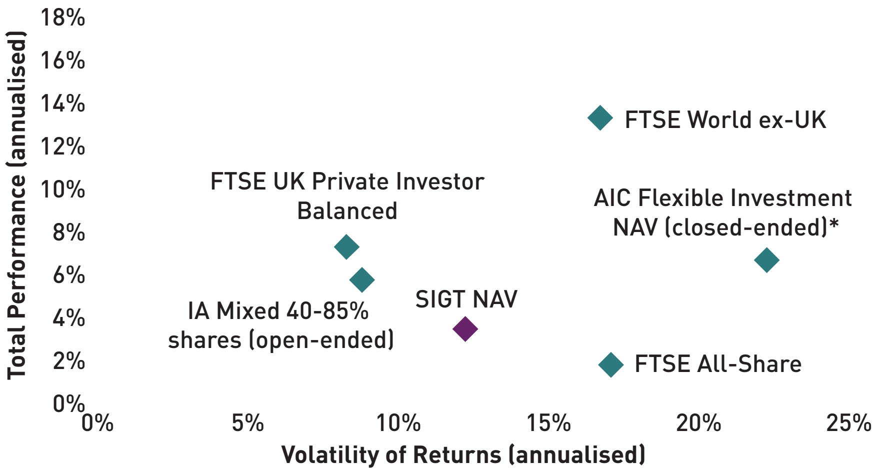
SENECA INVESTMENT MANAGERS | Multi-Asset Value Investing

Seneca Global Income & Growth Trust plc

Half-Yearly Financial Report

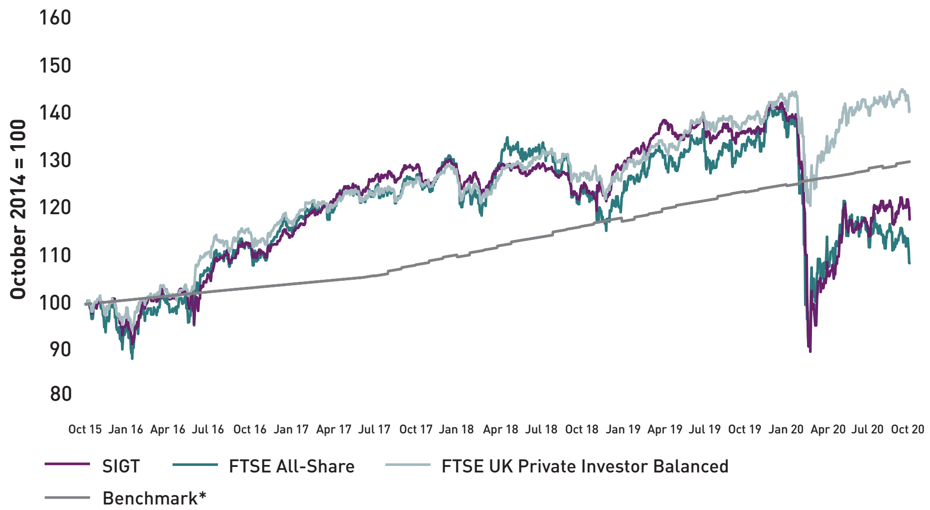
Six months ended 31 October 2020

Chart 1 – Total Return and Volatility Level for the five year period to 31 October 2020



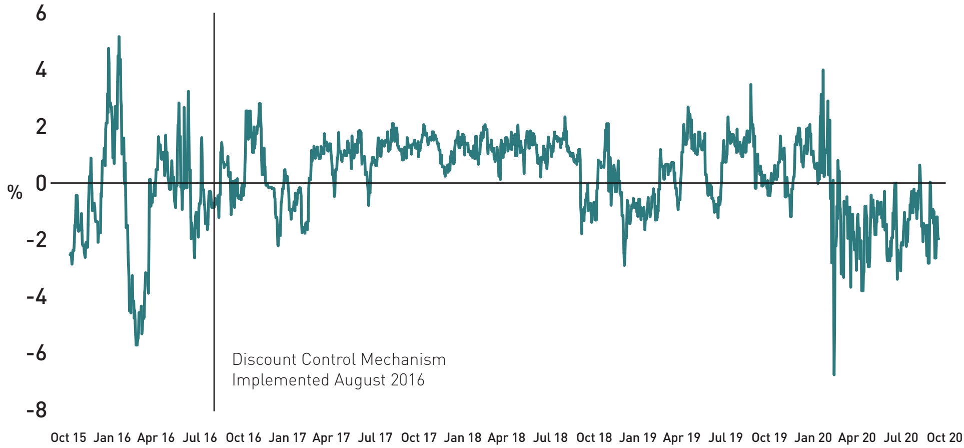
Source: FTSE Russell®/Morningstar/Seneca Investment Managers
*Unweighted average NAV

Chart 2 – Cumulative Growth, NAV Total Return, GBP



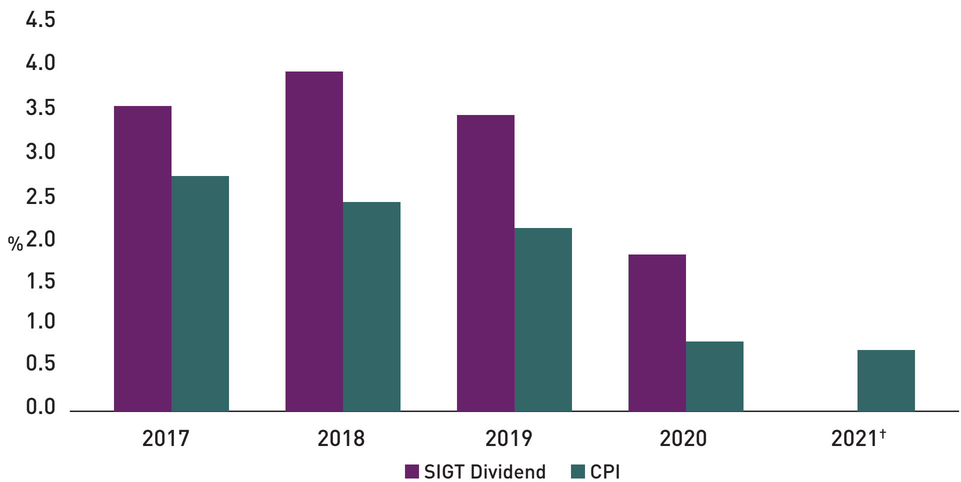
Source: FTSE Russell®/Seneca Investment Managers
*The benchmark return is calculated using a blended return based on the benchmark of CPI+6%, effective from 7 July 2017 and previously of 3 month LIBOR GBP+3%.

