To: **RNS**
Date: **8 June 2018**
From: **Seneca Global Income & Growth Trust plc**
LEI: **213800OQTUSRFDIL9L29**

Results for the year ended 30 April 2018

Chairman's Statement

Highlights

- Net Asset Value total return +5.7% vs Benchmark +7.7%
- Share Price total return +5.7%
- Dividends for the year increased by 3.9% vs inflation of 2.4%
- A yield of 3.7% on the year-end share price
- Annualised volatility 5.7% compared with 9.2% for the FTSE All-Share Index
- Revised Investment Objective and Policy with effect from 7 July 2017
- Discount Control Mechanism – net issuance of £11.1m worth of Shares
- Shares traded at a small premium to Net Asset Value for almost all of the period

Performance

Seneca Global Income & Growth Trust plc ('SIGT' or 'the Company') generated a net asset value ('NAV') total return per share for the year of +5.7%, which is less than the Benchmark return of +7.7%, though returns are better judged over longer periods, and over three years these returns are +27.6% and +15.5% respectively. At the AGM held on 6 July 2017 Shareholders overwhelmingly approved a change to the Company's Investment Objective, and therefore its Benchmark, to "Over a typical investment cycle, the Company will seek to achieve a total return of at least CPI plus 6% per annum after costs with low volatility, and with the aim of growing the aggregate annual dividends at least in line with inflation, through the application of a Multi-Asset Investment Policy." Prior to 6 July 2017, the Benchmark was 3-month LIBOR plus 3%, so that the actual Benchmark return for year (and over longer periods) is the result of 'chain-linking' these different Benchmarks together. In addition, certain changes to the Investment Policy were approved at the AGM that provided Seneca Investment Managers Limited ('SIML') with greater flexibility to achieve the new Investment Objective.

SIGT's NAV total return over the year compared reasonably well with some comparator indices, whose returns were: FTSE All-Share +8.2%, FTSE All-World ex-UK +7.8%, FTSE UK Private Investor Balanced +4.8%, and FTSE Actuaries UK Conventional Gilts All-Stocks -0.8%. The AIC Flexible Investment sector unweighted average NAV total return was +4.2% for the year.

The Manager's Review later in this Annual Report provides extensive and detailed analysis of the year's performance. I commend this to you as I do the Strategic Review wherein the Manager's Multi-Asset Value Investing philosophy is well explained, as is its approach to Asset Allocation.

Dividends

The Company will pay a fourth interim dividend of 1.64 pence per share (on 22 June 2018), which, when added to the three preceding interim dividends, produces total dividends of 6.38 pence per share for the year to 30 April 2018, an increase of 3.9% on the previous year's 6.14 pence. Inflation over the year to 30 April, as measured by the CPI, was 2.4%. It is the Board's intention, barring unforeseen circumstances, to at least maintain the quarterly dividend amount of 1.64 pence per share for the year to 30 April 2019 (aggregate dividends of 6.56 pence per share). On this assumption, the shares provided a yield of 3.7% on the share price of 174.75 pence that prevailed at the year end.

The aggregate annual dividends are well covered by earnings, which in turn are generated from a well-diversified range of sources.

Discount Control Mechanism ('DCM')

The Company's DCM became fully effective from 1 August 2016, and during the year it bought-in (to treasury) 1m shares and issued (including those re-issued from treasury) 7.34m shares, for a net issuance of 6.34m shares (worth £11.1m). The Board is delighted to have been able to demonstrate its commitment to the DCM by both buying-in and issuing shares. The liquidity and lack of discount volatility that the DCM provides is, the Board believes, of real value to Shareholders. If this expansion in the Company's size continues over time, it should lead to the reduction of the Ongoing Charges Ratio by spreading the fixed costs over a larger base. This has already been evident in the year, with an approximate 10% effective reduction in the Ongoing Charges Ratio (to 1.45% from 1.61%).

Gearing

On 1 November 2017, SIGT announced a new three year rolling debt facility, from the Royal Bank of Scotland, of £14m which represents an increase in size of the facility (from £11m) and an increase to its term (from two years). The actual average net gearing level for the period was approximately 5%. The increased facility has been put in place largely to assist with the operation of the DCM. This will enable gearing levels to be maintained as the DCM results in the issuance of new shares, and/or will provide short term working capital should shares be bought-in.

Investment Management Industry Regulation

In my Interim Statement of 1 December 2017, I reported to Shareholders (or rather, warned) that three elements of regulation were imminent that would impact the Company. These were: The Alternative Investment Fund Managers' Directive ('AIFMD'); the Packaged Retail and Insurance-based Investment Products Regulation ('PRIIPs'); and, the Markets in Financial Instruments Directive II ('MiFID II').

On 4 April 2018, the Company announced it had successfully grown to a size that required it to comply with the full scope of the AIFMD. It has achieved this by appointing PATAC Limited (who were already the Company's Secretary and Administrator) as its Alternative Investment Fund Manager ('AIFM'). PATAC in turn delegated portfolio management back to SIML. SIML has agreed to absorb the costs of the AIFM within its (otherwise unaltered) management fee. The Company also appointed J.P. Morgan Europe as its depositary who delegated the custody function to J.P. Morgan Chase Bank N.A.

