To: **RNS**
Date: **11 June 2019**
From: **Seneca Global Income & Growth Trust plc**
LEI: **213800OQTUSRFDIL9L29**

Results for the year ended 30 April 2019

Chairman's Statement

Highlights

- Net asset value total return +7.6% vs Benchmark +8.2%
- Share price total return +6.0%
- Annual volatility 7.6% compared with 11.6% for the FTSE All-Share Index
- Dividends for the year increased by 3.4% vs inflation, as measured by the CPI, of 2.1%
- A yield of 3.8% based on the year-end share price and the current quarterly dividend rate
- Discount Control Mechanism – issuance £3.66m; buy-ins £3.77m
- Shares traded very closely around net asset value for the whole 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 +7.6%, which was very close to the Benchmark return of +8.2%. However, the Board believes that returns are better judged over longer periods, and over three years these were +36.7% and +20.5% respectively.

SIGT's NAV total return over the year compared well with some comparator indices, whose returns were: FTSE All-Share +2.6%, FTSE All-World ex-UK +11.8%, FTSE UK Private Investor Balanced +6.6%, and FTSE Actuaries UK Conventional Gilts All-Stocks +3.2%. The AIC Flexible Investment Sector unweighted average NAV total return was +6.2% 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. One of the strengths of this philosophy is that it provides transparent and straight-forward exposure to a range of assets, which together should provide lower volatility (i.e. lower risk) returns than equity only portfolios and reasonable real returns over the medium to long term.

Dividends

The Company will pay a fourth interim dividend of 1.68 pence per share (on 21 June 2019), which, when added to the three preceding interim dividends, produces total dividends of 6.60 pence per share for the year to 30 April 2019, an increase of 3.4% on the previous year's 6.38 pence. Inflation over the year to 30 April, as measured by the CPI, was 2.1%. It is the Board's intention, barring unforeseen circumstances, to at least maintain the quarterly dividend amount of 1.68 pence per share for the year to 30 April 2020 (aggregate dividends of 6.72 pence per share). On this assumption, the shares provided a dividend yield of 3.8% on the share price of 178.25 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. The year's earnings were particularly strong as they were enhanced by a number of non-recurring factors allowing a significant and welcome increase in the Company's revenue reserves. It is therefore anticipated that the current year's earnings will decline though will still be more than sufficient to meet the Company's dividend objective and policy.

Discount Control Mechanism ('DCM')

The Company's DCM became fully effective from 1 August 2016, and during the year it bought-in 2,306,273 shares and issued 2,115,000 shares, for a net buy-in of 191,273 shares. 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. Since becoming fully effective, the operation of the DCM has resulted in a net issuance of 7,533,727 shares and, as shares are issued at a small premium and bought-in at a small discount, the NAV of the Company has been enhanced by £104,071 after all applicable costs.

Gearing

SIGT has a debt facility available to it, from the Royal Bank of Scotland, of £14m of which £7m was drawn down during the year. The actual average net gearing level for the period was less than 4% as some of the drawn down facility was held in cash, or similar, reflecting the Manager's caution and also to allow virtually instant access to funds should the need arise. The undrawn element of the facility is in place largely to assist with the operation of the DCM, enabling gearing levels to be maintained when the DCM results in the issuance of new shares, and/or providing short term working capital, if necessary, when shares are bought-in.

Investment Outlook

This time last year, I said "Brexit looms inexorably closer though its form remains unclear, causing yet more concern and uncertainty." I could say the same this year and leave it at that! Given the timetable for publication of this Statement, I can only comment on events and developments up to 7 June, and as things seem to be changing on a daily basis such a commentary is liable to be out of date already. There are also significant US-China trade talks ongoing that are affecting investment markets on a seemingly daily basis. So, it may be best simply to highlight that risks and uncertainties abound and that the Company's investment policy, and the Manager's investment philosophy, seem particularly relevant in the current environment.

During the year, the Manager continued its gradual process of reducing the Company's equity exposure reflecting its medium-term caution and to protect SIGT from the worst of equity markets' possible weakness. The Manager's assessment of the investment outlook is set out in the Manager's Review.