Chart 3 – Company Premium/(Discount) % (based on cum income NAV)



Source: Bloomberg

Chart 4 – Dividend Growth* vs CPI



Source: Bloomberg
* Financial Year Dividend
†Derived from the first and second interim dividends for the year ending 30 April 2021 against annualised CPI at 31 October 2020. The dividend growth for 2021 is 0% as the first and second interim dividends are unchanged over the equivalent dividends last year.

Highlights

Performance	Six months ended 31 October 2020
Share price total return	+10.6%
Net asset value total return	+10.5%
Benchmark*	+3.6%

	31 October 2020	30 April 2020	Change
Total assets (£'000)†^	64,926	70,516	-7.9%
Total equity Shareholders' funds (£'000)^	57,926	63,516	-8.8%
Share price (mid-market)^	141.00p	130.50p	+8.0%
Net asset value per share^	143.96p	133.10p	+8.2%
Discount to net asset value	(2.1)%	(2.0)%	
Dividends per share	3.36p	3.36p	–

† Total assets less current liabilities (excluding bank debt).
^ Although the net asset value per share and the share price have increased over the period, total assets and total equity Shareholders' funds have decreased due to the operation of the Discount Control Mechanism, through which 7.9m shares were bought back during the period.

Total Returns against comparator indices for periods to 31 October 2020

	Cumulative			
	6 months	1 year	3 years	5 years
SIGT NAV	+10.5%	-13.2%	-8.1%	+19.2%
SIGT share price	+10.6%	-15.2%	-11.2%	+19.9%
Benchmark*	+3.6%	+6.9%	+22.9%	+31.6%
AIC Flexible Investment Sector (unweighted average NAV)	+5.5%	-2.8%	+5.7%	+35.6%
FTSE UK Private Investor Balanced	+5.3%	+1.8%	+12.2%	+42.1%
FTSE All-Share Index	-1.9%	-18.6%	-14.4%	+9.0%
FTSE All-World ex UK Index	+11.7%	+6.6%	+24.4%	+86.0%
FTSE Actuaries UK Conventional Gilts All-Stocks Index	-2.3%	+4.8%	+17.0%	+28.9%

Source: FTSE Russell®/Morningstar/Seneca Investment Managers
* The benchmark return is calculated using a blended return based on the benchmark of CPI +6% from 7 July 2017 and previously of LIBOR GBP +3%.

Chairman's Statement

Highlights for the period

- **Net asset value total return +10.5% vs Benchmark +3.6%**
- **Share price total return +10.6%**
- **Annualised volatility 22.5% vs 27.6% for the FTSE All-Share Index†**
- **Quarterly dividend rate unchanged at 1.68p per share**
- **Yield of 4.8% based on the period-end share price and the current quarterly dividend rate**
- **Quarterly dividend rate to be maintained for this financial year at least**
- **Discount Control Mechanism – issuance nil; buybacks £11.1m**
- **Shares traded very close to net asset value throughout the period**
- **Shareholders approved all resolutions at the AGM by over 98% majority**

† Source: FTSE Russell®/Morningstar/Seneca Investment Managers (the 'Manager')

Performance

Seneca Global Income & Growth Trust plc ('SIGT' or 'the Company') generated a net asset value ('NAV') total return per share of +10.5% for the six months to 31 October 2020. This was above the CPI +6% annualised Benchmark, which returned +3.6% over the period. The Company's Benchmark was adopted in July 2017 and performance against this Benchmark is measured over a 'typical investment cycle' which the Board believes is at least five years. Short term comparisons are therefore of little relevance though longer term comparisons remain entirely valid and appropriate. The underlying asset classes represented by the range of comparator indices shown on page three reflect most of the asset classes in which SIGT invests. These comparator indices provide some context for short term performance but direct comparisons should still be used with caution.

COVID-19 continues to dominate all of our lives but the health crises it has brought about will pass. Indeed, there are reasons to be optimistic about the progress of vaccine trials and treatments, although, while many of us remain subject to 'lock-down' measures, it is hard to feel positive and to imagine a return to normality. COVID-19 has brought many new expressions into our lexicon, not the least of which is 'the new normal'. Perhaps that will simply turn out to reflect many trends that were already in place but have been accelerated to our collective benefit.

In my Statement to Shareholders this June, I highlighted the main factor that negatively affected SIGT's performance during the market decline from late February to late March was the Manager's Value Investing style. SIGT's strong performance during the six-month period under review has not particularly been related to any change to the investing style background. Growth Investing has continued to outshine Value Investing, with the extraordinary performance of the large technology companies in America of particular note. Rather, SIGT's performance can largely be credited to strong share price performances from a number of the investment trust holdings within Specialist Assets (as wide discounts narrowed) and to the portfolio's bias to UK mid- and small-cap companies, where some liquidity returned to that part of the market. The real upside from a change in sentiment towards Value Investing remains to be realised.

The Manager's Review provides greater analysis and explanation of the portfolio's performance over the period.

Dividends

The Company paid two interim dividends of 1.68p per share for the period, unchanged over the equivalent dividends last year. It is the Board's intention, barring unforeseen circumstances, that it will at least maintain the quarterly rate of 1.68p per share for the full year to 30 April 2021 and, based on this quarterly rate, the shares yielded 4.8% on the share price of 141p at the period end.

As explained in the Annual Report published in June 2020 and re-iterated in subsequent dividend announcements, there are many listed companies that have been forced, or have decided 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 becomes 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 at least maintain the quarterly dividend rate of 1.68p per share.

The Board believes it is right to do what it can to help Shareholders through this extraordinarily difficult and stressful 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 for the year to April 2021, even though that will mean paying an uncovered dividend.