PRIIPs came into force for all investment trusts on 1 January 2018. It introduced a new disclosure document known as a Key Information Document ('KID') that must be prepared and made available to retail investors before they invest. The purpose of the KID is to enable retail investors to compare different products across a common standard. The regulation sets down rules on the format and content of the KID and its provision to retail investors. There has been a good deal of concern expressed about the content of the KID by financial commentators, investors, other investment trust boards, and indeed, to a degree, regulators themselves. We believe there may be changes to how some of the content is displayed and await further guidance.

MiFID II came into force on 3 January 2018. While not directly impacting investment trusts, it has certainly impacted their managers, distributors and brokers. Perhaps the most important impact for many managers, is that the cost of obtaining research from brokers has been 'unbundled' within the overall commission payment for buying and selling investments. In turn, these research costs may (effectively) continue to be borne by the client (SIGT in this case) or paid for direct by the manager. SIML has agreed to bear such research costs. This will mean that commission costs for the Company are lower going forward.

Investment Outlook

This time last year, a (snap) General Election was imminent making my 'Outlook' even more difficult than usual. Its result was unexpected by most and has caused concern and uncertainty for many. Brexit looms inexorably closer though its form remains unclear, causing yet more concern and uncertainty. An old proverb goes 'it is difficult to make predictions, especially about the future'! In most environments, and perhaps especially the current one, we believe the Company's Multi-Asset Value Investing Investment Policy is attractive. It provides transparent and straightforward exposure to a range of assets, which should provide reasonable, relatively low volatility (i.e. lower risk) returns over the medium to long term.

Annual General Meeting ('AGM')

Last year's AGM was held in London and all resolutions were passed by a majority of over 99% of shares voted. These resolutions included changes to the Company's Investment Objective and Policy, its Continuation, and its Dividend Policy, as well as authority to buy-in up to 14.99% of the outstanding shares and to issue new shares for cash on a non pre-emptive basis equivalent to up to 20% of the outstanding shares. These buy-in and issuance authorities are essential to enable the DCM to operate.

Shareholders will be aware of the Company's General Meeting ('GM') held on 28 March 2018, which sought permission to issue up to a further 10% of the Company's shares on a non pre-emptive basis, following the success of the DCM. The resolution was also passed by a majority of over 99% of shares voted. Shareholders' support is much appreciated by the Board.

At this year's AGM, some new resolutions will be proposed. All the Directors will stand for re-election, as they will do annually henceforth, believing this to be best practice. The Company's Articles have been reviewed and require some updating to reflect regulatory changes as well as aspects of best practice.

The annual Continuation Vote will be proposed in the usual way, and so is another resolution, to seek Shareholders' approval to remove this requirement from the Articles and therefore, going forward. The Board believes the DCM is now well established and makes a Continuation Vote unnecessary given the liquidity the DCM provides. The Board has observed a steady shift in the type of Shareholder owning the Company's shares towards those investing via a platform and/or via an advisor. The Board welcomes this but is concerned that few such Shareholders vote, or have the chance to vote, their shares producing a declining turnout for (Annual) General Meetings. In turn this could give a relatively small shareholder an undue influence and cause mischief over a Continuation Vote. Shareholders will hopefully appreciate that the Board governs the Company for the long term though should the DCM be suspended or withdrawn for any reason in the future, then the Board would seek engagement with Shareholders and explore the possible re-instatement of a Continuation Vote.

As noted, at last year's AGM, Shareholders approved the issue of new shares for cash on a non pre-emptive basis equivalent to up to 20% of the outstanding shares and a further 10% at the GM held in March to meet the demands of the DCM. Shareholders therefore approved 30% in aggregate over the year though there was an extra expense incurred to hold the GM. It seems sensible to the Board therefore to ask Shareholders to approve two separate resolutions concerning the issue of shares, at the forthcoming AGM. The first resolution seeks permission to issue 10%, and the second (extra) resolution seeks permission to issue up to a further 20% solely in connection with the DCM; resulting in an aggregate of 30%. The Board believes this approach to seeking non pre-emption authorities is novel and whilst the aggregate authority sought is higher than that recommended by corporate governance guidelines, the Board believes it is Shareholder friendly as it facilitates the efficient and cost effective operation of the DCM. The Board believes separating the resolutions gives voice to those Shareholders who may be happy to approve the 10% resolution but not the 20% extra resolution. Should such discontents prove to be sufficient in number, the first resolution may pass but not the extra one, but that would still allow the Company to operate share issuance under the DCM, at least with some capacity. The Board acknowledges that some Shareholders are concerned about their ownership percentage in the Company being reduced, even if slightly, via non pre-emptive share issuance. However, increasing the size of the Company via the DCM, adds value for Shareholders in two ways: new shares are issued at a small premium to NAV thereby enhancing NAV per share; and, as the Company grows in size that should lead to the reduction of the Ongoing Charges Ratio by spreading fixed costs over a larger base.

The Board appreciates some of the resolutions put forward at this year's AGM may be a little unusual, and so I encourage any Shareholder with questions to contact me directly at the email address: richard.ramsay@senecaim.com. This year's AGM will be held in Liverpool on Friday, 13 July 2018 and the Directors and Manager would be delighted to meet as many Shareholders as possible. The Board believes that all the resolutions are in the best interests of the Company and its members as a whole, and strongly recommends that Shareholders vote in favour of all of the resolutions as the Directors intend to do in respect of their own beneficial shareholdings of 320,810 shares.