Board Composition

As announced, and with effect from 1 March 2019, Sue Inglis joined the Board. Sue is vastly experienced with investment trusts and this experience and knowledge is already proving very helpful to the Company. It is intended that Sue will chair the Audit Committee when Ian Davis retires from the Board later this year after an appropriate hand-over period, and in the absence of unforeseen circumstances. Ian has served the Company for over 14 years with wise and much valued counsel. Furthermore, it is intended to recruit another new director in due course to ensure a suitably 'refreshed' and independent Board of four (ongoing) members.

Annual General Meeting ('AGM')

Last year's AGM was held in Liverpool and all resolutions were passed by a majority of over 99% of shares voted. These resolutions included those that help with the effective management of the DCM specifically allowing the Company to issue shares on a non pre-emptive basis equivalent to 30% of its equity and to buy-in up to 14.99%. Shareholders also approved the removal of the requirement to propose the Company's continuation on an annual basis.

This year's AGM will be held in London on Tuesday 16 July 2019 and, as last year, the Board asks Shareholders to approve two separate resolutions concerning the issue of shares. 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; for an aggregate of 30%. The Board believes this approach to seeking non pre-emption authorities is shareholder friendly as it gives voice to any Shareholders who may be unhappy that the aggregate authority sought is higher than that recommended by corporate governance guidelines, whilst still allowing their approval for the more conventional 10% issuance.

There is also a resolution concerning Directors' fees that deserves some explanation. Directors' fees are determined within the limit set out in the Company's Articles of Association and the current limit is £100,000 per annum. As mentioned above, the number of Directors has increased this year from three to four and it is intended to maintain this number. In addition, it has become clear that each Director's fees have fallen well behind market rates, whose increase reflects the seemingly ever-increasing regulatory burden and responsibilities. The Board is therefore planning to make an increase of 20% to the basic Director's fees taking them to £24,000 (with supplements for each of the Nomination Committee Chair (£1,000), Audit Committee Chair (£3,000), and Board Chair (£8,000)), in order to bring them closer to those of investment trusts of a similar size and investment objective. Each Director's fees were last increased on 1 January 2015, and indeed only that once in over 10 years, and the Board believes the planned changes appropriately reflect the current responsibilities and commitment of the Directors and will ensure the Company continues to be able to attract high-calibre individuals in the future. Therefore, to accommodate both the slightly larger Board and the increase in fee rates, the Board is requesting approval from Shareholders to increase the overall limit on Directors' fees to £150,000 per annum, with an annual upward adjustment to that limit to reflect the change in the Consumer Price Index. This will ensure the Company is able to pay Directors' fees closer to the market rates and will provide additional flexibility to manage succession planning on an ongoing basis.

The Directors and Manager would be delighted to meet as many Shareholders as possible at the AGM. 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 340,810 shares.

Richard Ramsay
Chairman
10 June 2019

Manager's Review

Overview

The year under review saw the Company post an NAV (net asset value) total return of 7.6%. Although this is very slightly behind the CPI+6% Benchmark return of 8.2% it compares favourably with the relevant peer fund averages as well as the performance of the Company's strategic asset allocation. It should however be noted that a fair proportion of the performance came from UK holding AJ Bell. AJ Bell was listed in December last year and performed very well during the many years it was held by your Company as an unlisted investment as well as at listing (the IPO price was well above the carrying value) and during the months since listing.

Elsewhere in the portfolio, negative contributors included overall positioning in UK equities, US equities and safe-haven bonds. In the UK we focus on medium-sized companies which in general underperformed their larger counterparts. We have had a zero position in US equities for a little while now and this hurt us as they continued to perform well both in absolute terms and in relation to equities elsewhere. In addition, we have a zero position in safe-haven bonds which, like US equities, also performed well over the year.

Although all three of these high conviction positions went against us over the review period, there is sound logic behind each of them. Moreover, we now have even greater confidence in them than we did a year ago. Smaller companies in the UK have outperformed larger companies by a considerable margin in recent decades due to their greater propensity to grow. Although they have been impacted in recent years – first by Brexit then by broader global market weakness towards the back end of last year – we continue to believe they should perform better than larger companies over the longer term. Furthermore, they tend to be less widely researched, and so opportunities to uncover hidden value abound.

As for US equities, they are now more than twice as expensive as non-US equities based on price-to-book ratios. While some premium may be justified on the basis of the US having a more dynamic corporate culture, the current premium is, we believe, unsustainable.