Discount Control Mechanism ('DCM')

The Company's DCM has been operating since August 2016 and, from then until the beginning of the six-month period under review, SIGT had issued a net total of 7.8m shares. During the period, SIGT issued no shares and bought back 7.9m such that, since the DCM's inception, an overall net total of 0.1m shares were bought back. Naturally, the Board would rather the Company was a net issuer of shares as it has been in past periods, but it is resolute in its application of the DCM - both to protect Shareholders against the share price trading at a material discount to its NAV and to provide Shareholders with liquidity. These aims are achieved while also enhancing NAV for continuing Shareholders by virtue of the shares being bought back at a small discount. Since the launch of the DCM, the Company's NAV has been enhanced by £316,574 through the small premium and the small discount taken on the issue and buy back of the Company's shares. It is hoped that SIGT is thought of as looking after the interests of all its Shareholders and that those who have chosen to sell may return to the Shareholder register in the future.

Gearing

The Board announced in early November 2020 that SIGT had renewed its £10m revolving credit facility with The Royal Bank of Scotland International Ltd for a further two years. At the period end, £7m was drawn down and during the period the average net gearing level was 11%. A small amount of the drawn facility was held in cash, or similar, to allow almost instant access to funds should the need have arisen. 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 providing short term working capital, if necessary, when shares are bought back.

Investment Manager

The Board is able to confirm the completion of the acquisition of SIGT's Investment Manager, Seneca Investment Managers Ltd, by Momentum Global Investment Management Ltd ('MGIM') as proposed on 13 October 2020. As stated in its announcement of that date, the Board is supportive of this development: the companies share a philosophy of outcome-based multi-asset Value Investing, the Manager's current investment management team will retain its portfolio management responsibilities, and the transaction will be structured to ensure that clients experience seamless continuity of service with the additional benefits of a stronger offering and broader capabilities.

The Board anticipates there will be no change to SIGT as a consequence of the transaction save for a change to the Company's name in due course to reflect the Manager's integration into MGIM and consequent re-branding. The Board understands there are no redundancies foreseen as a result of the transaction and that the Manager's Liverpool office will supplement MGIM's London office with the intention of growing the combined multi-asset business.

Annual General Meeting ('AGM') and Circular

At the AGM held in July, Shareholders approved all resolutions, each by a majority of over 98%, including those resolutions that help with the effective management of the DCM, specifically allowing the Company to issue shares equivalent to 30% of its equity and to buy back up to 14.99%. As a consequence of the buy backs made during the period, the remaining authority has diminished to the point where the Board has today issued a Circular to seek Shareholder approval to renew its authority to buy back shares. As mentioned above in the DCM paragraph, the Board is resolute in its application of the DCM to both protect Shareholders against the share price trading at a material discount to its NAV and to provide Shareholders with liquidity. The renewal of the buy-back authority is essential to the effective management of the DCM.

The Board believes that this resolution is in the best interests of the Company and all its Shareholders and strongly recommends that Shareholders vote in favour of the resolution as the Directors intend to do in respect of their own beneficial shareholdings of 298,402 shares.

Change of Auditor

During the period, the Board carried out a formal tender process for the appointment of new auditors to the Company. This is no reflection on the quality of the existing auditors' work or any issue other than cost.

Ernst & Young LLP have formally resigned, after serving as auditors to the Company since 1997, and the Board has appointed BDO LLP following the competitive tender process. BDO LLP will carry out the audit for the year ending 30 April 2021 and Shareholders will be asked to approve their re-appointment for the following year at the 2021 AGM. As required by law, a formal letter from Ernst & Young LLP in relation to their resignation accompanies this Interim Report.

Investment Outlook

The Board and Manager believe an inflection point for the Growth vs Value investment style factors may well have taken place on 9 November with the news of the Pfizer/BioNTech vaccine trial's success. It may sound extraordinary to suggest a single event on a specific day caused such an inflection point, but investment markets have certainly reacted in that manner. SIGT has performed strongly in this environment with a NAV total return per share of 12.4% for the month of November. It is now possible to imagine a timetable for recovery even if it takes many months and is difficult, whereas before 9 November this was not possible and so the reaction of investment markets makes sense. They are, after all, no more than discounting the future. How sustained this reaction is and, within that, the change of investment style leadership from Growth to Value remains to be seen and will be influenced by other news and developments, not least in relation to Brexit. But it is clear that SIGT has significant potential to perform well, and the Board and Manager believe the events and performance in November illustrate just how dramatic this can be.

Richard Ramsay
Chairman
1 December 2020

Manager's Review

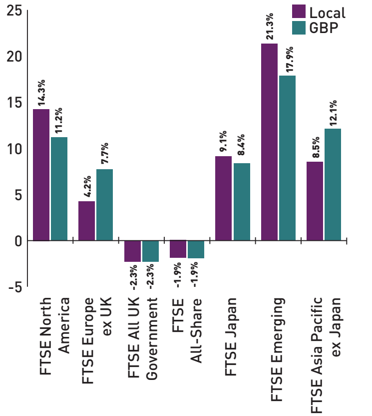
Overview

Markets began the road to recovery during the period with most major equity markets bouncing back strongly from their March lows. This has not been a broad market recovery and has been driven by a select few elements. Our view at the bottom of the market was that the sell-off was extreme and would be relatively short term in nature. We used it as an opportunity to increase those holdings with valuations that we deemed too expensive prior to the market falls. Governments have acted swiftly with support programmes such as the furlough schemes and central banks have massively increased liquidity. This has prompted markets to move upwards but we believe this is merely the first stage of the recovery and investor confidence is yet to rebound. If we look into the dynamics of the recovery, Growth stocks, and in particular a reasonably small number of them, have led the recovery. The FAANG stocks (Facebook, Amazon, Apple, Netflix and Google, now called Alphabet) were the highest performers in the COVID-induced downturn, which is understandable as they were strong beneficiaries of the lockdown. They have also led the performance from the market lows, up 49% over the six-month period. This suggests that the market mentality in previous months was very much one of pessimism and the initial gains were more about the central bank liquidity and government support packages than the market predicting an economic recovery. With the recent vaccine announcements, we are now starting to see the early stages of a much broader market recovery.