Richard Ramsay
Chairman
7 June 2018

Investment Manager's Review

Overview

The year under review saw the Company post a respectable NAV total return of +5.7%. This is lower than in recent years but reflects the poorer returns from financial markets. The Company's positive performance in relation to financial markets came from both asset allocation, as well as selection effect in two of the four main asset classes in which it invests.

Equity markets across the world were strong for the first nine months of the financial year. Then February and March saw declines which rather took the shine off what had been building up to be a good year. Safe haven bond yields saw big increases in the latter part of 2017 and the first month or two of 2018. This was on the back of improving global growth prospects, which also caused the price of oil and industrial metals to rise sharply.

While the previous year had seen global economic growth disappoint somewhat, the year under review saw economic growth in both developed and emerging countries rising from the lows of 2016. In the US, Europe and Japan, the rate of GDP growth accelerated by around 1 percentage point between Q4 2016 and Q4 2017. Bucking the positive trend was the UK, where growth slipped from 2.0% in the prior year to 1.4% in the current year. Economic growth in China appeared to stabilise following years of declines, while there were also encouraging signs in Russia, Brazil and India.

The strong economic growth meant that unemployment rates continued to fall. Rates across the developed world were considerably lower at the end of the year than at the beginning, while the emerging world also saw declines in joblessness (notably, the unemployment rate in Brazil which had hit 13.7% in mid 2017 was down at 13.1% by March 2018).

Unemployment rates in the US and the UK are now close to lows seen during the last 50 years or so. Unemployment is lowest in Japan – 2.5% – but this must be put into the context of rates that have in recent decades been as low as 1%. At 8.5%, unemployment in Europe is still very high but may not have as far to fall as the absolute number suggests – pre-Great Financial Crisis (GFC), the rate only got as low as 7.2% compared with 4-5% in other major developed economies.

Improving job markets led to rising wages. Wage growth in major developed countries was higher at the end of the year than at the beginning, and noticeably higher than it had been five or so years ago. For example, wage growth in Japan hit 1.3% year on year in February this year. This may not sound like much, until one appreciates that back in 2012 wages were falling by 2% year on year.

This rising wage growth appeared to feed through to consumer price inflation during the year. Core inflation (not including food and energy) was higher in March 2018 than in March 2017 in the case of all four of the key developed countries and regions mentioned. Inflation trends across the emerging world were also positive, although in some cases (Mexico) this meant that it fell from elevated to more manageable levels. It is interesting to note that as of March, inflation in six key emerging countries ranged from 2 to 5%. This compares with 1 to 16% back in 2015, and of course a much wider range in years gone by when emerging countries were often known for very high rates of inflation. The narrow range is a welcome development and perhaps a sign that the emerging world is coming of age.

As for monetary policy, the financial year saw the UK join the US as the only two economies to start raising interest rates this cycle. The Bank of England raised its base rate, from 0.25% to 0.5%, for the first time in almost ten years, while the US raised its Fed Funds rate a further three times, the latest being an increase to 1.75%. Elsewhere, the European Central Bank lowered bond purchases from €60 billion to €30 billion per month but extended the program at least until September 2018. There is little indication that the Bank of Japan would end its bond buying program any time soon, but the reappointment of governor Kuroda for a second term at least provided some reassurance that a dovish policy would remain in place.

Despite statements by Bank of England governor Mark Carney early in 2018 suggesting markets should expect interest rate increases sooner rather than later, weak growth and inflation data announced in April forced him to soften his line. The added headache of Brexit certainly continued to make Carney's job a particularly challenging one.

As for financial markets, the year under review was notable for the reversal in the US dollar. Since the middle of 2014 when then US Federal Reserve Chairman Ben Bernanke announced the end of the US bond buying program, the dollar had risen by nearly 30%, as measured by the US dollar index. It then started to level off in the first quarter of 2017, since when it has declined by 10%. It is not clear whether this decline was the result of anticipated fiscal expansion, or the prospect of tighter monetary policy in other jurisdictions. Perhaps it was a combination of the two, with some mean reversion thrown in.

Whatever the reason, the stronger global growth and inflation saw bond yields, particularly in the US, rise materially over the year (though in Japan's case this was from zero to very slightly more than zero). Interestingly, the rise appeared to be solely due to higher inflation expectations as real long-term yields barely moved. Real long-term yields still have a long way to go to get back to where they were pre-crisis, let alone where they were 20 years ago.

In regard to equities, they were generally very strong throughout the year but then ran out of steam at the beginning of February. After recovering somewhat towards the end of the month – there had been no apparent reason for the falls other than weariness – they then fell again in March following the ratcheting up of trade tariff threats by US President Donald Trump.

Performance

Overall, the Company's investment performance for the year was respectable in light of the performance of financial markets generally.

Asset allocation contributed 0.4 percentage points to relative performance. Notably, in August of 2017, the Company moved to a zero weighting in underperforming US equities, and was heavily positioned in outperforming Asia ex-Japan equities. In fixed income, the Company's zero exposure to poor-performing safe haven bonds contributed positively.

On the selection front, the Company's UK equity portfolio detracted from performance. This was largely due to the underperformance of mid-cap stocks, where your Manager has a focus, in relation to their larger counterparts. The Company's overseas equity portfolio posted a total return for the year of 9.5%, compared with 7.8% for the FTSE All-World ex-UK index. Holdings in Japan and Europe, where the Company was overweight, did particularly well in relation to their underlying markets. In fixed income, positive contribution from selection came from corporate bonds and emerging market debt, where the Company's holdings outperformed their underlying indices.