Finally, safe-haven bonds such as gilts and treasuries have been expensive for a few years now, as evidenced by very low yields both in real and nominal terms. We thus find it very hard to justify holding them in your Company's portfolio, though accept there will be short periods, such as the one since September last year, when they perform well, going from being expensive to very expensive.

It is our firm belief that you pay us to put your money where our mouth is and so we will never shy away from making bold decisions. Our promise to you is that we will always have a strong basis for such positions and will stay patient until they work meaningfully in your Company's favour as we indeed expect them to. Our timing will never be perfect – that simply isn't possible – but we know it is usually better to be early than late.

As for economic and financial market performance over the year, it was particularly eventful, or at least more eventful than the previous year. Having been weak at the end of the Company's previous financial year, equity markets as a whole performed well for the first five months of the period under review. Markets, though having been driven by a small number of tech stocks in the US, were ahead for the year. Rising bond yields reflected robust economic growth, as did the rising oil price.

Furthermore, although there had been many angry words spoken by Presidents Trump and Xi on the subject of global trade, it had always seemed that compromise was not too far away.

Then, October saw equity markets fall sharply and while in November they stabilised somewhat, there was a resumption of the declines in December.

We believe that much of the weakness at the end of the calendar 2018 year can be traced to US President Trump's tax cuts that were signed into law in December 2017. Although they appeared regressive, favouring the wealthy, they were embraced widely, and markets initially responded well to them. However, although growth appeared to be slowing elsewhere, the tax cuts provided a thoroughly unnecessary boost to an already buoyant US economy. It is conventional wisdom that fiscal stimulus is required when private sector demand is weak, not when it is strong. President Trump chose to ignore this reality and pressed on with what had been a campaign promise.

Emboldened by his success at pushing a campaign promise through, President Trump then set his sights on China and its alleged unfair trade practices. Despite the wobble in markets in February and March last year that the resulting trade tensions caused, the US economy, equity markets, and currency were all enjoying the shot of adrenaline provided by the tax cuts. In relation to equities, investor exuberance focused on a small number of stocks, the so-called FAANGs (Facebook, Apple, Amazon, Netflix and Google).

However, both the dollar's strength and the trade frictions were negative for emerging economies and their financial markets. Weakness in emerging market equity, debt and currency markets for much of 2018 was pronounced.

At the beginning of October, investors may have woken up to the fact that the rise in the FAANGs was unsustainable and also that the tax cuts, rather than being a good thing, may simply have led to overheating, bringing forward the end of the cycle.

Thus, the last three months of the calendar year saw equity markets, the oil price and safe-haven bond yields all fall sharply. Yield curve flattening, particularly in the US, sparked concerns that the next recession was closer than many had previously believed. Optimism about trade talks turned to pessimism, with the arrest in Canada of Chinese government linked company Huawei's CFO coming shortly after the positive remarks made by President Trump at the G20 summit in Argentina.

Closer to home, Brexit related anxiety caused additional problems for UK financial markets. In December, Prime Minister May faced a no-confidence vote brought by hardliners in her party. She won, but her position was weakened.

The last four months of the review period – the first four months of the 2019 calendar year – saw a strong reversal of the declines at the back end of 2018. This performance was driven by central banks becoming more dovish, in the face of inflation data that appeared to show price pressures subsiding. Indeed, the last four months were unusual in that safe-haven bonds as well as equities performed well. Normally, what is good for equities, namely growth, is bad for bonds. In this instance however, the good performance of safe-haven bonds appears to have been due more to changing expectations about longer term monetary policy than growth fears.

Performance

Overall, your Company's investment performance for the year was respectable given the previously mentioned negative contributions from positioning in UK mid-caps, US equities, and safe-haven bonds. Much of the respectability was provided by AJ Bell, which contributed around 8.6 percentage points to total return. Given that the Company's gross asset value (before gearing effect and costs) beat its strategic asset allocation (SAA) return of 3.5% by 6.0%, positioning elsewhere therefore detracted -2.6% from excess returns. Much of this related to the three previously mentioned negative contributors, though our Europe ex UK and Japan equity funds underperformed their respective markets. AJ Bell was not however the only positive contributor. Our REIT and infrastructure holdings significantly outperformed their respective comparator indices.

