To: **RNS**
Date: **16 June 2020**
From: **Seneca Global Income & Growth Trust plc**
LEI: **213800OQTUSRFDIL9L29**

Results for the year ended 30 April 2020

Chairman's Statement

Highlights

- Net asset value total return -22.7% vs benchmark +6.8%
- Share price total return -23.9%
- Annual volatility 20.6% vs 25.0% for the FTSE All-Share Index†
- Dividends for the year increased by 1.8% vs inflation, as measured by the CPI, of 0.8%
- Yield of 5.1% based on the year-end share price and the current quarterly dividend rate
- Quarterly dividend rate to be maintained but to be re-evaluated once the impact of COVID-19 on portfolio companies' dividends becomes clearer
- Discount Control Mechanism - issuance £5.14m; buybacks £3.76m
- Shares traded very closely around net asset value throughout the period

† Source: FTSE Russell®/Morningstar/Seneca Investment Managers.

Introduction

This is one of the most complex and challenging periods we have witnessed in our lifetimes, and undoubtedly the most difficult year on which I have reported.

The outbreak of COVID-19 has, in effect, divided the year into two distinct periods. Before the global impact of COVID-19, Seneca Global Income & Growth Trust plc ('SIGT' or 'the Company') had been performing reasonably well. The portfolio responded positively to the Conservative Party's election victory in December, and indeed to Brexit finally happening at the end of January. It is fair to say, however, that there were concerns about the UK's trading relationships after the end of the transition period and we were prepared for some volatility. These concerns remain in the background and one day they will once again be at the forefront of our thoughts; what a relief that might be.

The world is now a very different place. Perhaps governments, commentators and investors around the world should have been more alert to the dangers of a global pandemic. It was not until the last week in February that financial markets really reacted, despite evidence before then that the virus was deadly and was spreading rapidly.

It is against this challenging and volatile backdrop that we are reporting disappointing results for SIGT this year. However, consistent with the Company's investment objective (judged over a 'typical investment cycle'), the Board believes that returns are better judged over longer periods than just one 12 month period. Until recently such analysis showed SIGT in a good light in that it had more than met its objective and beaten its benchmark. It also compares favourably over most periods with the range of comparator indices noted below.

Seneca Investment Managers Limited ('SIML' or 'the Manager') and our service providers have resilient business continuity systems which are working well. We are all seeing many changes in the way we have to work and we will therefore need to adapt our AGM this year, details of which are later in this report.

Performance

SIGT generated a net asset value ('NAV') total return per share for the year of -22.7%, which compared with the benchmark return of +6.8%. The Company's NAV total return over the year also lagged a range of comparator indices whose returns were: FTSE All-Share -16.6%, FTSE All-World ex-UK -0.4%, FTSE UK Private Investor Balanced -0.5%, and FTSE Actuaries UK Conventional Gilts All-Stocks +15.0%. The AIC Flexible Investment Sector unweighted average NAV total return was -6.1% for the year. Since the year-end SIGT's NAV had increased by 6.9% to close of business on 11 June 2020, a very short period but encouraging nevertheless.

When so many lives and livelihoods are being ruined by COVID-19, it might seem rather trivial to be worrying about investment performance. But that is, of course, the Board and Manager's primary responsibility and a key concern for Shareholders. Over four weeks or so from late February to late March, SIGT's NAV fell by 37%, a little more than the decline in the UK stockmarket. Since then, and to SIGT's year-end, the NAV recovered by 21%, although this is still an overall decline of 24% (from late February to the year-end). The damage done to the Company's performance record by these four weeks is clear but the Board and Manager are confident that the portfolio's recovery potential is significant.

The main factor that negatively affected performance during the four weeks alluded to above was SIGT's Value Investing style. This style factor, which has been consistently applied by the Manager for many years, dramatically underperformed the Growth Investing style in all the main investment markets of the world during these weeks. The Manager's Review later in this Annual Report provides greater analysis and explanation of the year's performance.

Dividends

The Company will pay a fourth interim dividend of 1.68 pence per share (on 19 June 2020), which, when added to the three preceding interim dividends, produces total dividends of 6.72 pence per share for the year to 30 April 2020, an increase of 1.8% on the previous year's 6.60 pence. Inflation over the year to 30 April 2020, as measured by the CPI, was 0.8%.

With the announcement of each quarterly dividend, the Board has, over the last few years, given an indication of what the current or next financial year's quarterly dividend rate will be (typically no less than the one announced) but always caveated with the phrase 'barring unforeseen circumstances'. The impact of the COVID-19 pandemic certainly qualifies as 'unforeseen circumstances'.

At a time of great hardship and stress for many Shareholders, the Board believes it is right to do what it can to help Shareholders through this extraordinary period. One of the great strengths of investment trusts is their ability to pay dividends, if necessary or appropriate, out of historically accumulated revenue and other reserves. The Company is well endowed with distributable reserves and is comfortably able to sustain the current dividend rate, even if, as seems certain, for the year to April 2021 that means paying an uncovered dividend.

There are many listed companies being forced, or deciding it is prudent, to cut, suspend or cancel their dividends. It remains to be seen how long these actions or policies will last and what level of dividends such companies will distribute in due course. Once this is clearer, the Board will evaluate an appropriate level for the Company's dividend. Until then, it is the Board's intention, barring further unforeseen circumstances, that it will maintain the quarterly dividend rate of 1.68 pence per share, representing an annualised yield of 5.1% on the share price of 130.5 pence that prevailed at the year-end.

Discount Control Mechanism ('DCM')

The Company's DCM became fully effective from 1 August 2016, and during the year it issued 2,915,000 shares and bought back 2,626,000 shares, for a net issuance of 289,000 shares. The Board is delighted to have been able to demonstrate its commitment to the DCM by both issuing and buying back 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 7,822,727 shares and, as shares are issued at a small premium and bought back at a small discount, the NAV of the Company has been enhanced by £144,487 after all applicable costs.

Gearing

Shortly after SIGT's year-end, the Board reduced the debt facility available to the Company, from the Royal Bank of Scotland, from £14m to £10m thereby saving some cost. Given the decrease in SIGT's net assets, the smaller facility can still have a significant gearing effect. Of the facility, £7m was drawn down during the year though the actual average net gearing level for the period was less than 5% of net assets as some of the drawn down facility was held in cash or similar. 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 back.

Board composition

As previously announced, Ian Davis retired from the Board in November and I re-iterate our appreciation for his valuable contribution over 14 years of service. In March the Board was delighted to announce the appointment of Anne Gilding as a non-executive director (with effect from 16 June 2020) and we look forward to benefiting from her extensive knowledge and experience in marketing and communications. Over the last 25 years Anne has led the development of global communications, branding and marketing solutions for a broad range of companies including Impax Asset Management Group plc, BMO (formerly F&C), GAM, Vernalis Group plc and UBS. She is currently a senior adviser to Peregrine Communications and a non-executive director of Aberdeen New Thai Investment Trust plc.

