark says that this space is becoming increasingly competitive and that, given the current difficulties with Chinese growth, and a muted global outlook generally, he felt that the share price was factoring in an overly positive outlook.

An example of a bond fund that has been reduced is the M&G Global Floating Rate Bond Fund. The fund is one that would benefit significantly from an increase in the UK Libor rate and the managers do not see any prospect for this to move up significantly in the short to medium term. From the fixed income portfolio, a number of short-duration bond funds, that have performed well, have been trimmed.

Largest investments

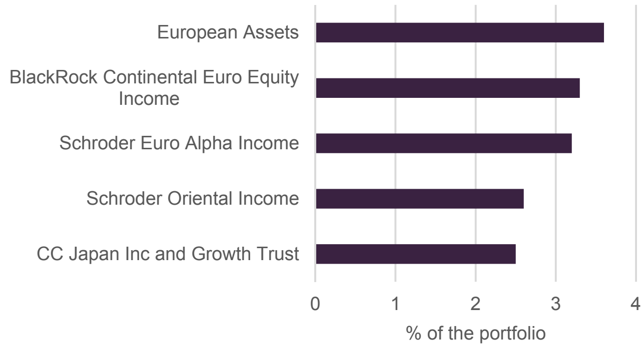
Figures 5, 6, 7 and 8 show the largest positions in each part of the portfolio as at the end of March 2016. Details of the rationales underlying some of these positions can be found in our initiation note of November 2015.

Figure 5: Largest UK direct equity positions as at 31 March 2016



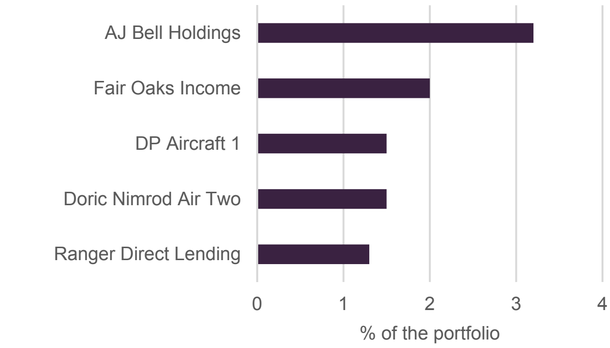
Source: Seneca Investment Managers

Figure 6: Largest overseas equity positions as at 31 March 2016



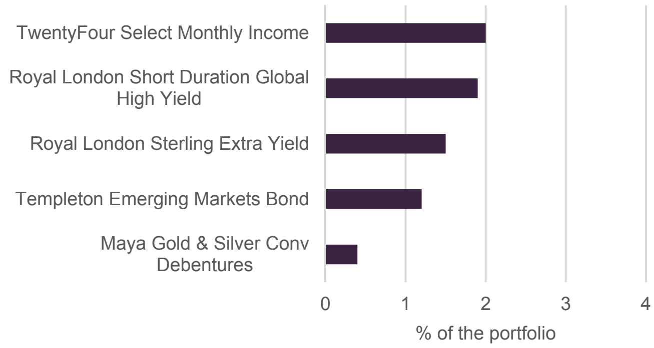
Source: Seneca Investment Managers

Figure 7: Largest specialist asset positions as at 31 March 2016



Source: Seneca Investment Managers

Figure 8: Largest fixed interest positions as at 31 March 2016



Source: Seneca Investment Managers

AJ Bell

SIGT's managers continue to be happy holders of A J Bell, which they consider to be extremely good value.