As for specialist assets, the Company's holdings in AJ Bell and Aberdeen Private Equity Fund combined to contribute 1.6 percentage points to performance. It was decided to increase the carried value of AJ Bell during the year, from £7.00 to £8.30 given strong business performance. The Aberdeen Private Equity Fund announced that it would be selling its entire portfolio and distributing proceeds to investors. This led to an immediate closing of the discount and helped the investment return 26% to the Company. On a negative note, the Company's holding in the Assured Fund slipped throughout the year and was further written down at the year end. It is becoming clearer that the cost of servicing the Fund's holdings in life policies is rising, resulting in persistent decay of net asset value. Nevertheless, selection effects overall for specialist assets were positive in spite of this difficult holding.

The Company's NAV total return for the year of 5.7% was behind that of the blended old and new benchmarks which pertained over the year, that equated to 7.7%. However, this must be considered in the context of the somewhat soggy performance of financial markets, as well as the fact that your Manager seeks to achieve the target over an entire investment cycle, not just one year. As in previous years, the return was delivered with a level of volatility that was significantly below that of the FTSE All-Share Index.

One of the primary objectives for your Manager is to provide shareholders with a good dividend that over time at least rises in real terms. Income from the portfolio is generated from a diversified range of assets, where security of income and scope for this income to rise are major focuses of the investment approach. It is therefore pleasing to report that dividends declared to shareholders grew by 3.9% this year, which compares favourably with UK CPI inflation of 2.4%. This uplift in dividends marks the fifth consecutive year of rises above the rate of inflation, which has been achieved whilst also providing for increases in the Company's revenue reserve in each of these years.

Contribution analysis by individual holdings in the 12 Month period to 30 April 2018

Top 6 positive contributors	Asset Class	Contribution to Return
AJ Bell Holdings Limited	Private Equity	+1.14%
CC Japan Income & Growth Trust	Japan	+0.57%
Senior	UK Equities	+0.54%
Bovis Homes Group	UK Equities	+0.53%
Victrex	UK Equities	+0.52%
Conviviality	UK Equities	+0.48%

Bottom 6 negative contributors	Asset Class	Contribution to Return
Assured Fund	Specialist Financial	-0.54%
Ultra Electronics Holdings	UK Equities	-0.44%
Marston's	UK Equities	-0.30%
Marks & Spencer	UK Equities	-0.25%
Kier Group	UK Equities	-0.21%
BT	UK Equities	-0.18%

Source: Seneca Investment Managers/StatPro. Private Equity is a component of specialist assets.

The broad ranging nature of portfolio returns during the year is well demonstrated by the list of holdings making the largest contributions, with three of the four sub asset classes in which the Company invests represented.

Asset Allocation
All weights expressed as a percentage of total assets

Although your Company is a multi-asset fund, its strategic asset allocation is somewhat more growth oriented compared with other trusts in its peer group. The strategic asset allocation, now decided by the Manager, is weighted as follows: 35% in UK equities, 25% in overseas equities, 25% in specialist assets, and 15% in fixed income. As of the end of the review period, the tactical asset allocation targets in the four segments were 30.0%, 25.0%, 30.1%, and 9.2% respectively, with a cash target of 5.7%, though with drawn down debt representing 7.9%, the net debt target is 2.2%.

The most significant change in asset allocation (vs strategic asset allocation) over the year was a decrease in the equities target from an overweight of 1 percentage point to an underweight of 5 percentage points. This reduction was made progressively throughout the year in six steps of 1 percentage point each. The first three took the US and Japan down by 1.5 percentage points each (in the case of the US to zero), while the latter three all pertained to the UK. The six reductions in the equity target were in line with the road map we had previously set out (for a 1 percentage point reduction in equities every two months for the next couple of years or so). The rationale for the reductions was that the global economy was moving into the expansion phase of the business cycle, and thus lower returns from equities should be expected. At the same time, rising markets meant also that valuations were becoming less compelling.

As mentioned, most of the 6 percentage point reduction in the equities target came in the US and the UK. These are the only two major developed economies that have started to increase interest rates, an indication that they are closer to the end of their business cycles than Japan and Europe.

The last two reductions in the UK equities target saw the Company start to use an enhanced income fund, the Insight UK Equity Income Booster. Selling UK equities that yield around 4% and reinvesting half the proceeds in the Insight Fund that yields around 8% allows the Company to reduce its equity exposure but to maintain its income generating capacity.

Elsewhere, the fixed income target was increased from 8.2% to 9.2% (in corporate bonds) while the specialist assets target was increased from 27.0% to 29.4% (in property, private equity, specialist financial and infrastructure). As a result of the various target changes noted, the cash target rose from 2.8% to 5.7%.

UK Equities

There were two new purchases and two outright sales in the UK equity portfolio during the review period. Outside of these, there were a number of small tweaks in target weightings that related either to asset allocation reductions or holding reductions to fund the two new purchases.

The new purchases were Babcock International ('Babcock') and the aforementioned Insight Equity Income Booster, though the latter was not a new stock idea as such but a way as mentioned of generating income for the portfolio. The two outright sales were Intermediate Capital Group and Conviviality.