COVID-19 operational impact

COVID-19 has made normal working practices unfeasible, however all our advisers and service providers have coped well with the restrictions that have been imposed. The management and running of SIGT has continued very much on a 'business as usual' basis - except that we are all working at a distance. I would like to thank all concerned for the extra effort this has required.

Annual General Meeting ('AGM')

This year's AGM will be held on Tuesday 21 July 2020. Due to restrictions imposed by the UK Government because of COVID-19, this year's AGM will have to follow an unusual format as Shareholders will not be permitted to attend, with attendance limited to the minimum number of Directors and officers sufficient to form a quorum. Shareholders are encouraged to vote by proxy and to ask any questions in advance (by email to the Company Secretary at cosec@patplc.co.uk) which will be answered on the Company's section of the Manager's website (https://senecaim.com/private-investors/investment-trust/). A video presentation will also be available on the Manager's website following the 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 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-back up to 14.99%.

As last year, the Board is asking 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 seeking approval to make a variation to the Investment Policy of the Company to allow for an additional asset allocation to 'defensive assets' of up to 20%. The Manager had been contemplating such an allocation prior to the impact of COVID-19 but was overtaken by the unexpected nature, speed and severity of the impact. However, that does not mean such an allocation has any less relevance in future as peaks and heady markets will happen again and the Board believes the additional ability for a Multi-Asset portfolio to have more defensive assets is appropriate. The resolution also seeks to update the permissible means of investing in the Company's asset classes. There is additional information on these matters in the Strategic Review.

Another resolution is a particularly technical one and relates to a resolution approved by Shareholders in 2008 which resulted from a Circular to Shareholders that sought to reduce the Company's share premium account and create a special reserve. The Circular only referred to using this special reserve to enable the buying back of shares by the Company even though, at the time, general company law had been changed to allow such reserves to be available for distribution, for example, by way of dividend. The resolution was approved by Shareholders but was general in nature and did not specify the use for the special reserve. The Company's legal advisers recommend a resolution be put to Shareholders making clear that the Company's special reserve can be used not only to fund share buy-backs but also distributions including by way of dividend. If this resolution is approved, the special reserve (£39.3m), as well as the realised capital reserves (£18.6m), will be available to supplement the Company's revenue reserves (£2.0m) in order to support SIGT's dividend policy.

The Board believes that all the resolutions are in the best interests of the Company and its Shareholders 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 290,402 shares.

Investment outlook

There is little doubt the health crises brought about by COVID-19 will pass. How much economic damage it will cause and how quickly recovery will emerge are much more difficult, if not impossible, to assess. Meantime, the Manager will maintain its Value Investing philosophy and discipline, applying it across asset classes, funds and individual companies. In their headlong rush to apparent safety and investments consistent with the Growth Investing style, many investors have eschewed Value Investing leading to extremes of valuation. The health crises will pass. The economy will recover. Value Investing will prove its worth. We will meet again.

Richard Ramsay
Chairman
15 June 2020

Manager's Review

Overview

The year under review saw the Company post an NAV (net asset value) total return of -22.7%. This is significantly behind the CPI +6% benchmark return of 6.8%. Our aim is to outperform this benchmark over a typical investment cycle. Returns will deviate significantly from the benchmark at various stages of the cycle and your Company is likely to significantly underperform this benchmark during periods of extreme equity market distress. The portfolio has been severely affected by the COVID-19 crisis and we discuss this in more detail in the performance section.

The past financial year has certainly been eventful. For the majority of 2019 markets were distracted by two major issues, Brexit and the US China trade deal. Negotiations were causing significant uncertainty but towards the end of 2019 there seemed to be clear progress on both fronts. The Conservative Party achieved a large majority in the UK General Election with Boris Johnson's intention to "get Brexit done" and the US and China had agreed the terms of a phase one trade agreement. We had been expecting economies to start to peak and potentially enter a recessionary environment within a couple of years and had been reducing equity holdings to accommodate this. Most economies were still not showing signs of stress with unemployment rates remaining at extreme lows. However, one indicator we did see was the inversion of the US yield curve in the middle of 2019. This has been a fairly reliable indicator of a looming recession and this time, more by coincidence with COVID-19, it has proved 'correct' again.

The first indications of COVID-19 related problems emerged in January via videos circulating of packed healthcare facilities in Wuhan, China, and stories of an unknown virus. Markets remained largely unaffected with most indices posting anaemic gains or modest losses. Markets viewed this as a local problem within China that was being managed by the authorities. There was some concern about supply chain disruption but nothing more serious than that. The turning point was the last week in February as Europe started to see a surge in cases particularly in a hotspot in Northern Italy. Italy would implement a lockdown for a few towns in the North some days later but it was now clear that this was a serious and dangerous global issue and markets went into freefall.

Since then markets and economies have become a mirror image of their pre-crisis highs. A record-breaking bull market quickly reversed with some of the largest and quickest falls in living memory. The UK equity market's Q1 returns by 23 March were the lowest quarterly returns since 1720 (this is not a typing error!). We also saw some of the largest one-day market falls in S&P 500 history during March as the index fell by 12% in a single day. Demand for oil collapsed as the Saudis and Russians flooded the market with supply, causing the oil price to move into negative territory for some futures contracts as traders desperately tried to offload their exposure before the effective delivery dates of their oil. Unemployment has moved from historic lows to record highs in a number of economies. Central banks have slashed interest rates. Governments have announced record breaking stimulus packages. These developments highlight that this is not a normal situation we are witnessing. Rather, it is an extreme 'black swan' event.

History suggests that it pays to be patient and not panic when extreme events occur. The closest scenario to the current crisis would be the Spanish Flu pandemic of 1917/18. The Dow Jones fell 33% during that crisis and, by the virus's peak, this market had already begun to recover. These painful market corrections tend to be followed by strong markets. Black Monday (1987) caused UK stocks to fall 34% in a few months but was followed by a bull market that lasted over a decade. The global financial crisis in 2008 was also followed by a decade long bull market. Another virus-related crisis was SARS in 2003. This caused Asia ex-Japan stocks to fall 12% between January and April 2003 only to produce annualised returns of 36% over the next three years. Despite the prospects for a recovery, there will be a number of businesses in the market that will fail in the next few weeks and months. We have been monitoring your Company's investments closely to ensure their balance sheets can withstand a prolonged lockdown. Every crisis is different, but markets do recover and patience is key to ride through the volatility and take advantage of the valuation opportunities that are created.