We can see this in our portfolio. Our Specialist Assets have rebounded well as many were trading on wide discounts in March which have narrowed since. Our allocation to mid-caps has benefitted from the increased liquidity and over the period small-caps have outperformed large-caps by an average of 6% across major equity markets. These two tailwinds have been contributors to our recent strong performance. However, the two major biases in the portfolio are Value and the UK. Neither factor has materially begun the road to recovery yet and these are the two parts of the portfolio that can provide the greatest upside when the negative sentiment begins to thaw. Over the period Value stocks generally underperformed Growth stocks by an average of 15% across equity markets and UK equities also continued to lag their global peers, with the FTSE All-Share returning -2% versus the FTSE World returning +10.6%. We are now at a point in time where the Value style and UK equities have significantly underperformed for a number of years, and we see compelling valuations in these areas.

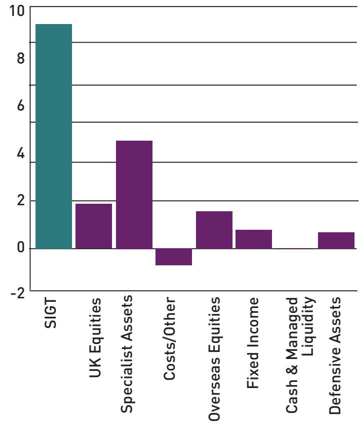
As the economy slowly recovers and as the UK emerges from Brexit uncertainty, we fully expect these valuation anomalies to close. Taking a long-term and contrarian approach is a tough endeavour at certain times in the cycle, particularly when Momentum investing has been strong for a number of years, witness the Nifty Fifty bull market in the 1970s and the Tech boom at the turn of the millennium. Both periods were extremely tough for Value-focused investors. It is when an inflection point is reached that the greatest rewards can be reaped by a contrarian investor, and both these periods were followed by extremely strong performance for Value stocks.

Major financial market total returns for the six-month period ended 31 October 2020



Source: FTSE Russell®/Seneca Investment Managers. Total returns expressed in sterling and local currency.

Contribution analysis by asset class for the six-month period to 31 October 2020



Source: Seneca Investment Managers/StatPro Revolution

Performance

The share price total return over the period was +10.6%, with a net asset value total return per share of +10.5%. The discount control mechanism continued to be implemented effectively to provide our investors with liquidity, and to keep the share price in line with the NAV. The chart above shows partly why we believe the strong performance over the period is just the tip of the iceberg as our main equity exposure (UK Equities) is yet to participate in the recovery.

Specialist Assets was the strongest performing asset class (+17.6%) and many wide discounts began to close. Of particular note were strong contributions from individual names; Merian Chrysalis rose by 46%, and an approach from M&G to purchase UK Mortgages Trust helped the latter's share price to increase 33% despite the offer being rejected by the board. DP Aircraft was the main detractor to performance with a fall in share price of 78% as its aircraft remain largely grounded.

The main detractors to portfolio performance were stocks that have been more exposed to the impact of COVID-19, many of which are within the UK Equities exposure. We believe that the UK has been hindered by the Government's response to the pandemic and has not participated yet in the recovery. Furthermore, the Brexit negotiations at the time of writing have failed to reach a conclusion.

However, there have been some bright spots in the UK market. Halfords was able to remain open throughout the lockdown and benefitted from an increased interest in cycling. Purplebricks was also oversold in March but the market has begun to recognise that the company can operate mainly online. The UK Government has also introduced stamp duty breaks and the company's Canadian business was sold for £77m of net cash.

Contribution analysis by individual holdings in the six-month period to 31 October 2020

Top 5 Contributors	Asset Class	Contribution
Halfords Group	UK Equities	+1.77%
Purplebricks Group	UK Equities	+1.00%
Merian Chrysalis	Specialist Assets	+0.94%
Fair Oaks Income	Specialist Assets	+0.66%
Origin Enterprises	UK Equities	+0.55%

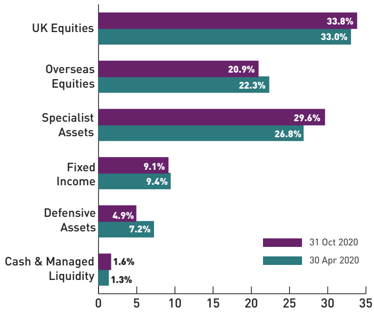
Bottom 5 Contributors	Asset Class	Contribution
Kier Group	UK Equities	-0.34%
DP Aircraft	Specialist Assets	-0.41%
Vistry Group	UK Equities	-0.51%
National Express Group	UK Equities	-0.64%
Babcock International Group	UK Equities	-1.14%

Source: Seneca Investment Managers/StatPro Revolution

Asset Allocation

Our asset allocation is highly influenced from our bottom-up analysis. Since the market lows at the end of March we have been increasing exposure to asset classes with clear valuation opportunities. As both market and currency moves have been significant over the period the starting and end weights are not a clear reflection of our asset allocation moves. The key area where we have been adding capital is the UK, where we have been buying stocks at valuations similar, or in some cases lower, than we witnessed in the global financial crisis. As you would expect we have been funding this move with reductions in Fixed Income, Defensive Assets and, in particular, our Gold exposure which performed well during the crisis and recently hit the $2,000 per ounce mark. We have also increased exposure to Specialist Assets. This was both to capture upside, as many trusts were trading on what we felt were exceptionally large discounts, and the propensity for trusts to pay income was much higher than for their equity peers.

Portfolio asset allocation comparison between 30 April and 31 October 2020



Source: Seneca Investment Managers. All figures are expressed as a percentage of total investments plus cash.

UK Equities

As we identified UK Equities as the asset class which will provide the best long term returns from the low point in March there has been considerable activity that cannot be seen simply from the start and end of period allocations. Firstly, we took the market drawdown as an opportunity to add a number of new investments such as Diversified Gas & Oil (DGOC). Going into 2020 we had no exposure to oil companies. The collapse in oil prices did pique our interest but rather than investing in one of the capital-intensive oil majors we opted for a lesser-known company. DGOC operates mature gas and oil fields in the Appalachian basin in North America. We view them as Value managers in the space in that they seek to acquire mature, cash generative assets at attractive yields. They are not an exploration company and are almost exclusively an operator, which keeps capex low and return on capital high. To further decrease volatility of cash flows DGOC hedges the majority of its commodity exposure. For example, 90% of the next two years natural gas production is hedged and then 50% of the following two years. This approach ensures strong visibility of income. Oil and gas wells tend to suffer steep falls in production over time. DGOC seeks to purchase mature wells in which the levels of decline are lower than 5%. However, it has managed to keep production levels constant over the last few years, effectively delivering a revenue uplift of $24m. In the present environment, in which many dividends are being suspended or cut, DGOC recently issued a Q3 update announcing EBITDA up over 10% and a 7% dividend increase. This represents a dividend rise of 15% this year.