Babcock was added to the portfolio in September. It had we felt been unjustifiably tarnished with the same brush as other support service companies that had experienced difficulties such as Capita, Interserve, Mitie and Serco. This had led to a material de-rating of Babcock that provided an opportunity to invest in a well-run business with good long-term growth prospects. In contrast to the aforementioned businesses, Babcock's offering involves highly skilled labour and considerable technological know-how that is applied in heavily regulated and often secretive industries such as nuclear and defence. Labour is often in short supply and as a result, barriers to entry are relatively high. For example, many of Babcock's employees have military clearance and individual nuclear licences.

On simple valuation metrics, Babcock had de-rated materially, from as high as 13x EV/EBITDA to below 8x. The dividend yield was also at an all-time high.

Babcock provides highly skilled engineering support and specialist training, in order to help clients improve the capability, reliability and availability of their critical and often complex infrastructure assets. These assets typically operate in highly regulated environments. Innovation enables the company to improve service delivery through the life of contracts, helping the group achieve a 90% customer retention rate. Half of group revenue is generated from defence markets.

Babcock's biggest client is the UK government. Over 80% of all work is carried out on behalf of the public sector and 75% of all work is undertaken in the UK. The group is focussed on expanding internationally and recently became the first non-US company selected to supply a critical component for America's nuclear submarine missile tube programme. Babcock had also recently won several contracts in France.

The company's balance sheet is not stretched, with net debt to EBITDA forecast to come in at around 1.7x for the year and 1.1x by 31 March 2019. The company intended to continue deleveraging and at the time of purchase was not pursuing any large acquisitions. Net cash flow from operations covered cash net interest expense by over 12x, a ratio that is expected to rise further.

The overall outlook for Babcock is positive, supported by a large order book standing at £19bn and a bidding pipeline of £10.5bn. At the time of publishing the 2017 Annual Report & Accounts, the combined order book provided 76% revenue visibility for 2018 and 52% revenue visibility for 2019. Recurring revenues are high as a result of the company regularly achieving a greater than 90% success rate on contract renewals.

Intermediate Capital Group was exited in October. It was a reasonably good business that still had scope for growth. Alternative assets had been playing an increasing role in investment portfolios and almost all money under management was in "stickier" closed end vehicles. The valuation, however, had increased substantially in recent years. Having yielded as much as 6% at times in 2014, the yield had come down to just 3%.

Conviviality was exited in November, having only entered the portfolio in January 2017. Although the holding had performed very well, rising by around two thirds, governance issues caused us to lose confidence in the company. The first issue was an EPS misstatement earlier in the year. This was then followed by another misstatement relating to revenue calculation and the departure of the finance director. As a result, we decided to sell the holding. Although we did not feel that the stock was particularly expensive, the strong performance had certainly pushed the valuation up. Following our exit, the company made further negative announcements. The most recent one related to a large tax liability that had not been accounted for, resulting in the stock being suspended.

Overseas Equities

Overseas equity fund selection remains biased towards managers adhering to a value investing approach. We are also attracted to defensive managers who can deliver returns with lower volatility than their benchmark indices. Managers must also be able demonstrate a high level of conviction, with positions held being as a result of high conviction decisions, rather than just owning large index constituents due to their significance within a benchmark.

Most of the target changes in overseas equities related to asset allocation decisions. The exit of Cullen Global North American High Dividend Value Fund was required to facilitate a move to a zero weighting in US equities. Similarly, the reductions in the Michinori Japan Equity Fund and Coupland Cardiff Japan Income and Growth Trust related to asset allocation reductions.

However, there were three target changes of note that did not relate to asset allocation decisions.

The first of these came in November and related to the decision to add Samarang Asian Prosperity Fund ('Samarang') (previously called Halley Asian Prosperity Fund) at the expense of Aberdeen Asian Income Fund. The manager, Greg Fisher, uses traditional value investing techniques applied to the small cap regions of the Asian markets, where companies with no analyst coverage and very little buy-side interest can be found. The portfolio has a large allocation to Vietnam. In recent years, some of the larger listed businesses in the country have become popular with institutional investors. Samarang however, fishes in a different pond, focusing on the smaller cap end of the market. Here, the manager can find high return on equity operations trading at significant discounts to conservative estimates of the net asset valuation of the business. Samarang also pays a circa 4% distribution annually.

The second came in January and related to the decision to add HMG Global Emerging Markets Equity Fund to the portfolio, at the expense of the Company's two emerging markets holdings, Magna Emerging Markets Dividend Fund and Somerset Emerging Markets Dividend Growth Fund. The team at HMG focuses on a proprietary universe of emerging market listed subsidiaries of multinational developed market businesses. The oversight of a parent company within the emerging markets offers commercial advantages such as brand and extensive industry know how. Subsidiaries are also often set up to sell goods and services in the country in which they are listed, providing us with genuine exposure to the domestic growth within the emerging market regions. Whilst purchasing a portfolio of good quality businesses with attractive growth prospects is appealing, the real attraction to the fund is the approach of HMG. Portfolio construction is completely index agnostic and the team employs a value philosophy, buying subsidiaries in their universe when they trade at substantial discounts to intrinsic value and are out of favour with other investors.