Performance

This has been a very difficult period for performance. For much of the period until the General Election, our UK equity holdings, predominantly domestically focused mid-cap stocks, suffered due to ongoing economic uncertainties around Brexit. In December the Conservative Party's election victory and a promise from Boris to "get Brexit done" resulted in the market starting to recognise the value of these positions. However, the key turning point was the end of February as markets realised that COVID-19 was rapidly becoming a serious global problem. In March many regions around the world imposed lockdowns. For those brief few weeks in March there were extreme levels of uncertainty. There were few places to hide with most asset valuations being trampled underfoot in a flight to safety which favoured only government bonds and the dollar. Since the low point on 23 March the market has gradually begun to recover as governments and central banks have intervened. There are still high levels of uncertainty and nothing can be taken for granted until there is some sort of solution, such as a reliable vaccine, but countries are taking gradual steps back to normality.

One important factor to highlight is the macro environment that we have been operating in and the impact that had on our investment style and structural bias within the portfolio. The Value Investing style has been underperforming for a number of years and the spread in valuations between 'value' and 'growth' was exceptionally wide prior to the crisis. The recent market moves have compounded that even further as the more growth areas of healthcare, technology and consumer staples have been the sectors that have essentially remained open for business during the lockdown and able to generate a more normalised cash flow. These sectors have performed well against all other parts of the market. Over the period 'value' has significantly underperformed 'growth'. To give some colour: in the UK, value stocks declined 25.8% over the year, whereas growth stocks retreated 2.4%. That is a difference of 23.4% and similar differences were seen in other markets, such as the US 23.2% and Europe 22.3%. These moves are shocking but understandable. Value stocks are heavily skewed towards cyclicality and discretionary consumer spending. Our style bias is consistent throughout the portfolio and this huge headwind for value style stocks has been a major driver of underperformance. In addition to this we have a meaningful allocation to investment trusts via our specialist assets allocation. These holdings offer income and the potential for capital growth and in more benign times offer some diversification to our equity exposure. During this crisis, the net asset values of many of these stocks have remained reasonably stable. However, due to the market turmoil, the share prices of these companies have become detached from the underlying assets and they have traded at significant discounts to their net asset values resulting in a higher correlation with equities. These discounts have begun to dissipate in recent weeks and we expect this trend to continue as market conditions begin to normalise.

Our investment style's headwind has been a negative influence on the portfolio over the year. At the time of writing many of our portfolio holdings are trading at very attractive valuations. The market's preference between Value Investing and Growth Investing moves in cycles and the past 10 years have been one of the longest and strongest periods for Growth Investing. The valuation dispersion between value and growth will not persist forever and we are confident that patience will be rewarded.

Contribution analysis by individual holdings in the 12 month period to 30 April 2020

Top 5 contributors	**Sector**	**Contribution**
Investec Global Gold Fund	Gold	+1.54%
Invesco Physical Gold ETC	Gold	+0.82%
Ultra Electronics	UK equities	+0.30%
Polypipe	UK equities	+0.21%
Assura	Property	+0.20%

Bottom 5 contributors	Sector	Contribution
Schroder UK Public Private Trust	Private equity	-1.24%
Ediston Property Investment Company	Property	-1.25%
Purplebricks Group	UK Equities	-1.27%
Doric Nimrod Air Two	Specialist financial	-1.38%
Fair Oaks Income	Specialist financial	-1.44%

Source: Seneca Investment Managers/StatPro Revolution. Private equity, property and specialist financial are components of specialist assets.

Our exposure to gold was positive with positions both in physical gold and a gold mining fund. The positive returns for UK equities Ultra Electronics and Polypipe are because we reached our valuation targets on those stocks and exited the positions prior to the crisis.

Schroder UK Public Private Trust, formerly Woodford Patient Capital Trust, was a detractor to performance. After the liquidity crisis caused by redemptions in the flagship Woodford equity funds, the trust began trading at a widened discount to NAV. The NAV has also fallen significantly as the carrying valuations of various unquoted stocks have been lowered. The trust has now been handed over to an experienced team at Schroders. We believe the new manager can extract value from the current holdings and introduce some promising new investments. Furthermore, three of the trust's largest holdings (Oxford Nanopore, Benevolent AI and Rutherford Health) are highly active in the fight against COVID-19. This should ultimately increase confidence in the portfolio and begin to close the discount.

Fair Oaks is an investment company exposed to leveraged loans in the US. This holding has been a significant contributor to income in recent years, but it is exposed to the riskier end of the loans market so performance tends to suffer at times of stress. The manager of Fair Oaks has acted with caution and suspended the dividend to keep the trust's investments capitalised during the crisis. We believe that now would be the worst time to sell this type of exposure. We have seen the volatility in this asset class through previous crises and the management team have demonstrated a consistent ability to add value in the downturns by capitalising on lower valuations. We are expecting a similar recovery in this cycle although there will be some volatility and we expect the loan default rate to increase significantly.

Asset allocation

Although your Company has a Multi-Asset portfolio, its strategic asset allocation is somewhat more equity oriented than many other trusts in its peer group. The strategic asset allocation was weighted as follows at 30 April 2020: 35% in UK equities, 25% in overseas equities, 25% in specialist assets, and 15% in fixed income. Gold is not in our strategic asset allocation but we had built up a position of 7.3%, from 2.4% last year, for its defensive properties. While the investment in the gold miners fund mentioned earlier is categorised, rightly, as an equity holding and the physical gold vehicle is in the Company's liquidity exposure, if Shareholders approve the change of investment policy at the AGM, these holdings will be reallocated to the defensive assets category. Accordingly, for ease of reference, we have shown gold as a separate asset class in this review.

Over the period, the portfolio's total equity exposure increased slightly from 53.2% to 55.8%. As equity markets declined more than other asset classes we have been identifying a number of compelling equity investment opportunities at significantly depressed valuations.

UK equities

The period has seen a number of changes to our UK equity allocation with three stocks exiting the portfolio and three new names entering. Among the stocks exited was AJ Bell, one of our oldest holdings, held originally as a private equity position which listed via an IPO in December 2018. We sold half our shares in the IPO which also restricted us from selling any more stock for six months. Once this period was complete, we began gradually reducing the position and exited later in the year.

We also sold Ultra Electronics and Polypipe. Both stocks performed very well in 2019 and moved to our valuation targets. Polypipe rose from an 8x EV/EBITDA to 12x with a 10-year average of 9.5x. We took our profits and re-allocated the capital across the portfolio. The same rationale applied to the sale of Ultra Electronics which reached 10x EV/EBITDA.