We also added Stryx Group which few people will be familiar with but most will use their products. The business was founded in 1951 by an inventor who created temperature controls to prevent kettles overboiling. Today Stryx has a 54% market share in the kettle market. This is potentially a large growth market as surprisingly kettle penetration per household is only 38% globally. The group has also expanded its IP into faster growing markets such as water filtration and other temperature control products, for example baby feed sterilisation machines.

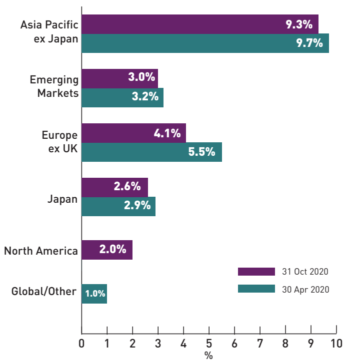
Another new purchase is M&G which has recently spun off from Prudential. It was another victim of the COVID sell off as asset managers suffered from lower assets under management and fee margin pressure. However, this is a complicated business and asset management fees are only around 30% of the company's profit. M&G has an extremely strong and stable annuity book and is planning to launch a version of its highly successful Pru Fund internationally. The Pru Fund grew from £1bn in 2008 to £54bn in 2019 so, if a similar version distributed through their European partners has a fraction of this success, we believe it will aid the share price immensely. The dividend at the time of purchase was around 8.5% and we estimated around 1.6x covered. The company has paid all dividends throughout the COVID crisis.

Overseas Equities

The key change has been the introduction of a new US Equity fund into the portfolio. We still hold the view that US equities are generally expensive but dispersion in the US reached record levels with a small number of high growth companies dominating the market. We believe that US Value stocks remain attractive and the pandemic crisis presented us with an opportunity to gain exposure to the Conventum Lyrical Fund in Q2 at a very attractive entry point. The manager looks for stocks in the cheapest quintile of the US market. The strategy was launched in 2007 and the manager has an excellent performance record over this time. Between 2007 and 2017 the fund traded on a price to earnings discount to the S&P 500 of around 23%. From 2017 Value stocks started to underperform significantly with the fund trading at an 80% discount to the index. In 2020 the fund traded at 9.6x earnings, versus 21.4x for the index. This could imply the fund contains poor quality businesses with declining earnings but this is not the case. Since inception (2007), the portfolio's stocks have seen earnings per share grow at 7.1% versus the S&P 500 4.8%. You may then ask are these companies impaired by the impact of COVID and therefore had their current earnings hampered? At the peak of the crisis the portfolio's 2020 earnings were forecast to decline 21% versus the S&P decline of 26%. To us this is compelling. A record discount to the market - yet an earnings forecast that is exceeding the market. The reasons for the discount are the environment and sentiment. People want to own the glamorous tech stocks but disregard companies such as the not so glamorous glass manufacturer and the underwear brand that are held in the Conventum Lyrical Fund portfolio. The environment and sentiment look set to change, and when they do these stocks should re-rate significantly.

By way of another example of recent activity, the Morant Wright Fuji Yield Fund is managed by six highly experienced fund managers who have all worked at the large asset gathering firms but set up a boutique asset manager in 1999, focusing only on Japanese equities. Japan has been cheap for many decades, but with the introduction of new economic policies under Prime Minister Abe, or "Abenomics", things began to change, and this path looks set to continue under Prime Minister Suga. This fund targets Japanese companies with strong balance sheets. Many companies in Japan have large amounts of cash and/or investments and at times these companies can be valued much lower than the sum of their parts. Compelling valuations are nothing new in Japan but we see value being increasingly unlocked through improving dividend payout ratios, greater shareholder activism, private equity activity and corporate M&A.

Movement in Overseas Equity allocations over the six-month period to 31 October 2020



Source: Seneca Investment Managers. All figures are expressed as a percentage of total investments plus cash.

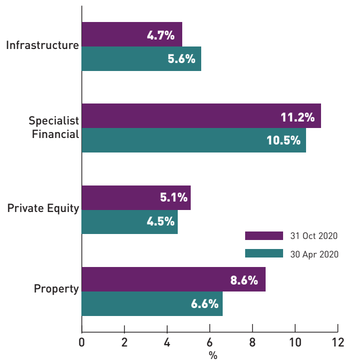
The allocations chart above appears to show that we have reduced Overseas Equity. While we have made small trades to trim positions at certain times during the period, the majority of the moves were caused by the strengthening of Sterling over the period, and the strong performance of the broader portfolio with Specialist Assets, Gold and segments of Fixed Income outperforming some of our Overseas Equity exposure.

Specialist Assets

This has been a strong period for Specialist Assets. Almost all of our holdings have posted positive returns with the majority returning over 10%. Many of our holdings were over-sold in March and April. Huge discounts to NAVs emerged at this time as the market expected NAVs to fall even further. In most cases those NAV falls did not happen and even the select few which cancelled or reduced their dividends recovered as normal distributions were resumed. This has been extremely important to our portfolio given the weakness in equity dividends. We have even seen some dividend increases in the past few months from Hipgnosis Songs Fund, International Public Partnerships and JLEN Environmental Assets. We added one new name to our Specialist Assets allocation through our participation in the IPO of Home REIT. Home REIT was launched in October and is focussed on addressing homelessness through the acquisition and creation of high-quality accommodation. The trust will put together a portfolio that can provide suitable accommodation at a much-lower cost to local authorities than many of their current homing solutions. Home REIT will purchase properties at an acquisition yield of 5.75%, add 35% leverage and then rent the properties on 25-year leases to housing associations which will manage the properties on full repair and insure leases. The housing association is paid the housing benefit from the local authority. Rents are agreed with the local authorities and are inflation linked (with a cap at 4% pa and a collar at 1% pa). Investors will be paid 5.5% yield and the trust expects total returns to be 7.5% per annum.