Some of you may be interested in more detail on the precise contribution to performance from AJ Bell. Immediately prior to listing in December, SIGT held 3,360,000 shares then valued at £2.9m, or 86.5p each. The listing price was 160p and SIGT was obliged to sell half its holding at that price. At the end of April, the price had risen to 404p. Thus, half the holding realised a capital return of 85.1% and the other half an as yet unrealised capital return of 367.3%.

Sadly, AJ Bell is very likely to be a one off. We do not as a general rule invest directly in unlisted investments, though anything that did happen to come our way would almost certainly not be as successful an investment as AJ Bell.

The Company's net asset value total return for the year of 7.6% was behind that of the Benchmark return of 8.2%. However, this must be considered in the context of the headwinds identified above, 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 rises annually 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 foci of the investment approach. It is therefore pleasing to report that dividends paid to Shareholders grew by 3.4% this year, which compares favourably with CPI inflation of 2.1%. This uplift in dividends marks the sixth 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 2019

Top 5 positive Contributors	**Asset Class**	**Contribution to Return**
AJ Bell	UK Equities/Private Equity	+8.59%
Dairy Crest	UK Equities	+0.41%
International Public Partnerships	Infrastructure	+0.41%
Britvic	UK Equities	+0.38%
Primary Health Properties	Property	+0.32%

Bottom 5 negative Contributors	**Asset Class**	**Contribution to Return**
Kier Group	UK Equities	-1.05%
Arrow Global	UK Equities	-0.81%
Halfords	UK Equities	-0.58%
Babcock International	UK Equities	-0.43%
Insight Equity Income Booster Fund	UK Equities	-0.42%

Source: Seneca Investment Managers/StatPro Revolution. Private Equity and Infrastructure are components of specialist assets.

The table above demonstrates the powerful impact of the strong returns AJ Bell has produced both at initial IPO compared to our holding valuation and the returns since the stock listed in December 2018. The negative contributors highlight the negative impact Brexit has had on UK mid-caps.

Asset Allocation

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 current strategic asset allocation decided by the Manager within set ranges, is weighted as follows: 35% in UK Equities, 25% in Overseas Equities, 25% in Specialist Assets (including Property), and 15% in Fixed Income. As of the end of the review period, the actual (tactical) positions in the four segments were 32.1%, 22.5%, 28.4%, and 11.5% respectively, with a liquidity position of 5.5%.

Although the portfolio's total equity exposure increased slightly from 53.9% to 54.6%, much of this was due to the reclassification of AJ Bell which added 7.4 percentage points to the UK Equities position at the end of the period. We also introduced a gold miners fund as a hedge against expected stimulus from central banks; this is also included in the overall Equities exposure. Excluding these two holdings, the portfolio's equity exposure was reduced materially over the year under review.

This reduction was made progressively throughout the year in steps of around 1 percentage point each, in line with the road map we had previously set out. The rationale for these 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.

We did not reduce UK Equities as much as we might have based on business cycle considerations alone. This is because Brexit has caused our holdings to become cheaper than would otherwise be the case, so these bottom up factors have rightly informed our top down asset allocation.

Elsewhere, Fixed Income exposure was increased from 9.0% to 11.5% (in corporate bonds) while Specialist Assets (including Property) decreased slightly from 29.6% to 28.4%.

UK Equities

Over the reporting period there have been a number of changes to our UK equity allocation with four stocks exiting the portfolio and one new name entering. The first sale was Victrex. This was one of the higher quality names in the portfolio and as quality has been highly prized in the UK market the stock had substantially revalued causing us to reassess.

We sold Diploma because it had rerated considerably since the initial investment in January 2016 and, consequently, the shares had become expensive on a wide range of the valuation criteria we use. We achieved a return of over 93% on this investment.

Given the depressed level of sterling and low valuations amongst many UK companies M&A activity in our portfolio has been high considering we only hold around twenty UK stocks. Two of our holdings have been acquired by foreign companies.

Dairy Crest was bought by Canadian based Saputo. RPC was initially to be sold to Apollo Global Management but was eventually sold to US based Berry Global as they came in late with a higher offer.

A new investment was made in Clinigen. The pharmaceutical and services company is focussed on delivering the right drug to the right patient at the right time through its global network of businesses that provide services at each stage of a drug's lifecycle. The shares had derated materially over the previous 12 months, undervaluing the company's material growth prospects in niche medical markets. This provided us with an attractive entry point to build the position.