We initiated three new UK holdings: Purplebricks, Origin Enterprises and dotdigital. Purplebricks is an online estate agency and despite launching only a few years ago is now one of the UK's best-known estate agency brands. The business is essentially a technology disruptor applying an online model to keep costs low which allows them to offer lower fees than the traditional estate agencies. Prior to our ownership, the company was originally priced like a technology disruptor (the share price reached 500p) as the business sought to grow in the US, Canada and Australia. Given the US in particular has a dramatically different real estate market than the UK the US business was loss making as was the Australian business. The share price drifted back significantly as Purplebricks exited the US and Australian businesses to focus on the profitable UK and Canadian businesses. The company has a new senior management team who are all veterans of online businesses such as Just Eat and Moneysupermarket.com. We believe the business is focussed on the right markets and has the right people to take advantage of technology to really push the online model and increase market share. We see considerable upside from here.

Another addition made in March 2020 is Origin Enterprises. This is an agricultural services group specialising in helping farmers to optimise their crop yields and economic returns. The lowest performing 10% of fields typically yield 45% less than the average and Origin can help address this efficiency differential. They offer crop marketing, crop protection, fertilisers, horticulture services, soil analysis and drainage solutions. The client base is mainly in the UK and Ireland but also Continental Europe and Latin America. The business has recently had consecutive profit warnings, mainly due to bad weather, which has damaged the share price. We like the company and have followed it for some time. Following further research we felt this short-term weakness was an excellent entry point.

Our final new addition is dotdigital. This business operates in the rapidly growing digital marketing space. Spending in this area is expected to grow from $3.8 billion globally to $25 billion by 2027. 70% of consumers now shop over various media formats. dotdigital’s platform allows businesses to automate communication with consumers across multiple channels including email and social media such as WhatsApp or Facebook, online chat and SMS. The platform is used by more than 65,000 marketers in over 110 countries. It sent over 19 billion messages in 2019.

Overseas equities

We continue to seek managers that have a clear and consistent value driven approach with high levels of conviction in their portfolios. The managers of the funds we invest in are benchmark agnostic and focus on getting their best ideas rather than holding the large index stocks. Some of the funds in SIGT’s portfolio have limited capacity to grow their AUM, but these managers will typically close their funds to new investors rather than breach self-imposed capacity limits. This is important as we believe many funds become too large and can lose the flexibility to invest across the market cap spectrum, dealing costs increase and it takes more time to buy and sell stocks.

We have made only one change to our stable of overseas equity funds. In September we exited CC Japan Income & Growth Trust and switched into Morant Wright Fuji Yield Fund. Morant Wright is an investment boutique that has been solely managing Japanese equities since 1999. They have six experienced fund managers that have spent their careers managing Asian equities. They seek good quality businesses or franchises trading on low valuations.

The slight increase in weightings across most allocations is down to performance rather than a tactical move. Overseas markets did not fall as much as UK equities (in the first quarter of 2020) and our overseas investments benefited from sterling devaluing against most major currencies.

Specialist assets

We sold two positions during the period. We exited SME Credit Realisation Fund (formerly known as Funding Circle SME Income Fund). The company made loans to SMEs via the Funding Circle platform. The modelled loss rate was 2% per annum but during 2019 the actual loss rate began to increase. In addition, contrary to our expectations, the company’s loan book began to differ from that of the underlying platform. We were unhappy with the levels of transparency when addressing these issues and decided to exit the position. The second position we exited was Primary Health Properties. The company purchases and builds GP surgeries and healthcare centres. In 2019 it merged with one of its competitors and the shares re-rated significantly, returning almost 40% in 2019 and trading at a premium to NAV of 44% by December. As value investors we felt that this was a suitable exit valuation.

We also introduced two new stocks to the portfolio. The first is LXi REIT which has a focus on property with long-term leases (20+ years). The portfolio is well diversified across industrial, healthcare, supermarket, leisure and car park assets.

The second new addition is Syncona. Syncona seeks to build a diversified portfolio of 15-20 companies in ‘innovative areas of healthcare’. This is achieved by founding companies with strategic ownership, often out of universities and research institutions, and by holding the company beyond the point where venture capital would traditionally seek an exit. It has delivered an IRR of 44% since 2012 and can demonstrate the success of its approach with the recent sales of two of its investments, Nightstar and Blue Earth, for £600m with IRRs of 72% and 87% respectively. Syncona currently has over £196m in cash which ensures it can fund its companies for the foreseeable future and take advantage of opportunities that may arise.

Fixed income

We did not add any new funds to our fixed income holdings over the year. In the last month of the period we decreased our exposure to these assets to take advantage of the fall in equities and increase our exposure. We reduced our exposure to Royal London Short Duration Global High Yield Bond Fund and exited Royal London Sterling Extra Yield Bond Fund to fund this re-allocation.

Outlook

We have for some time communicated our view that we were late in the cycle and expected a downturn in 2020 or 2021. However, we were expecting a downturn rather than a pandemic induced global lockdown.

In simple terms we have a health crisis that is causing an economic crisis. The economic environment will continue to struggle until the health crisis is overcome. At the time of writing the medical side of this crisis seems to have peaked and the pressure on health systems is declining. However, a vaccine is still in the testing phase and there is still the risk of a second wave. Only once there is a degree of certainty on the health crisis can the economic damage then be accurately measured and the path to recovery effectively plotted.

This creates an extremely broad set of potential scenarios. The best option would be that we have now passed the peak of the health crisis and the initial phase of reducing the lockdown rules continues at a steady pace without a spike in new cases. Were such moves to be accompanied by the development of a reliable vaccine and antibody test, the health crisis would effectively be at an end. This would imply more of a V shaped recovery with unemployment levels sharply decreasing as life returns to some sort of normality. The opposite of this would be that a vaccine cannot be found or takes years to be safely developed. We may have to live with persistent social distancing measures that increase and decrease alongside the reproductive rate of the virus. Many industries and businesses would be crippled by this and we could enter a global depression. These scenarios are massively different but convincing arguments can be put forward for both. Reality will probably lie somewhere between the two and we would veer closer to the more positive scenario. It is not unreasonable to expect the successful implementation of a vaccine next year. The recovery is likely to be gradual, or as the media might have it, an ‘upward sloping l’, ‘square root’ or ‘Nike swoosh’ shaped recovery.

Assuming anything but the worst of scenarios, at times of peak fear, such as we have recently seen, assets can be significantly mis-priced and we strongly believe this is what happened, particularly towards the end of March. Many cyclical stocks were priced almost for bankruptcy. We believe that investors’ angst will ease and money will move from government bonds back towards equity markets. From a currency perspective the ‘risk off’ currencies may depreciate slightly and we will potentially see sterling rise against the dollar after hitting a thirty-five year low. Cyclical stocks will begin to generate profits again which will slowly rise as consumer behaviour begins to normalise, and the more traditional performance relationship between mid-cap and large-cap stocks will re-assert itself.