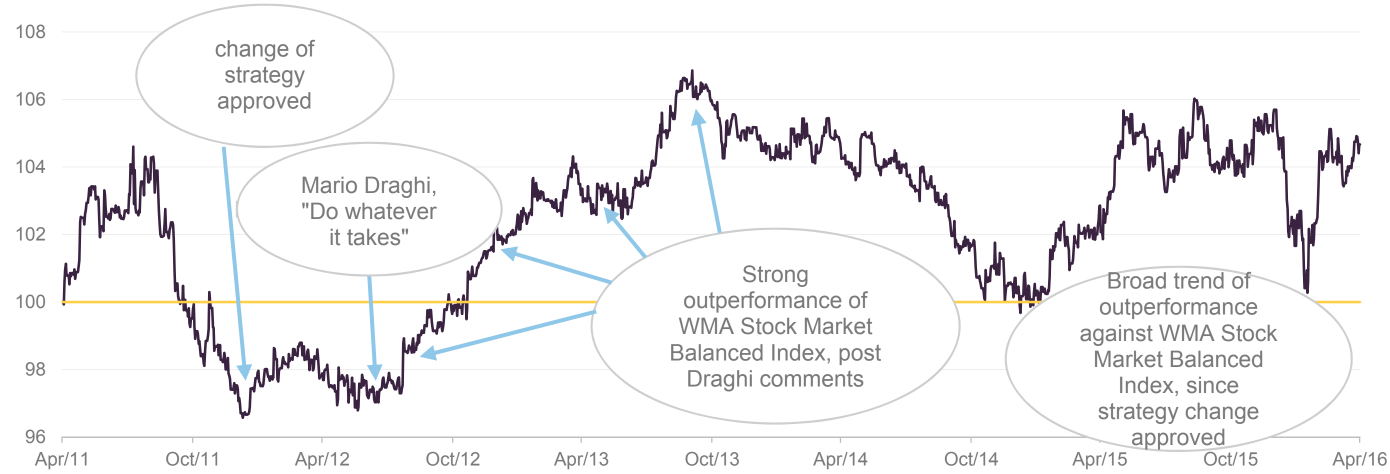
Private company AJ Bell (online investment platform and stockbroker services provider) continues to be the largest specialist asset in the portfolio. Seneca IM's specialist assets research specialist, Richard Parfect, met the company in January and he continues to be a happy holder of the stock, which he says offers a good yield and strong underlying growth drivers. Falling interest rates have been a headwind to profits growth, during the last few years but, with very limited scope for further interest rate reductions, the impact of this has reduced significantly and Seneca IM expects that profit growth, on the back of strong growth in assets under administration, will start to come through again. AJ Bell has £26bn of assets under administration and continues to attract new business. It is valued on a P/E of 21x, which Richard considers to be extremely good value (Hargreaves Lansdown, by comparison, is trading at a P/E nearer to 46x).

Performance

Figure 9 provides an illustration of how SIGT's NAV has performed over the last five years, relative to the FTSE WMA Stock Market Balanced Index (this is a composite equity and bond index), whilst Figure 10 illustrates how SIGT's NAV has performed relative to the broader UK equity market, as represented by the FTSE All-Share Index, during the same period.

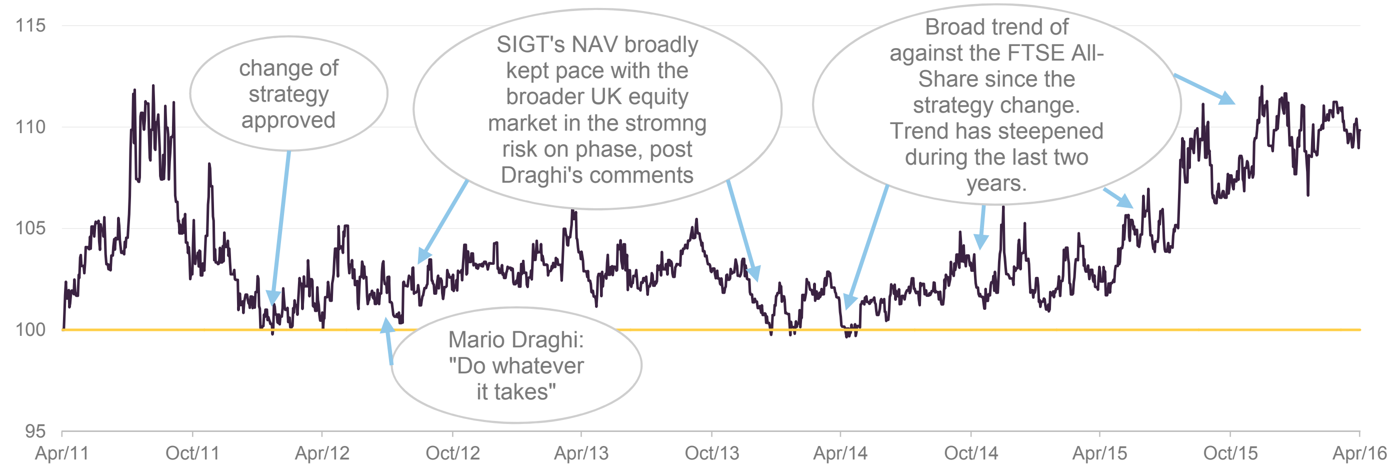
Both Figures 9 and 10 show that SIGT's NAV has outperformed both the FTSE All-Share and SIGT's FTSE WMA Stock Market Balanced Index over the last five years and since shareholders approved the change of strategy in January 2012. SIGT has been able to achieve this whilst providing lower return volatility than traditional equity markets (readers interested in further discussion of SIGT's return volatility should see our initiation note of November 2015).