Overseas Equities

Overseas equity fund selection remains biased towards managers adhering to a value 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 'active share', 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. Over the course of the year we reduced our allocation to Europe ex UK Equities. We trimmed all three of our holdings in the region (European Assets Trust, Liontrust European Enhanced Income Fund and Invesco Perpetual European Equity Income Fund).

Our Japanese exposure was reduced by 0.5% which was fully funded by sales of CC Japan Income and Growth Trust.

In Emerging Markets, we introduced a new position in the CIM Dividend Income Fund which replaced our holdings in Aberdeen Asian Income and Schroder Asian Income Maximiser. The CIM Dividend Income Fund is focused on stocks that have poor analyst coverage and therefore the portfolio will have a tilt to small and mid-caps. It seeks good quality companies with strong cash flows and a high dividend yield.

Specialist Assets (including Property)

There have been a number of changes to our holdings in Specialist Assets (including Property) during this reporting period. We fully exited Custodian REIT. The capital was reallocated away from the property sector and to a new IPO, the Hipgnosis Songs Fund. This trust buys the revenue streams of songwriter royalties. It seeks to exploit the lower valuations of music royalties as global revenues troughed in 2014 after fifteen years of declines due to piracy. In recent years the global spend on music has begun to increase driven mainly by the growth in streaming. We felt that it was a good entry point to gain exposure to an asset class that also gives us excellent diversification benefits. It also intends to pay an attractive dividend of 5% (3.5% in year one as the initial capital is invested) in addition to growing capital. We initially allocated 1% to this fund but have since increased to 1.5% as the Hipgnosis Songs Fund raised further capital in April 2019.

Private equity holding AJ Bell completed an IPO in December 2018. This resulted in us moving the stock from Specialist Assets to UK Equity. We replaced the AJ Bell allocation in Specialist Assets with two private equity focused trusts. The first investment was in a new IPO Merian Chrysalis Investment Company. This trust is focussed on late stage unlisted investments. The trust's investments are usually at the pre-IPO stage when investee companies are close to becoming public but seeking "crossover" investors to help move across the IPO phase. Merian Chrysalis typically seeks to invest in capital lite technology disruptors. The second was Woodford Patient Capital Trust. We had held this stock a number of years ago and sold it when it was trading at a healthy premium to NAV. Since then there have been a number of performance issues both with the trust and with Woodford's high profile OEIC. Sentiment towards Woodford has shifted significantly. The pricing of the trust had shifted from a premium to a significant discount to NAV at the end of 2018. We felt this had been overdone and the market is very backward looking in their approach. Recently the underlying investments have been showing significant progress and many of the companies are now much further down the line in their development. Therefore, we did view this as a good entry point both from a valuation perspective and given the J-curve effect exhibited by successful private equity investments. Acknowledging the fast moving developments with the Woodford business, we are monitoring this investment closely and are in regular contact with Woodford Investment Management and the board of Woodford Patient Capital Trust.

Another new addition is Assura which, as a GP Practice and Health Centre REIT, is very similar to our current holding of Primary Health Care Trust (PHP). We have held Assura in the past and exited it in January/February 2016 when we felt the shares had become overvalued (soon afterwards we initiated an investment in PHP). PHP has outperformed significantly and recently announced a merger with competitor Medicx. The numerous potential synergies were accepted favourably by the market and PHP moved to a 24% premium to NAV. We have reduced PHP and reallocated the capital to Assura which was trading at a more attractive valuation.

We have also initiated a small position in Doric Nimrod Air Three. The news that the A380 aircraft would cease production caused significant weakness in A380 related investments due to uncertainty around the end of lease valuation of the aircraft. We disagree with market consensus and feel the largest owner of the A380, Emirates, has built its business around this aircraft and is committed for the long term. We are already holders of Doric Nimrod Air Two and as Doric Nimrod Air Three is around 12 months younger its end of life is further into the future with a similar yield. We used the share price weakness as an attractive entry point.

Fixed Income

We did not add any new funds or exit any existing funds within our Fixed Income holdings. However, we did increase our exposure to the asset class over the year and are still keen to limit exposure to duration risk. Therefore, we raised our exposure by increasing our allocation to Royal London Short Duration Global High Yield Bond Fund.