After one of the most challenging periods for global markets in living memory, we are confident that the investment style headwind, alluded to earlier, of ‘value’ versus ‘growth’, to turn decisively to ‘value’ which, in turn, will assist the portfolio’s performance.

Seneca Investment Managers Limited
15 June 2020

Strategic Review

Introduction

This review is a part of the Strategic Report which is designed to provide information about the Company's business and how the Directors promote the success of the Company. This review should be read in conjunction with the Chairman's Statement and the Manager's Review, which give a detailed review of the investment activities for the year and the outlook for the future.

Business model and strategy

The business model and strategy of the Company is described below.

Investment policy

The Company's current investment policy is detailed below. As explained in the Chairman's Statement, the Board is seeking Shareholder approval at this year's Annual General Meeting to vary the policy to include an additional Asset Allocation to 'defensive assets' of up to 20%. Examples of defensive assets are gold (physical and miners), short equity exchange-traded funds (ETFs), uncorrelated strategies, managed futures and government bonds.

Further information on defensive assets is included in the Multi-Asset Value Investing section below. The proposed variations to the policy would also allow the Company to use derivatives for efficient portfolio management (as defined by the FCA) and seeks to update the permissible means of investing in the asset classes. The full text of the revised investment policy is detailed in the Annual Report and is subject to Shareholder approval.

The asset classes included in the Company's portfolio are UK and overseas equities, fixed income securities and specialist assets. The Company's Manager aims to add value through both strategic and tactical asset allocation within a range for each asset class. The asset allocation ranges, which are calculated at the time of any relevant investment based on the Company's gross assets, are as follows:

	Asset allocation range
UK equities	15-60
Overseas equities	10-40
Total equities	25-85
Fixed income	0-40
Specialist assets	0-50

Exposure to UK equities is achieved by investing directly or, with the Board's prior approval, through specialist collective investment schemes and products managed by third parties or (where it is more efficient for, and at no greater cost to, the Company than investing directly) through collective investment schemes and products managed by the Company's Manager. In the case of overseas equities, exposure is achieved through the use of specialist collective investment schemes and products or, with the Board's prior approval, by investing directly. Fixed income investments may be made either directly or through collective investment schemes and products. Ordinarily, exposure to specialist assets is achieved through investing in specialist collective investment schemes and products.

The Company will not invest more than 7.5% of gross assets in any individual direct equity or fixed income investment or more than 10% of gross assets in any specialist collective investment scheme or product.

The Company will not invest more than 7.5% of gross assets in unquoted securities and will not hold more than 25% of its gross assets in cash.

The Company may borrow to gear returns when the Board believes it is in Shareholders' interests to do so. The Company's borrowing policy allows gearing up to 25% of the Company's net assets. The Company's current credit facilities comprise a £10.0m revolving loan facility of which £7.0m was drawn down as at 30 April 2020 (equivalent to 11.0% of its net assets). Further details of the revolving loan facility are in note 11 to the financial statements. The Board believes these levels are appropriate for the Company at the present time.

The limits referred to in the investment policy are measured at the time of investment or drawdown of borrowings.

Multi-Asset Value Investing

The starting point for all of SIML's client portfolios is to determine what their specific long-term, or strategic asset allocation ('SAA') should be, given the investment return and risk objectives. This represents how a particular client should be positioned in various asset classes, on average, over time.

In order to determine what the SAA should be for a particular client given its objectives, SIML assesses what it thinks the likely long-term returns will be for the various asset classes and sub-asset classes. To a great extent, SIML assumes that future long-term real returns (i.e. inflation adjusted) will be similar to historic long-term real returns. While there may well be reasons why real returns in the future could be slightly above or below their history, SIML thinks that it makes most sense to assume that they will be in line with those of the past. This approach is applied to all asset classes and sub-asset classes, although for those that do not have a long history, a little more conjecture is required. However, the long-term assumptions are robust and well-founded.

Armed with these long-term real return estimates for the various asset classes, SIML constructs a SAA such that it provides good diversification as well as a substantial part of the investment return objective. SIML reviews this SAA periodically, and unless there is a very good reason why the long-term real return estimate for a particular asset class should change, it remains fixed.

SIML seeks to add value in relation to the returns generated by these SAAs through tactical asset allocation (i.e. varying the asset allocations from SAAs for periods of time), security selection and third party fund selection. Client portfolios divide into five parts: UK equities, overseas equities, fixed income securities, specialist assets, and defensive assets. By investing across diverse asset types, SIML aims to take advantage of a wide range of investment opportunities and reduce the risk profile of the client's portfolio.

The inclusion of defensive assets in the Company's portfolio is subject to Shareholder approval at the upcoming AGM. This allocation would allow investment in assets that have low or negatively correlated returns to equity markets. It is proposed that gold (both physical and miners) be part of this allocation, though SIML has already been investing in gold for SIGT. Gold's role as a hedge against risk averse markets is well established. As previously mentioned, other examples of the types of defensive assets that may be invested in would include short equity exchange-traded funds (ETFs), uncorrelated strategies, managed futures, and government bonds.

At present, SIML invests directly in UK equities with a focus on mid-sized companies. In overseas equities, it typically invests in third party funds. In fixed income, it invests mostly in third party investment funds, although has the scope to invest directly when the Manager believes that appropriate. Specialist assets, unlike fixed income or equities, is a very heterogeneous asset class, constituting as it does various types of investment, and arguably should not be considered an asset class at all. Many of the specialist assets tend to be listed closed-ended fund structures, such as real estate investment trusts ('REITS'), private equity funds, specialist financial funds and infrastructure funds, where underlying assets are illiquid and do not lend themselves to being owned in open-ended vehicles.

There exists an enormous body of work that documents longer term predictabilities in markets. With respect to the performance of fixed income and equity markets, many of these relate to the business cycle. The evidence shows that high dividend yielding stocks tend to produce above-normal returns and that is often explained, not by them being higher risk, but by them being out of favour. Lower yielding stocks may be ones that have generated a lot of investor interest unjustifiably and thus are prone to a setback.

SIML seeks to put to use on behalf of clients much of the work that has been done over the decades with respect to understanding asset prices. Many of the findings relate future returns to some measure of present value, whether dividends and earnings in the case of equities or real interest rates in the case of fixed income securities. SIML endeavours to identify some measure of intrinsic value across all the assets in which it invests. This value driven approach can, SIML believes, deliver both superior long-term returns and a defensive element to investments which, at a very fundamental level, are 'cheap' at the time of acquisition. This is the essence of SIML's 'Value Investing' style.