Figure 9: SIGT NAV/FTSE WMA Stock Market Balanced Index* – rebased to 100 since 30 April 2011



Source: Morningstar, Marten & Co.

Figure 10: SIGT NAV/FTSE All-Share Index* – rebased to 100 since 30 April 2011



Source: Morningstar, Marten & Co.

Taking a closer look at Figure 9, and comparing it against Figure 10, it can be seen that despite having a multi-asset portfolio, which is less correlated with traditional equity markets, SIGT's NAV broadly kept pace with the UK equity market during the strong risk-on phase following ECB president, Mario Draghi's speech to "do whatever it takes", in July 2012. This, keeping pace, is arguably a superior performance than might have been expected from Seneca IM's strategy. We would ordinarily expect a lower beta approach to lag behind strong risk-on market rallies. However, at the same time, it provided strong outperformance of the FTSE WMA Balanced Index. As investors have become increasingly nervous during the last two years, SIGT initially gave back its outperformance against the index although this has since recovered. At the same time, there has been a marked trend of outperformance of the broader UK equity market, which highlights the benefits of a multi-asset solution in less certain equity market environments.

Looking specifically at the performance attribution for the Trust during the 12 months to 31 March 2016 (source: StatPro and Seneca IM) it can be seen that UK equities have been the largest contributor to performance, adding 4.5% to returns, of which 4.4% was stock selection. Overseas equities were effectively neutral, detracting 0.1% from returns. There were no standout winners or losers with all of the key underlying geographical groupings providing largely neutral contributions. Fixed income detracted slightly, taking 0.7% from returns of which selection was -0.1%. Specialist assets contributed 1.9% overall with property being the largest contributor at 1.3%.

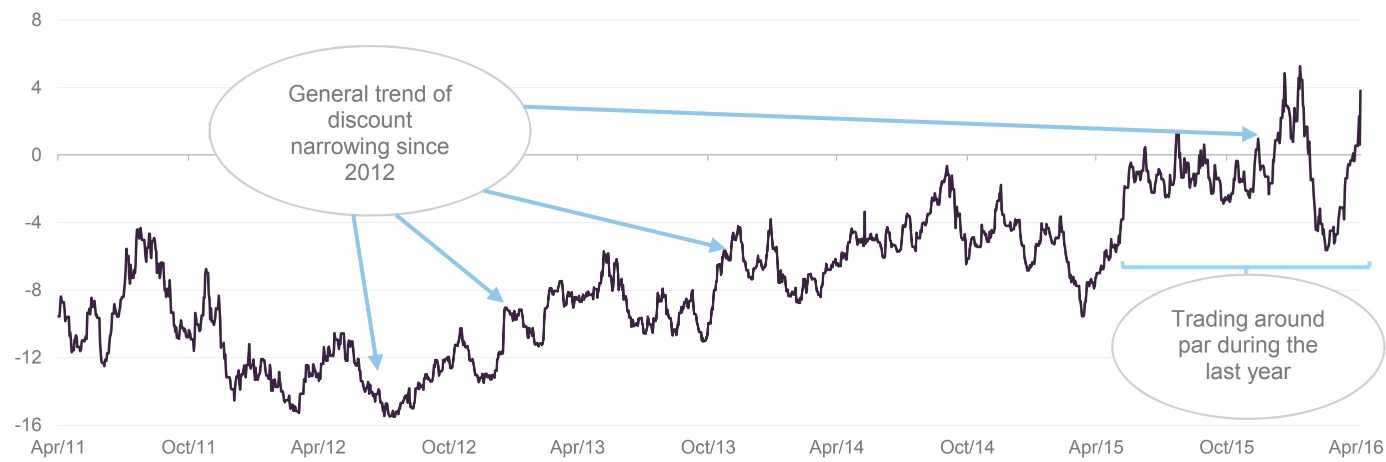
Figure 11: Cumulative total return performance to 30 April 2016

	1 month (%)	3 months (%)	6 months (%)	1 year (%)	3 years (%)	5 years (%)	Strategy change*
SIGT NAV	0.2	6.0	2.1	0.7	18.5	42.1	47.1
SIGT share price	6.5	5.5	5.4	9.2	31.0	60.0	71.8
FTSE WMA SM Balanced	0.1	3.0	2.2	(1..0)	16.9	35.8	67.1
FTSE All Share	1.1	3.9	0.0	(5.7)	12.0	29.4	35.8
FTSE World	(0.4)	5.0	5.0	0.5	26.7	49.9	55.8

Source: Morningstar, Marten & Co *Note: strategy change was approved by shareholders on 18 January 2012

Premium/(discount)

Figure 12: Premium/(discount) over 5 years



Source: Morningstar, Marten & Co.