Liquidity

We have been increasing your Company's liquidity exposure over the last two or so years in preparation for the end of the investment cycle and more difficult times ahead. To this end, we started using a liquidity fund, the Royal London Cash Plus Fund, in order to get a little bit of extra income. More recently, we have initiated a position in the Invesco Physical Gold ETC. While the investment in the gold miners fund mentioned earlier is categorised, rightly, as an equity holding, we are including the physical gold vehicle in your Company's liquidity exposure. This is because we consider physical gold to be a store of value (as indeed it has been for thousands of years) and one that can hold its own when central banks are seeking to debase their paper currencies in order to support economic growth as we think they will have to in the years ahead. While the two are classified separately, and indeed have different risk and return profiles, the rationale for the gold miners fund and the physical gold ETC is essentially the same for both, namely a hedge against monetary inflation that may lie ahead.

Outlook

As for the outlook, our expectation remains that we will see a global downturn start some time in 2020 or early 2021, which would be preceded by a bear market beginning in 2020. However, we are aware that things could happen sooner than this, which is why we began reducing the equity exposure of your Company around two years ago, first from overweight to neutral in relation to strategic asset allocation, then by moving increasingly underweight. We also know that things could happen later than our base case scenario and so are ready and indeed will remain ready to stay defensive for longer.

Our premise for believing that the downturn is still a little way off is that global monetary policy is still very loose and thus will not be tight for at least another year or so. Even in the US, where the business cycle is most advanced, monetary policy has only recently stopped being 'accommodative' – according to Fed Governor Jay Powell, monetary policy is only around 'neutral' and it remains unclear at what point it will become restrictive. Furthermore, there may be a self-fulfilling element to any rise in growth concerns, so it is very possible that the Fed will continue to keep on hold future interest rate increases.

That said, global unemployment across the developed world is now at 40-year lows, with the US and the UK nudging at the half century mark. Although some argue that the relationship between unemployment and inflation – known as the Phillips Curve – may not be as strong as it was previously, it seems inevitable that at some point the tightness in labour markets will spill over into consumer price inflation. And anyway, the argument about the death of the Phillips Curve has a dangerous 'this time is different' feel to it. Also, there may be an underappreciation of the extent to which monetary policy was tightened as a result of the ending or reigning in of quantitative easing policies across the developed world. If monetary policy is in fact tighter than some might think on the basis of policy rate increases alone, the global economy could be more vulnerable to a slowdown than is generally believed.

However, we are living in a world in which deflationary pressures persist, and in which any inflationary pressures that do rise above the surface are being met with powerful negative feedback effects, the fall in equity markets in the fourth quarter of 2018 being a case in point.

Much has been made recently of the albeit-brief inversion of the yield curve in the US. An inverted yield curve has been a very reliable recession indicator, having in the US preceded every recession since World War II and not once giving a false signal. However, although they have fallen across the board in recent years, yield curves on the whole remain positive, and it may be a while before they make a firm move into negative territory.

Furthermore, although the headline unemployment rate is now very low in the US, this may be hiding some underlying weakness. The US participation rate – the workforce as a percentage of working age population – fell sharply after the last downturn and has never really recovered. Some of this will have been due to demographics associated with an ageing population, but some will also have been due to people giving up looking for work. If the economy can remain reasonably firm, disaffected workers may be enticed back, allowing growth to continue but wage pressures to remain relatively subdued. However, any such effect would likely be minimal, serving only to postpone the inevitable.

In summary, we do not think the world economy has yet overheated as is usual before a recession. Inflation pressures have certainly risen in recent years, but they remain relatively benign. And they will have weakened as a result of the falls in equity markets at the end of 2018 and the related concerns about growth. We would not be surprised to see central banks remain dovish for a few months yet. This would argue for some sort of temporary recovery in equity markets in 2019, though it looks like that may all have been squeezed into the first few months of the year.