Promoting the success of the Company

How the Board meets its obligations under Section 172 of the Companies Act

The Board is required to describe to the Company's Shareholders how the Directors have discharged their duties and responsibilities over the course of the financial year under section 172(1) of the Companies Act 2006. This statement provides an explanation of how the Directors have promoted the success of the Company for the benefit of its members as a whole, taking into account the likely long-term consequences of decisions and the need to foster relationships with all stakeholders.

The purpose of the Company and role of the Board

The purpose of the Company is to act as a vehicle to provide, over time, financial returns (both income and capital) to its Shareholders. Investment trusts, such as the Company, are long-term investment vehicles and are typically externally managed, have no employees and are overseen by an independent non-executive Board of Directors.

The Board, which currently comprises three independent non-executive Directors, with the number increasing to four following the publication of this Annual Report, has a broad range of skills and experience across all major functions that affect the Company. The Board retains responsibility for taking all decisions relating to the Company's investment objective and policy, gearing, corporate governance and strategy, and for monitoring the performance of the Company's service providers.

The Company's main stakeholders are its Shareholders, Manager, service providers and debt provider. The Manager also engages extensively with the investee companies, particularly on performance and corporate governance issues.

How the Board engages with stakeholders

The Board considers its stakeholders at Board meetings and receives feedback on the Manager's interactions with them.

Stakeholder	**How we engage**
Shareholders	Shareholders are key stakeholders and the Board places great importance on communication with them. The Board welcomes all Shareholders' views and aims to act fairly between all Shareholders. The Company's share register is retail investor dominated and includes wealth managers and private client brokers who represent private investors. The Manager and the Company's broker meet regularly with current and prospective Shareholders to discuss the Company and its performance. The Manager also engages with investor platforms and research companies to identify how best to communicate with the retail investor community. Shareholder feedback is discussed by the Directors at Board meetings. Regular updates are provided to Shareholders through the Annual Report, Half Yearly Report, monthly factsheets, company announcements, including daily net asset value announcements, and the Company's website. The Company's AGM normally provides a forum, both formal and informal, for Shareholders to meet and discuss issues with the Directors and Manager. The Board ordinarily encourages as many Shareholders as possible to attend the AGM and to provide feedback on the Company. However, as a result of COVID19, this year's AGM will have to take a different format. Details are included in the Chairman's Statement.
Manager	The Manager's Review details the key investment decisions taken during the year. The Manager has continued to manage the Company's assets in accordance with the mandate provided by Shareholders, with the oversight of the Board.

	The Board reviews regularly the Company's performance against its investment objective and undertakes an annual strategy review to ensure that the Company is positioned well for the future. The Board receives presentations from the Manager at every Board meeting to help it exercise effective oversight of the Manager and the Company's strategy. The Board, through the Management Engagement Committee, formally reviews the performance of the Manager at least annually.
Service providers	The Board seeks to maintain constructive relationships with the Company's suppliers, either directly or through the Manager, with regular communications and meetings. A key relationship is with PATAC, who provide AIFM, company secretarial and fund administration services, as well as operating the DCM. The Board conducts an annual review of the performance and terms and conditions of appointment of the Company's main service providers to ensure they are performing in line with Board expectations and providing value for money.
Debt provider	On behalf of the Board, the Manager maintains a positive working relationship with the Royal Bank of Scotland, the provider of the Company's revolving loan facility, and provides regular updates on business activity and compliance with its loan covenants.

Specific examples of stakeholder consideration during the year

The Board is always mindful of its responsibilities to the stakeholders of the Company and this forms part of every Board decision.

COVID-19: Since the COVID-19 crisis emerged in early 2020, there has been increased interaction with the Manager, PATAC and other agents to the Company to ensure that the Company has sufficient resilience in its portfolio and in its operational structure to meet the challenged circumstances, which has proved to be the case.

Management of the portfolio: The Manager's Review details the key investment decisions taken during the year. The overall shape and structure of the investment portfolio is an important factor in delivering the Company's stated investment objective. The Management Engagement Committee decided that the continuing appointment of the Manager was in the best interests of Shareholders.

As explained in the Chairman's Statement and the Investment Policy section above, the Board is recommending a variation to the Company's investment policy for Shareholder approval at the upcoming AGM. The Board believes this change will be of long-term benefit to Shareholders as it gives the Manager additional flexibility to manage the risk profile of the Company's portfolio in challenging markets.

Discount Control Mechanism ('DCM'): During the year the Company issued 2,915,000 Ordinary shares and bought back 2,626,000 Ordinary shares through the operation of the DCM. The shares were issued at a premium to the NAV and bought back at a discount to NAV, thereby providing a small accretion to the NAV per share. The Board believes the operation of the DCM is very important for Shareholders as it provides liquidity and lack of discount volatility.

Loan facility: The Board has recently reduced the Company's loan facility with the Royal Bank of Scotland from £14m to £10m, which will save some cost.

Board composition: The Board has continued to progress its succession plans during the year. Ian Davis retired on 28 November 2019 and the Board announced the appointment of Anne Gilding as an independent non-executive Director effective from 16 June 2020. Further details are provided in the Chairman's Statement. The Board believes that Shareholders' interests are best served by ensuring a smooth and orderly refreshment of the Board with experienced candidates, whilst maintaining a small, but focussed, independent Board.

Principal risks and uncertainties and risk mitigation

Risks are inherent in the investment process, but it is important that their nature and magnitude are understood so that risks, particularly those which the Company does not wish to take, can be identified and either avoided or controlled. The Board has carried out a robust assessment of the principal and emerging risks facing the Company, including those that threaten its business model, future performance, solvency or liquidity. The Board has established a detailed framework of the key risks that the business is exposed to, with associated policies and processes devised to mitigate or manage those risks.

Pandemic risk: The COVID-19 pandemic has brought unprecedented challenges to the world and its rapid development has delivered an abrupt shock to the global economy. Since the start of 2020, the pandemic has moved quickly from being an emerging risk of the Company to the principal risk. The Company is exposed to market risk, with volatile and falling markets brought about by the pandemic, as well as investment and earnings risks surrounding the companies in the portfolio, such as reduced demand, reduced turnover and supply chain breakdown. SIML continues to review carefully the composition of the Company's portfolio and to discuss this with the Board on a regular basis. Operationally, COVID-19 is also affecting the suppliers of services to the Company, including SIML and other key service providers. This represents a risk to the Company and the Board is reviewing regularly the mitigation measures which have been put in place to maintain operational resilience and their effectiveness. Working from home arrangements have been implemented by the Company's service providers where appropriate and government guidance is being followed. To date services have continued to be supplied as normal.

In addition to the pandemic risk referred to above, the principal risks faced by the Company, which have not changed during the course of the year, are set out below.