SIGT's discount has been on a narrowing trend since 2012 and has traded close to par during the last year.

As illustrated in Figure 12, SIGT's discount has broadly been on a narrowing trend since 2012 and, during the last 12 months, the Trust's shares have been trading around par (the one-year average is a discount of 1.5%). In common with the broader investment trust market, SIGT saw its shares move out to a discount, from the beginning of the year but this has now reversed and, as illustrated in Figure 12, its shares are once again trading close to par.

As discussed in our initiation note of November 2015, the Trust underwent a change of strategy at the beginning of 2012 (a focus on total return, an increased allocation to overseas equities, improved management fee structure, annual continuation votes and a rebased dividend). The longer-term discount narrowing arguably reflects the improved structure of the Trust and the uplift in its performance (most noticeable against its peers since 2014). Another consideration is that, in recent years, the managers and the board have increased their efforts in marketing the Trust and explaining the merits of its low-volatility mandate to investors. The managers and board have also been working closely with a number of larger shareholders who wished to reduce their positions (for reasons unrelated to performance).

In our view, SIGT is well positioned if the board adopts a zero discount policy following this year's AGM in July (the board has previously indicated its intention to do so).

In our view, this positions SIGT well should its board decide to adopt a zero discount policy, which it has indicated is its intention following the company's AGM in July. Assuming the board adopts the policy, the Trust will actively provide support to the secondary market: buying and selling shares as necessary so that they effectively trade at, or close to, a zero discount. In our view, this is a very positive development as it should give existing and potential shareholders confidence that they should be able to enter and exit the Trust at close to NAV, which should help to support liquidity in the secondary market. Assuming that the Trust continues to provide attractive low-volatility returns, we think the new measures should allow it to continue to attract new shareholders and grow its asset base over time. This should serve to lower its ongoing charges ratio and further support liquidity, for the benefit of shareholders.

Assuming that the zero discount policy is approved, we would expect to see much lower volatility in SIGT's discount.

Fund profile

Further information can be found at Seneca IM's website: www.senecaim.com

SIGT's aim is to grow both income and capital through investment in a multi-asset portfolio and to have low volatility of returns. Unlike many multi-asset funds, it sits within the AIC's Global Equity Income sector, as the board and Seneca IM believe that this better reflects its income objective.

Seneca IM is a multi-asset value investor.

Seneca IM describes itself as a multi-asset value investor. We think the combination of multi-asset investing with an explicit value-oriented approach may be unique to Seneca IM. The idea is that Seneca IM can allocate between different asset classes, emphasising those that offer the most attractive opportunities and making both asset allocation and investment selection decisions on a value basis. Allocations to mainstream UK equities are made directly while funds are used to gain access to other asset classes. The named fund managers are Alan Borrows (senior fund manager) and Peter Elston (CIO). However, Seneca IM takes a team approach to managing its portfolios: Peter Elston is the research specialist for asset allocation, Alan Borrows for fixed income, Mark Wright for UK equities, Richard Parfect for specialist assets and Tom Delic for overseas equities.

Although the fund's benchmark is Libor+3%, we, the board, the managers and the largest shareholders agree that it is not ideal. The fund's investment objective does not lend itself easily to the adoption of any other formal benchmark. The board has chosen to compare the fund with a range of indices and competing funds. We agree with this stance and have used this approach for our reports on the Trust.

Previous research publications

Readers interested in further information about SIGT, such as investment process, fees, capital structure, trust life and the board, may wish to read our initiation note of November 2015.

Low volatility and growing income – 2 November 2015

MARTEN & CO

Authorised and regulated by the Financial Conduct Authority
123a Kings Road, London SW3 4PL
0203 691 9430

www.martenandco.com

Registered in England & Wales number 07981621,
135a Munster Road, London SW6 6DD

Edward Marten
(em@martenandco.com)

James Carthew
(jc@martenandco.com)

Matthew Read
(mr@martenandco.com)