Seneca Investment Managers Limited
10 June 2019

Income Statement
For the year ended 30 April 2019

	Notes	Year ended 30 April 2019 Revenue £'000	Capital £'000	Total £'000
Gains on investments		-	3,071	3,071
Income		4,510	-	4,510
Investment management fee		(326)	(326)	(652)
Administrative expenses		(498)	-	(498)
Profit before finance costs and taxation		3,686	2,745	6,431
Finance costs		(91)	(91)	(182)
Profit before taxation		3,595	2,654	6,249
Taxation		(12)	1	(11)
Profit for year/ total comprehensive income		3,583	2,655	6,238
Return per share (pence)	**2**	7.50	5.55	13.05

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 2018

		Year ended 30 April 2018		
	Notes	**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

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Balance Sheet

	Notes	As at 30 April 2019 £'000	As at 30 April 2018 £'000
Fixed assets			
Investments at fair value through profit or loss		90,225	82,135
Current assets			
Debtors and prepayments		596	584
Cash and short term deposits		1,421	6,673
		2,017	7,257
Creditors: amounts falling due within one year			
Bank loan		(7,000)	(7,000)
Other creditors		(302)	(365)
		(7,302)	(7,365)
Net current liabilities		**(5,285)**	**(108)**
Net assets		**84,940**	**82,027**
Capital and reserves			
Called-up share capital		12,309	11,905
Share premium account		15,312	12,942
Special reserve		38,824	41,783
Capital redemption reserve		2,099	2,099
Capital reserve		14,413	11,758
Revenue reserve		1,983	1,540
Equity shareholders' funds		**84,940**	**82,027**
Net asset value per share (pence)	**3**	**179.08**	**172.25**

Statement of Changes in Equity
For the year ended 30 April 2019

	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 2018	11,905	12,942	41,783	2,099	11,758	1,540	82,027
Total comprehensive income	-	-	-	-	2,655	3,583	6,238
Dividends paid	-	-	-	-	-	(3,140)	(3,140)
Discount control costs	-	(66)	-	-	-	-	(66)
Shares bought back into treasury	-	-	(3,775)	-	-	-	(3,775)
Shares issued from treasury	-	40	816	-	-	-	856
New shares issued	404	2,396	-	-	-	-	2,800
Balance at 30 April 2019	**12,309**	**15,312**	**38,824**	**2,099**	**14,413**	**1,983**	**84,940**

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**

The revenue reserve, capital reserve and special reserve represent the amount of the Company's reserves distributable by way of dividend.

Cash Flow Statement

	£'000	Year ended 30 April 2019 £'000	£'000	Year ended 30 April 2018 £'000
Net return before finance costs and taxation		6,431		3,986
Adjustments for:				
Gains on investments		(3,071)		(1,246)
Income		(4,510)		(3,816)
Income received		4,500		3,760
Loan interest paid		(167)		(145)
Tax paid		(14)		(5)
(Increase)/decrease in other debtors		(14)		1
Increase in other creditors		7		23
Net cash inflow from operating activities		**3,162**		**2,558**
Investing activities				
Purchases of investments	(33,603)		(28,538)	
Sales of investments	28,514		20,932	
Net cash outflow from investing activities		**(5,089)**		**(7,606)**
Financing activities				
Proceeds of issue of shares	3,590		12,808	
Cost of share buybacks	(3,775)		(1,693)	
Equity dividends paid	(3,140)		(2,735)	
Net cash (outflow)/inflow from financing activities		**(3,325)**		**8,380**
(Decrease)/increase in cash		(5,252)		3,332
Opening balance		6,673		3,341
Closing balance		**1,421**		**6,673**

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 2018, and the way in which they are managed, are described in more detail in the annual report for the year ended 30 April 2019. The report will be made available on the Manager's website www.senecaim.com during June 2019.

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 may finance some or all of 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 true and fair view 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
10 June 2019

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 £3,583,000 (2018 - £2,988,000) and on 47,785,623 (2018 – 43,620,786) 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 £2,655,000 (2018 – £875,000) and on 47,785,623 (2018 – 43,620,786) 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 £6,238,000 (2018 – gains of £3,863,000) and on 47,785,623 (2018 – 43,620,786) 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 £84,940,000 (2018 - £82,027,000) and on 47,430,088 (2018 - 47,621,361) 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 2019 of 1.68p (2018 – 1.64p) per Ordinary share will be paid on 21 June 2019 to shareholders on the register on 31 May 2019. 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 2019, £7 million had been drawn down at an all-in fixed rate of 2.04188% until 31 October 2019. 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 2019. The full audited annual report and accounts for the year ended 30 April 2019 will be sent to shareholders in June 2019 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 2018, which were unqualified, have been lodged with the Registrar of Companies.

8. The report and accounts for the year ended 30 April 2019 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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