Investment and strategy risk: The Board is responsible for deciding the investment strategy to fulfil the Company's objectives and monitoring the performance of SIML. Inappropriate strategy, including asset class, country and sector allocation, stock selection and the use of gearing, could lead to poor returns for Shareholders. To manage this risk the Board requires SIML to provide an explanation of significant stock selection decisions and the rationale for the composition of the investment portfolio at each Board meeting, when gearing levels are also reviewed. The Board monitors the spread of investments to ensure that it is adequate to minimise the risk associated with particular asset classes, countries or factors specific to particular sectors. SIML also provides the Board and Shareholders with monthly factsheets.

Market risk: The Company's assets consist principally of listed equities and fixed income securities and its greatest risks are in consequence market related. In addition to ordinary movements in the prices of the Company's investments and the loss that the Company might suffer through holding investments in the face of negative market movements, the Company's use of gearing necessarily amplifies this risk. The Board seeks to mitigate this risk through the processes described in the paragraph above, monitoring the implementation and results of the investment process with SIML.

Financial risk: The Company's investment activities expose it to a variety of financial risks that include market price risk, foreign currency risk, interest rate risk and liquidity and credit risk.

Earnings and dividend risk: The earnings that underpin the amount of dividends declared and future dividend growth are generated by the Company's underlying portfolio. Fluctuations in earnings resulting from changes to the underlying portfolio or changes in the tax treatment of the dividends or interest received by the Company could reduce the level of dividends received by Shareholders. The Board monitors and manages this risk by considering detailed income forecasts prepared by SIML and the Company Secretary at each Board meeting and when the quarterly dividends are declared.

Operational and cyber risk: The Company relies upon the services provided by third parties and is reliant on the control systems of SIML, as Manager, PATAC, as AIFM, Company Secretary and Administrator, and the Company's other service providers. The security and/or maintenance of, inter alia, the Company's assets, dealing and settlement procedures, and accounting records depend on the effective operation of these systems, including controls to address cyber risk. These are regularly tested and monitored and are reported on at each Board meeting. An internal control report, which includes an assessment of risks, together with the procedures to mitigate such risks, is prepared by the Company Secretary and reviewed by the Audit Committee at least once a year. The Custodian, J.P. Morgan Chase Bank N.A., produces an internal control report every six months which is reviewed by its auditors and gives assurance regarding the effective operation of controls. A summary of this report is reviewed by the Audit Committee.

Regulatory risk: The breach of regulatory rules could lead to a suspension of the Company's stock exchange listing or financial penalties. Breach of sections 1158 to 1159 of the Corporation Tax Act 2010 could lead to the Company being subject to tax on chargeable gains. The Company Secretary monitors the Company's compliance with the rules of the FCA and sections 1158 to 1159 of the Corporation Tax Act 2010. Compliance with the principal rules is reviewed by the Directors at each Board meeting.

Key man risk: In order to reduce key man risk, SIML operates a team approach to fund management, with each member of the four strong highly experienced investment team contributing to the performance of the Company through their research specialisations.

Going concern

The Directors have undertaken a rigorous review of the Company's ability to continue as a going concern. This review included consideration of the Company's current investment objective, its principal risks and uncertainties, in particular those relating to COVID-19, its capital and debt management, the nature of its portfolio and its income and expenditure projections.

The Company's investments consist mainly of readily realisable securities which can be sold to maintain adequate cash balances to meet expected cash flows, including debt servicing. The Board has set limits for borrowing and regularly reviews the level of gearing and compliance with banking covenants, including sensitivities around the levels at which covenants may be breached. The Company's loan facility with the Royal Bank of Scotland is due to expire on 31 October 2020 and it is the Board's current intention to seek to renew the facility on acceptable terms. However, should these terms not be forthcoming, any outstanding borrowings will be repaid through the proceeds of investment sales.

The Board also has regard to ongoing investor interest in the continuation of the Company, looking specifically at feedback from meetings and conversations with Shareholders by the Company's advisers, and the operation of the DCM, which the Directors believe enhances the Company's appeal to investors.

Based on their assessment and considerations, the Directors believe that the Company has adequate resources, an appropriate financial structure and suitable management arrangements in place to continue in operational existence for at least 12 months from the date of this report, meeting liabilities when they fall due. The Directors have, therefore, concluded that they should continue to prepare the financial statements on a going concern basis and the financial statements have been prepared accordingly.

The Company's viability

The Directors have assessed the prospects of the Company over a three-year period from the date that this Annual Report is due to be approved by Shareholders. This period was selected as it is considered a reasonable time horizon to consider the continuing viability of the Company and a suitable period over which to measure the performance of the Company against its benchmark. The three-year period is consistent with the planning horizon used by the Company in managing its activities.

In their assessment of the viability of the Company, the Directors have considered the following factors:

- The principal risks and uncertainties and the mitigating controls in place, including the ongoing impact of COVID-19 and the Company's operational resilience.
- The Company's investment objective and its ongoing relevance in the current environment.
- The effectiveness of the DCM.
- Income and expenditure projections.
- The effect of any significant future falls in investment values on the ability to repay and renegotiate borrowings and retain investors.
- The liquidity of the portfolio, which is principally invested in readily realisable, listed securities which could be sold to meet funding requirements if necessary.

Based on the results of their analysis, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three year period to the AGM in 2023.

Performance measurement and key performance indicators

The Board uses a number of performance measures to assess the Company's success in meeting its objectives. More information on the key performance indicators is noted in the Chairman's Statement. The key performance indicators are as follows:

Performance measured against the benchmark and relevant indices: The Board reviews and compares, at each meeting, the performance of the portfolio as well as the net asset value total return and share price total return for the Company and its benchmark and relevant indices.

Premium/(discount) to net asset value ('NAV'): At each Board meeting, the Board monitors the level of the Company's premium/(discount) to NAV. The Company publishes a NAV per share figure on a daily basis, through the official newswire of the London Stock Exchange.

Revenue earnings and dividends per share: The Board reviews a revenue forecast on a quarterly basis to determine the quarterly dividend and considers dividend growth against CPI.

Ongoing charges: The ongoing charges are a measure of the total expenses incurred by the Company expressed as a percentage of the average Shareholders' funds over the year. The Board regularly reviews the ongoing charges and monitors all Company expenses.

Environmental, Social and Governance policy

The Directors recognise that their first duty is to act in the best financial interests of the Company's Shareholders and to achieve good financial returns against acceptable levels of risk, in accordance with the objectives of the Company.

In asking the Manager to deliver against these objectives, they have also requested that the Manager take into account the broader environmental and social issues of companies within the Company's portfolio, acknowledging that companies failing to manage these issues adequately run a long-term risk to the sustainability of their businesses.

More specifically, they expect companies to demonstrate strong governance, effective management of their stakeholder relationships and responsible management and mitigation of environmental and social impacts.