The third change came in February and related to the decision to add a new fund in Asia, at the expense of Aberdeen Asian Income Fund and Schroder Asian Income Maximiser. At the time of writing, we are still in the process of setting up the new fund for purchase, so will write about it in the Interim Report. Suffice to say the manager is a value investor who operates a high conviction approach.

Specialist Assets (including property)

We made three significant target changes in specialist assets during the year, though one of these, the exit of Aberdeen Private Equity Fund, was forced on us by it being wound up. The other two pertained to one new purchase and one outright sale.

In May, we added PRS REIT to the portfolio. This was the first Private Rental Sector (hence "PRS") REIT to be listed on the London market. The REIT owns newly built family homes in developments that are predominantly in the regions, which it then rents out. The investment rationale is that housing is unaffordable to own for large sections of society. There has been a significant undersupply of new housing in recent years and an expected 10% growth in the population over the next 15 years is making this a hard problem to solve. The government is keen to address this issue and in a White Paper has proposed further support and incentives for institutional investment in the PRS sector.

The REIT targets a 6% dividend yield and total returns of 10% per annum. This will be achieved through investment in portfolios, typically, of two, three and four bed family homes on either solely PRS sites or, in the cases of larger sites, mixed ownership but with the PRS properties located together (to make maintenance easier).

It is hard to view industry prospects as anything other than strong. The government is desperate to get more housing built and for land to be freed up to enable that supply. The structural shortfall of good quality modern family accommodation means that even if the owner-occupier housing market itself suffers a downturn, rental income will not necessarily be hit. Indeed, it could be argued (and indeed was demonstrated in the GFC) that when households are unable to buy property for one reason or another, they elect to rent (thereby increasing demand for rented properties which in turn supports rental income). There are no other teams carrying out this activity on this scale. Consequently, the economies of scale benefit housebuilder and REIT alike.

The other target change related to the decision to exit Civitas Social Housing ('Civitas') in February. One of Civitas' key housing association partners, First Priority Housing Association (FPHA), announced that it was owed money by private care providers and local authorities. Although these debts pertained to assets outside Civitas' portfolio, they had created a cash flow problem for the housing association as a whole.

We had noted that Civitas had been quick to announce small purchases of assets that in themselves were fairly immaterial but had not filed an announcement with the London Stock Exchange about the FPHA difficulties until three weeks after the disclosure on the Housing and Communities Agency website. We would prefer to invest with teams that are more conservative, and quick to respond to any news or development that might be construed as negative.

Fixed Income

The only changes in fixed income were the two 0.5 percentage point increases in target in the Royal London Short Duration Global High Yield Bond Fund. Both increases were related to reductions in overseas equities targets and the desire to put cash to work. Given our views on global growth and inflation, we are keen to limit exposure to duration risk but happy to maintain or increase exposure to credit risk. Short duration high yield thus fits the bill as it satisfies both requirements.

Outlook

It is nearly ten years since the GFC and the current cycle is becoming long in the tooth. To some extent, this cycle should be longer than average, given the severity of the 2009 downturn – the worse the damage, the longer the recovery time. However, the global economy appears to have finally reached escape velocity and is now starting to show signs of entering the final stage of the cycle.

Unemployment is close to or nearing 50-year lows across the developed world. Rising inflation will result. Having said that, there may be reasons why the final phase of the cycle may also be extended. In the US, the participation rate remains very low so improving job prospects may persuade those who had perhaps reluctantly left the workforce to return. This has the effect of dampening wage pressures more than might otherwise be the case. In Japan, another trend is in evidence. The female participation rate is rising sharply, as the government encourages Japanese women to join the workforce. This too has the effect of increasing employment without there being a commensurate impact on wages, thus extending the cycle.

Furthermore, although flatter than they were, yield curves in developed countries are still steep. Bear markets and downturns do not tend to start until cash represents a viable alternative either to investment in the stock market or in new business capacity. In other words, until yield curves are inverted, following a period of monetary tightening. Although the US has been increasing interest rates for more than two years now, it has been doing so slowly. Elsewhere, the UK has raised rates just once, while Europe and Japan have yet to get started.

So, we think there is scope for the global economy to continue to grow for a little while longer, which should provide support for risky assets such as equities and high yield bonds. It will also mean that inflation pressures are likely to continue to rise which will be negative for safe haven bonds but positive for energy and industrial metals, as well as a host of other so-called real assets.

Seneca Investment Managers Limited
7 June 2018

Income Statement
For the year ended 30 April 2018

	Notes	Year ended 30 April 2018 Revenue £'000	Capital £'000	Total £'000
Gains on investments		-	1,246	1,246
Income		3,816	-	3,816
Investment management fee		(312)	(312)	(624)
Administrative expenses		(452)	-	(452)
Profit before finance costs and taxation		3,052	934	3,986
Finance costs		(59)	(59)	(118)
Profit before taxation		2,993	875	3,868
Taxation		(5)	-	(5)
Profit for year/ total comprehensive income		2,988	875	3,863
Return per share (pence)	**2**	6.85	2.01	8.86

The total column of this statement represents the profit and loss account of the Company. The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies.
All revenue and capital items in the above statement derive from continuing operations.
No operations were acquired or discontinued in the year.
The accompanying notes are an integral part of the financial statements.