We still believe that a number of our Specialist Assets are mispriced and have significant potential upside. An example of this would be Ediston Property REIT which operates a number of out of town retail parks. Lockdown proved very tough for high-profile shopping mall owners. However, Ediston's strategic focus is on the discount and convenience retailers (e.g. M&S food, B&M, Halfords and B&Q stores), all of which were able to stay open during lockdown and the discount retailers in particular are thriving. B&M has a number of stores on Ediston sites and their share price is up 26% this year. It is reporting increased footfall on out-of-town retail parks as a result of the pandemic as consumers would rather drive to retail parks than use public transport into city centres.

Movement in Specialist Assets allocations over the six-month period to 31 October 2020



Source: Seneca Investment Managers. All figures are expressed as a percentage of total investments plus cash.

Fixed Income

An element of our Fixed Income holdings has been sold and used as a source of funding to purchase Equity and Specialist Assets. The main source of funding has been Royal London Global Short Duration High Yield. Towards the end of 2019 we had been reducing Royal London Sterling Extra Yield and exited the holding. During the pandemic crisis credit spreads widened and we saw this as an opportunity to reintroduce Royal London Sterling Extra Yield. This has been funded by a further reduction in Royal London Global Short Duration High Yield.

Portfolio Income

We have significant diversification of income generators in our portfolio. Equity markets have seen unprecedented levels of dividends being cancelled or cut. Our Specialist Assets exposure was less affected at the peak of the crisis and has seen dividend payments normalise quickly. This has resulted in the share of income shifting from UK Equities in 2019 to Specialist Assets in 2020. As markets begin to normalise, we would expect this distortion to begin to neutralise and UK Equities to make stronger contributions to income in 2021.

Outlook

We remain mindful that this is no ordinary environment for investors, but eventually the virus risk will subside and every day we believe we are progressing back towards normality. The recent announcements of a number of potential vaccines should be a turning point for market sentiment and provide a great springboard for Value stocks. However, the complexities and unknown elements of the COVID crisis and Brexit negotiations continue to exercise considerable influence on market sentiment making predictions for the short to medium term nothing more than educated guesswork. We seek to invest for the long term in attractive businesses and funds; we focus on valuations and tend to be contrarian to the general market consensus, and we employ a rigorous bottom-up investment process. We held our nerve when fear was at its peak and we are beginning to see the rewards of those actions. We should continue to be rewarded as this crisis eases.

Seneca Investment Managers Limited
1 December 2020

Income Statement

		Six months ended 31 October 2020 (unaudited)		
	Notes	Revenue £'000	Capital £'000	Total £'000
Gains/(losses) on investments		–	5,625	5,625
Income	2	1,421	–	1,421
Investment management fee		(73)	(178)	(251)
Administrative expenses		(281)	–	(281)
Exchange losses		–	(20)	(20)
Profit/(loss) before finance costs and taxation		**1,067**	**5,427**	**6,494**
Finance costs		(27)	(55)	(82)
Profit/(loss) before taxation		**1,040**	**5,372**	**6,412**
Taxation		–	–	–
Profit/(loss) for period/total comprehensive income		**1,040**	**5,372**	**6,412**
Return per share (p)	3	**2.36**	**12.21**	**14.57**

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.

Six months ended 31 October 2019 (unaudited)				Year ended 30 April 2020 (audited)		
Revenue £'000	Capital £'000	Total £'000		Revenue £'000	Capital £'000	Total £'000
–	(3,015)	(3,015)		–	(22,362)	(22,362)
2,325	–	2,325		4,288	–	4,288
(169)	(169)	(338)		(332)	(332)	(664)
(265)	–	(265)		(543)	–	(543)
–	(1)	(1)		–	(7)	(7)
1,891	**(3,185)**	**(1,294)**		**3,413**	**(22,701)**	**(19,288)**
(47)	(47)	(94)		(91)	(91)	(182)
1,844	**(3,232)**	**(1,388)**		**3,322**	**(22,792)**	**(19,470)**
–	–	–		–	–	–
1,844	**(3,232)**	**(1,388)**		**3,322**	**(22,792)**	**(19,470)**
3.78	**(6.63)**	**(2.85)**		**6.79**	**(46.57)**	**(39.78)**

Balance Sheet

	Notes	As at 31 October 2020 (unaudited) £'000	As at 31 October 2019 (unaudited) £'000	As at 30 April 2020 (audited) £'000
Fixed assets				
Investments at fair value through profit or loss	7	63,787	90,040	70,186
Current assets				
Debtors and prepayments		163	303	921
Cash and short term deposits		700	2,046	524
		863	2,349	1,445
Creditors: amounts falling due within one year				
Bank loan		(7,000)	(7,000)	(7,000)
Other creditors		(354)	(240)	(1,115)
		(7,354)	(7,240)	(8,115)
Net current liabilities		**(6,491)**	**(4,891)**	**(6,670)**
Net assets		**57,296**	**85,149**	**63,516**
Capital and reserves				
Called-up share capital		12,400	12,400	12,400
Share premium account		16,078	15,846	16,104
Special reserve		28,182	41,436	39,287
Capital redemption reserve		2,099	2,099	2,099
Capital reserve-unrealised		(21,435)	(5,926)	(27,008)
Capital reserve-realised		18,428	17,107	18,629
Revenue reserve		1,544	2,187	2,005
Equity Shareholders' funds		**57,296**	**85,149**	**63,516**
Net asset value per share (p)	5	143.96	172.89	133.10

Statement of Changes in Equity

Six months ended 31 October 2020 (unaudited)

	Notes	Share capital £'000	Share premium £'000	Special reserve £'000	Capital redemp-tion reserve £'000	Capital reserve-unrealised £'000	Capital reserve-realised £'000	Revenue reserve £'000	Total £'000
Balance at 30 April 2020		12,400	16,104	39,287	2,099	(27,008)	18,629	2,005	63,516
Total comprehensive income		–	–	–	–	5,573	(201)	1,040	6,412
Dividends paid	4	–	–	–	–	–	–	(1,501)	(1,501)
DCM costs		–	(26)	–	–	–	–	–	(26)
Shares bought back into treasury	6	–	–	(11,105)	–	–	–	–	(11,105)
Balance at 31 October 2020		**12,400**	**16,078**	**28,182**	**2,099**	**(21,435)**	**18,428**	**1,544**	**57,296**