The Company is an investment trust with no employees. Therefore, the Company has no direct employee, social or environmental responsibilities.

At 30 April 2020 there were two male Directors and one female Director, increasing to two male and two female Directors on 16 June 2020. As the Company has no employees, it does not require to report further on gender diversity.

By order of the Board
PATAC Limited
Company Secretary
15 June 2020

Income Statement
For the year ended 30 April 2020

	Notes	Year ended 30 April 2020 Revenue £'000	 Capital £'000	 Total £'000
Losses on investments		-	(22,362)	(22,362)
Currency losses		-	(7)	(7)
Income		4,288	-	4,288
Investment management fee		(332)	(332)	(664)
Administrative expenses		(543)	-	(543)
(Loss)/profit before finance costs and taxation		3,413	(22,701)	(19,288)
Finance costs		(91)	(91)	(182)
(Loss)/profit before taxation		3,322	(22,792)	(19,470)
Taxation		-	-	-
(Loss)/profit for year/ total comprehensive income		3,322	(22,792)	(19,470)
Return per share (pence)	**2**	6.79	(46.57)	(39.78)

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 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.

Balance Sheet

	Notes	As at 30 April 2020 £'000	As at 30 April 2019 £'000
Fixed assets			
Investments at fair value through profit or loss		70,186	90,225
Current assets			
Debtors and prepayments		921	596
Cash		524	1,421
		1,445	2,017
Creditors: amounts falling due within one year			
Bank loan		(7,000)	(7,000)
Other creditors		(1,115)	(302)
		(8,115)	(7,302)
Net current liabilities		**(6,670)**	**(5,285)**
Net assets		**63,516**	**84,940**
Capital and reserves			
Called-up share capital		12,400	12,309
Share premium account		16,104	15,312
Special reserve		39,287	38,824
Capital redemption reserve		2,099	2,099
Capital reserve - unrealised		(27,008)	3,200
Capital reserve - realised		18,629	11,213
Revenue reserve		2,005	1,983
Equity Shareholders' funds		**63,516**	**84,940**
Net asset value per share (pence)	**3**	**133.10**	**179.08**

Statement of Changes in Equity
For the year ended 30 April 2020

	Share capital £'000	Share premium account £'000	Special reserve £'000	Capital redemption reserve £'000	Capital reserve-unrealised £'000	Capital reserve-realised £'000	Revenue reserve £'000	Total £'000
Balance at 30 April 2019	12,309	15,312	38,824	2,099	3,200	11,213	1,983	84,940
Total comprehensive income	-	-	-	-	(30,208)	7,416	3,322	(19,470)
Dividends paid	-	-	-	-	-	-	(3,300)	(3,300)
Discount control costs	-	(36)	-	-	-	-	-	(36)
Shares bought back into treasury	-	-	(3,759)	-	-	-	-	(3,759)
Shares issued from treasury	-	276	4,222	-	-	-	-	4,498
New shares issued	91	552	-	-	-	-	-	643
Balance at 30 April 2020	**12,400**	**16,104**	**39,287**	**2,099**	**(27,008)**	**18,629**	**2,005**	**63,516**

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-unrealised £'000	Capital reserve-realised £'000	Revenue reserve £'000	Total £'000
Balance at 30 April 2018	11,905	12,942	41,783	2,099	4,088	7,670	1,540	82,027
Total comprehensive income	-	-	-	-	(888)	3,543	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**	**3,200**	**11,213**	**1,983**	**84,940**

The revenue reserve and capital reserve – realised represent the amount of the Company's reserves distributable by way of dividend. Subject to Shareholder approval at the 2020 AGM, the special reserve will also be available for distribution by way of dividend.

The capital reserve has been split between realised and unrealised on the Balance Sheet and the Statement of Changes in Equity to distinguish between the element of the reserve that is distributable (realised) and the element of the reserve that is not distributable (unrealised).

Cash Flow Statement

	£'000	Year ended 30 April 2020 £'000	£'000	Year ended 30 April 2019 £'000
Net return before finance costs and taxation		(19,288)		6,431
Adjustments for:				
Losses/(gains) on investments		22,362		(3,071)
Exchange movements		7		-
Income		(4,288)		(4,510)
Income received		4,401		4,500
Loan interest paid		(173)		(167)
Tax paid		-		(14)
Increase in other debtors		(6)		(14)
Increase in other creditors		60		7
Net cash inflow from operating activities		**3,075**		**3,162**
Investing activities				
Purchases of investments	(34,895)		(33,603)	
Sales of investments	32,677		28,514	
Net cash outflow from investing activities		**(2,218)**		**(5,089)**
Financing activities				
Proceeds of issue of shares	5,105		3,590	
Cost of share buybacks	(3,552)		(3,775)	
Equity dividends paid	(3,300)		(3,140)	
Net cash outflow from financing activities		**(1,747)**		**(3,325)**
Decrease in cash		(890)		(5,252)
Exchange movements		(7)		-
Opening balance		1,421		6,673
Closing balance		**524**		**1,421**

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 or loss 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
15 June 2020

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 £3,322,000 (2019 - £3,583,000) and on 48,937,757 (2019 – 47,785,623) 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 loss for the year of £22,792,000 (2019 – profit of £2,655,000) and on 48,937,757 (2019 – 47,785,623) 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 losses for the year of £19,470,000 (2019 – gains of £6,238,000) and on 48,937,757 (2019 – 47,785,623) 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 £63,516,000 (2019 - £84,940,000) and on 47,719,088 (2019 - 47,430,088) 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 2020 of 1.68p (2019 – 1.68p) per Ordinary share will be paid on 19 June 2020 to Shareholders on the register on 29 May 2020. 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 £10,000,000 (2019: £14,000,000) revolving loan facility in place with Royal Bank of Scotland plc which expires in October 2020. The facility was reduced from £14,000,000 to £10,000,000 on 14 May 2020. At 30 April 2020 £7,000,000 had been drawn down at an all-in fixed rate of 1.78288% until 31 October 2020. At 30 April 2019 £7,000,000 had been drawn down at an all-in fixed rate of 2.04188% until 31 October 2019. The terms of the revolving loan, including interest rate, are agreed at each draw down. The facility can be cancelled at any time without cost to the Company.

7. Risk management, financial assets and liabilities

The Company's financial instruments comprise:

- Equities, bonds and collective investment schemes 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 prices of the underlying holdings of third party debt funds 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.

8. **Financial information**

These are not full statutory accounts for the year ended 30 April 2020. The full audited annual report and accounts for the year ended 30 April 2020 will be sent to Shareholders in June 2020 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 2019, which were unqualified, have been lodged with the Registrar of Companies.

9. The report and accounts for the year ended 30 April 2020 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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