Income Statement
For the year ended 30 April 2017

	Notes	Year ended 30 April 2017 Revenue £'000	 Capital £'000	 Total £'000
Gains on investments		-	8,855	8,855
Income		3,500	-	3,500
Investment management fee		(265)	(265)	(530)
Administrative expenses		(462)	-	(462)
Exchange losses		-	(4)	(4)
Profit before finance costs and taxation		2,773	8,586	11,359
Finance costs		(44)	(44)	(88)
Profit before taxation		2,729	8,542	11,271
Taxation		(22)	22	-
Profit for year/ total comprehensive income		2,707	8,564	11,271
Return per share (pence)	**2**	6.78	21.43	28.21

The total column of this statement represents the profit and loss account of the Company. The supplementary revenue and capital columns are both prepared under guidance published by the Association of Investment Companies.
All revenue and capital items in the above statement derive from continuing operations.
No operations were acquired or discontinued in the year.
The accompanying notes are an integral part of the financial statements.

Balance Sheet

	Notes	As at 30 April 2018 £'000	As at 30 April 2017 £'000
Fixed assets			
Investments at fair value through profit or loss		82,135	72,931
Current assets			
Debtors and prepayments		584	667
Cash and short term deposits		6,673	3,341
		7,257	4,008
Creditors: amounts falling due within one year			
Bank loan		(7,000)	(7,000)
Other creditors		(365)	(159)
		(7,365)	(7,159)
Net current liabilities		**(108)**	**(3,151)**
Net assets		**82,027**	**69,780**
Capital and reserves			
Called-up share capital		11,905	10,320
Share premium account		12,942	3,408
Special reserve		41,783	41,783
Capital redemption reserve		2,099	2,099
Capital reserve		11,758	10,883
Revenue reserve		1,540	1,287
Equity shareholders' funds		**82,027**	**69,780**
Net asset value per share (pence)	**3**	**172.25**	**169.04**

Statement of Changes in Equity
For the year ended 30 April 2018

	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 April 2017	10,320	3,408	41,783	2,099	10,883	1,287	69,780
Total comprehensive income	-	-	-	-	875	2,988	3,863
Dividends paid	-	-	-	-	-	(2,735)	(2,735)
Discount control costs	-	(43)	-	-	-	-	(43)
Shares bought back into treasury	-	-	(1,693)	-	-	-	(1,693)
Shares issued from treasury	-	64	1,693	-	-	-	1,757
New shares issued	1,585	9,513	-	-	-	-	11,098
Balance at 30 April 2018	**11,905**	**12,942**	**41,783**	**2,099**	**11,758**	**1,540**	**82,027**

Statement of Changes in Equity
For the year ended 30 April 2017

	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve £'000	Revenue reserve £'000	Total £'000
Balance at 30 April 2016	9,974	1,445	41,783	2,099	2,319	1,008	58,628
Total comprehensive income	-	-	-	-	8,564	2,707	11,271
Dividends paid	-	-	-	-	-	(2,428)	(2,428)
Discount control costs	-	(25)	-	-	-	-	(25)
New shares issued	346	1,988	-	-	-	-	2,334
Balance at 30 April 2017	**10,320**	**3,408**	**41,783**	**2,099**	**10,883**	**1,287**	**69,780**

The revenue reserve represents the amount of the Company's reserves distributable by way of dividend.

Cash Flow Statement

	£'000	Year Ended 30 April 2018 £'000	£'000	Year Ended 30 April 2017 £'000
Net return before finance costs and taxation		3,986		11,359
Adjustments for:				
Gains on investments		(1,246)		(8,855)
Exchange movements		-		4
Dividends		(3,816)		(3,500)
Dividends received		3,760		3,406
Loan interest paid		(145)		(85)
Tax paid		(5)		-
Decrease/(increase) in other debtors		1		(5)
Increase in other creditors		23		44
Net cash inflow from operating activities		**2,558**		**2,368**
Investing Activities				
Purchases of investments	(28,538)		(31,069)	
Sales of investments	20,932		31,657	
Net cash (outflow)/inflow from investing activities		**(7,606)**		**588**
Financing Activities				
Proceeds of issue of shares	12,808		2,141	
Cost of share buybacks	(1,693)		-	
Equity dividends paid	(2,735)		(2,428)	
Net cash inflow/(outflow) from financing activities		**8,380**		**(287)**
Increase in cash		3,332		2,669
Exchange movements		-		(4)
Opening balance		3,341		676
Closing balance		**6,673**		**3,341**

Principal Risks and Uncertainties

The principal risks faced by the Company are: investment and strategy risk; market risk; financial risk; earnings and dividend risk; operational risk; regulatory risk and key man risk. These risks, which have not changed materially since the annual report for the year ended 30 April 2017, and the way in which they are managed, are described in more detail in the annual report for the year ended 30 April 2018. The report will be made available on the manager's website www.senecaim.com during June 2018.

Risk management, financial assets and liabilities

The Company's financial instruments comprise:

- Equities that are held in accordance with the Company's investment objective;
- Term loans, the main purpose of which are to raise finance for the Company's operations;
- Cash and liquid resources that arise directly from the Company's operations; and
- Other short term debtors and creditors

The main risks arising from the Company's financial instruments are market risk, interest rate risk, credit risk, liquidity risk and foreign currency risk. The Board regularly reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged since the inception of the Company.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is not considered to be significant as the Company's assets comprise of mainly readily realisable securities, which can be sold to meet funding commitments if necessary.