Six months ended 31 October 2019 (unaudited)

	Notes	Share capital £'000	Share premium £'000	Special reserve £'000	Capital redemp-tion 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		–	–	–	–	(9,126)	5,894	1,844	(1,388)
Dividends paid	4	–	–	–	–	–	–	(1,640)	(1,640)
DCM costs		–	(18)	–	–	–	–	–	(18)
Shares bought back into treasury	6	–	–	(1,237)	–	–	–	–	(1,237)
Shares issued from treasury	6	–	–	3,849	–	–	–	–	3,849
New shares issued	6	91	552	–	–	–	–	–	643
Balance at 31 October 2019		**12,400**	**15,846**	**41,436**	**2,099**	**(5,926)**	**17,107**	**2,187**	**85,149**

Year ended 30 April 2020 (audited)

	Notes	Share capital £'000	Share premium £'000	Special reserve £'000	Capital redemp-tion 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	4	–	–	–	–	–	–	(3,300)	(3,300)
DCM costs		–	(36)	–	–	–	–	–	(36)
Shares bought back into treasury	6	–	–	(3,759)	–	–	–	–	(3,759)
Shares issued from treasury	6	–	276	4,222	–	–	–	–	4,498
New shares issued	6	91	552	–	–	–	–	–	643
Balance at 30 April 2020		**12,400**	**16,104**	**39,287**	**2,099**	**(27,008)**	**18,629**	**2,005**	**63,516**

Cash Flow Statement

	Six months ended 31 October 2020 (unaudited) £'000	Six months ended 31 October 2019 (unaudited) £'000	Year ended 30 April 2020 (audited) £'000
Net return before finance costs and taxation	**6,494**	**(1,294)**	**(19,288)**
Adjustments for:			
(Gains)/losses on investments	(5,625)	3,015	22,362
Exchange movements	20	1	7
Investment income	(1,421)	(2,325)	(4,288)
Investment income received	1,756	2,637	4,401
Loan interest paid	(82)	(86)	(173)
Increase in other debtors	(31)	(22)	(6)
(Decrease)/increase in other creditors	(55)	44	60
Net cash inflow from operating activities	**1,056**	**1,970**	**3,075**
Investing activities			
Net cash inflow/(outflow) from financial investment	11,977	(2,944)	(2,218)
Net cash inflow/(outflow) from investing activities	**11,977**	**(2,944)**	**(2,218)**
Financing activities			
Proceeds of share issues	–	4,492	5,105
Cost of shares bought back	(11,336)	(1,252)	(3,552)
Equity dividends paid	(1,501)	(1,640)	(3,300)
Net cash (outflow)/inflow from financing activities	**(12,837)**	**1,600**	**(1,747)**
Increase/(decrease) in cash	196	626	(890)
Exchange movements	(20)	(1)	(7)
Opening balance	524	1,421	1,421
Closing balance	**700**	**2,046**	**524**

Notes to the Accounts

1 Accounting policies

Basis of accounting

The half yearly financial statements have been prepared in accordance FRS 104 'Interim Financial Reporting', UK Generally Accepted Accounting Practice (UK GAAP) and with the Statement of Recommended Practice 'Financial Statements of Investment Trust Companies and Venture Capital Trusts' (issued in October 2019). They have also been prepared on the assumption that approval as an investment trust will continue to be granted. The half yearly financial statements have been prepared on a going concern basis and have been prepared using the same accounting policies as the preceding annual financial statements.

2 Income

	Six months ended 31 October 2020 £'000	Six months ended 31 October 2019 £'000	Year ended 30 April 2020 £'000
Income from investments			
UK franked income	702	1,498	2,283
UK unfranked income	297	322	615
Overseas dividends	422	505	1,390
Total income	**1,421**	**2,325**	**4,288**

3 Return per share

The revenue return of 2.36p (31 October 2019 – 3.78p; 30 April 2020 – 6.79p) per Ordinary share is calculated on net revenue on ordinary activities after taxation for the year of £1,040,000 (31 October 2019 – £1,844,000; 30 April 2020 – £3,322,000) and on 43,998,927 (31 October 2019 – 48,778,099; 30 April 2020 – 48,937,757) Ordinary shares, being the weighted average number of Ordinary shares in issue during the period.

The capital return of 12.21p (31 October 2019 – loss of 6.63p; 30 April 2020 – loss of 46.57p) per Ordinary share is calculated on a net capital return for the period of £5,372,000 (31 October 2019 – loss of £3,232,000; 30 April 2020 – loss of £22,792,000) and on 43,998,927 (31 October 2019 – 48,778,099; 30 April 2020 – 48,937,757) Ordinary shares, being the weighted average number of Ordinary shares in issue during the period.

The total return of 14.57p (31 October 2019 – loss of 2.85p; 30 April 2020 – loss of 39.78p) per Ordinary share is calculated on the total return for the period of £6,412,000 (31 October 2019 – loss of £1,388,000; 30 April 2020 – loss of £19,470,000) and on 43,998,927 (31 October 2019 – 48,778,099; 30 April 2020 – 48,937,757) Ordinary shares, being the weighted average number of Ordinary shares in issue during the period.

4 Dividends

Ordinary dividends on equity shares deducted from reserves are analysed below:

	Six months ended 31 October 2020 £'000	Six months ended 31 October 2019 £'000	Year ended 30 April 2020 £'000
2019 fourth interim dividend – 1.68p	–	813	813
2020 first interim dividend – 1.68p	–	827	827
2020 second interim dividend – 1.68p	–	–	828
2020 third interim dividend – 1.68p	–	–	832
2020 fourth interim dividend – 1.68p	786	–	–
2021 first interim dividend – 1.68p	715	–	–
	1,501	**1,640**	**3,300**

The Company has declared a second interim dividend in respect of the year ending 30 April 2021 of 1.68p (2020 – 1.68p) per Ordinary share which will be paid on 18 December 2020 to Ordinary Shareholders on the register on 27 November 2020.