Market risk
Market risk arises mainly from uncertainty about future prices of financial instruments held. It represents the potential loss the Company might suffer through holding market positions in the face of price movements.

To mitigate the risk the Board's investment strategy is to select investments for their fundamental value. Stock selection is therefore based on disciplined accounting, market and sector analysis, with the emphasis on long term investments. The Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to consider investment strategy.

Interest rate risk

Financial assets
Prices of bonds and open ended investment companies (on a look-through basis) are determined by market perception as to the appropriate level of yields given the economic background. Key determinants include economic growth prospects, inflation, the government's fiscal position, short-term interest rates and international market comparisons. The Manager takes all these factors into account when making any investment decisions as well as considering the financial standing of the potential investee company.

Financial liabilities
The Company finances its operations through the use of a loan facility. The Board sets borrowing limits to ensure gearing levels are appropriate to market conditions and reviews these on a regular basis.

Foreign currency risk
The income and capital value of the Company's investments are mainly denominated in Sterling; therefore, the Company is not subject to any material risk of currency movements.

Other price risk
Other price risks (i.e. changes in market prices other than those arising from interest rate or currency risk) may affect the value of the quoted investments.

It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular country or sector. The allocation of assets to international markets and the stock selection process both act to reduce market risk. The Manager actively monitors market prices throughout the year and reports to the Board, which meets regularly in order to review investment strategy. The vast majority of investments held by the Company are listed on various stock exchanges worldwide.

Credit risk
Credit risk represents the failure of the counterparty to a transaction to discharge its obligations under that transaction that could result in the Company suffering a loss.

The risk is not considered significant, and is managed as follows:

- investment transactions are carried out with a large number of brokers, whose credit-standing is reviewed periodically by the Manager, and limits are set on the amount that may be due from any one broker;
- the risk of counterparty exposure due to failed trades causing a loss to the Company is mitigated by the review of failed trade reports by the Administrator on a daily basis. In addition, the Administrator carries out a stock reconciliation to the Custodian's records on a weekly basis to ensure discrepancies are picked up on a timely basis. The Manager's Compliance department carries out periodic reviews of the Custodian's operations and reports its findings to the Manager's Risk Management Committee; and
- cash is held only with reputable banks with high quality external credit enhancements.

None of the Company's financial assets are secured by collateral or other credit enhancements.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and financial statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards), including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they present a fair, balanced and understandable report and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006, where applicable. They are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Statement of Corporate Governance that comply with that law and those regulations. The financial statements are published on www.senecaim.com which is a website maintained by the Company's Manager. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable UK Accounting Standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- that in the opinion of the Directors, the Annual Report and Accounts taken as a whole, is fair, balanced and understandable and it provides the information necessary to assess the Company's performance, business model and strategy; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company faces.

For Seneca Global Income & Growth Trust plc
Richard Ramsay
Chairman
7 June 2018

Notes

1. The financial statements have been prepared in accordance with Financial Reporting Standard 102 and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts'. The financial statements are prepared in sterling which is the functional currency of the Company and are rounded to the nearest £'000. They have also been prepared on the assumption that approval as an investment trust will continue. The financial statements have been prepared on a going concern basis.

2. Return per ordinary share

   The revenue return per Ordinary share is calculated on net revenue on ordinary activities after taxation for the year of £2,988,000 (2017 - £2,707,000) and on 43,620,786 (2017 – 39,954,635) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

   The capital return per Ordinary share is calculated on net capital profit for the year of £875,000 (2017 – £8,564,000) and on 43,620,786 (2017 – 39,954,635) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

   The total return per Ordinary share is calculated on total return for the year of £3,863,000 (2017 – gains of £11,271,000) and on 43,620,786 (2017 – 39,954,635) Ordinary shares, being the weighted average number of Ordinary shares in issue during the year.

3. Net asset value per ordinary share

   The net asset value per Ordinary share is based on net assets of £82,027,000 (2017: £69,780,000) and on 47,621,361 (2017: 41,281,361) Ordinary shares, being the number of Ordinary shares in issue at the year end.

4. Dividends

   A fourth interim dividend in respect of the year ended 30 April 2018 of 1.64p (2017 – 1.58p) per Ordinary share will be paid on 22 June 2018 to shareholders on the register on 1 June 2018. In accordance with UK Accounting Standards this dividend has not been included as a liability in these accounts and will be recognised in the period in which it is paid.

5. Related parties

   The Directors of the Company receive fees for their services.

6. Bank loan facility

   The Company has a £14 million revolving loan facility in place with Royal Bank of Scotland plc, of which, at 30 April 2018, £7 million had been drawn down at an all-in fixed rate of 1.9094% until 31 October 2018. The facility runs until October 2020 and can be cancelled at any time without cost to the Company.

7. Financial information

   These are not full statutory accounts for the year ended 30 April 2018. The full audited annual report and accounts for the year ended 30 April 2018 will be sent to shareholders in June 2018 and will be delivered to the Registrar of Companies following the Company's Annual General Meeting. The full audited accounts for the year ended 30 April 2017, which were unqualified, have been lodged with the Registrar of Companies.

8. The report and accounts for the year ended 30 April 2018 will be made available on the website www.senecaim.com. Copies may also be obtained from the Company Secretary's office, PATAC Ltd, 21 Walker Street, Edinburgh EH3 7HX.

Enquiries:

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