5 Net asset value per share

	As at 31 October 2020	As at 31 October 2019	As at 30 April 2020
Attributable net assets (£'000)	57,296	85,149	63,516
Number of Ordinary shares in issue	39,800,348	49,251,088	47,719,088
Net asset value per ordinary share (p)	143.96	172.89	133.10

6 Called-up share capital

During the period, the Company repurchased 7,918,740 Ordinary shares at a cost of £11,105,000 which were held in treasury (31 October 2019 – 714,000 Ordinary shares at a cost of £1,237,000 which were held in treasury; 30 April 2020 – 2,626,000 Ordinary shares at a cost of £3,759,000 which were held in treasury).

During the period there were no Ordinary shares re-issued from treasury (31 October 2019 – 2,170,273 Ordinary shares re-issued from treasury for cash proceeds totalling £3,849,000; 30 April 2020 – 2,550,273 Ordinary shares re-issued from treasury for proceeds totalling £4,498,000).

At 31 October 2020 there were 9,800,740 Ordinary shares held in treasury (31 October 2019 – 350,000 Ordinary shares held in treasury; 30 April 2020 – 1,882,000 Ordinary shares held in treasury).

During the period there were no new Ordinary shares issued by the Company (31 October 2019 – 364,727 new Ordinary shares issued by the Company for cash proceeds totalling £643,000; 30 April 2020 – 364,727 new Ordinary shares issued for cash proceeds of £643,000).

At 31 October 2020, there were 39,800,348 Ordinary shares in issue (31 October 2019 – 49,251,088; 30 April 2020 – 47,719,088).

The cost of the operation of the discount control mechanism of £26,000 has been charged against the share premium account.

7 Fair value hierarchy

Financial Reporting Standard 102 requires an entity to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

– Level 1: the unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date;

– Level 2: inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly; and

– Level 3: inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The financial assets measured at fair value in the Balance Sheet are grouped into the fair value hierarchy at 31 October 2020 as follows:

Financial assets at fair value through profit or loss	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Quoted equities (a)	44,710	–	–	44,710
Unit trusts and OEICs (a)	18,991	–	17	19,008
Delisted equities (b)	–	–	69	69
Net fair value	**63,701**	**–**	**86**	**63,767**

(a) Quoted Investments

Quoted equities included in Fair Value Level 1 are actively traded on recognised stock exchanges and the fair value of these investments have been determined by reference to their quoted bid prices at the reporting date. The fair value for OEICs included in Level 1 has been determined based on prices published by the relevant fund manager. Those OEICs included within Level 1 are quoted in an active market. The fair value for OEICs in Level 3 has been determined based on prices published by the relevant fund manager with the application of an illiquidity discount.

(b) Delisted Investments

Blue Capital Global Reinsurance Fund is in liquidation. The fair value is based on the current value of the fund, as provided by the relevant fund manager, with the appropriate liquidation discount.

8 Half-Yearly Financial Report

The results for the six months ended 31 October 2020 and six months ended 31 October 2019, which have not been reviewed by the Company's auditors pursuant to the Auditing Practices Board guidance on "Review of Interim Financial Information", constitute non-statutory accounts as defined in Sections 434 - 436 of the Companies Act 2006. The financial information for the year ended 30 April 2020 has been extracted from the latest published audited financial statements which have been filed with the Registrar of Companies. The report of the auditors on those accounts contained no qualification or statement under Section 498 (2),(3) or (4) of the Companies Act 2006.

9 This Half-Yearly Report was approved by the Board on 1 December 2020.

Principal Risks and Uncertainties

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 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. The principal risks faced by the Company are set out below.

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.

Investment and Strategy Risk:

The Board is responsible for deciding the investment strategy to fulfil the Company's objectives and monitoring the performance of the Manager. Inappropriate strategy, including 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 the Manager 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 countries or factors specific to particular sectors. The Manager 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 and monitoring the implementation and results of the investment process with the Manager.

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 the Manager and Company Secretary at each Board meeting and when the quarterly dividends are declared.

Operational Risk:

The Company relies upon the services provided by third parties and is reliant on the control systems of the Manager 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 and 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 Listing Rules of the FCA and Sections 1158 and 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, the Manager 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.

Investment Portfolio

As at 31 October 2020

Company	Sector	Asset class	Valuation £'000	%
CIM Dividend Income Fund[(A)]	Unit Trusts & OEICs	Overseas Equities	2,327	3.61
Samarang Asian Prosperity Fund[(A)]	Unit Trusts & OEICs	Overseas Equities	2,270	3.52
Goodhart Partners Horizon Fund HMG Global Emerging Market Equity Fund[(A)]	Unit Trusts & OEICs	Overseas Equities	1,953	3.03
Investec Global Gold Fund[(A)]	Unit Trusts & OEICs	Defensive Assets	1,952	3.03
Absalon Emerging Markets Corporate Debt Fund[(A)]	Unit Trusts & OEICs	Fixed Income	1,827	2.83
OneSavings Bank	General Financial	UK Equities	1,718	2.66
Morant Wright Fuji Yield Fund[(A)]	Unit Trusts & OEICs	Overseas Equities	1,649	2.55
UK Mortgages	Investment Companies	Specialist Assets	1,553	2.41
Origin Enterprises	Food Producers	UK Equities	1,552	2.41
Diversified Gas and Oil	Oil & Gas Producers	UK Equities	1,532	2.38
Top ten investments			**18,333**	**28.43**
Arrow Global Group	General Financial	UK Equities	1,489	2.31
TwentyFour Select Monthly Income Fund	Investment Companies	Fixed Income	1,434	2.22
Hipgnosis Songs Fund	Investment Companies	Specialist Assets	1,378	2.13
Royal London Short Duration Global High Yield Bond Fund[(A)]	Unit Trusts & OEICs	Fixed Income	1,378	2.13
Fair Oaks Income	Investment Companies	Specialist Assets	1,371	2.13
Prusik Asian Equity Income Fund[(A)]	Unit Trusts & OEICs	Overseas Equities	1,367	2.12
Marston's	Travel & Leisure	UK Equities	1,341	2.08
RM Secured Direct Lending	Investment Companies	Specialist Assets	1,307	2.03
Sequoia Economic Infrastructure Income Fund	Investment Companies	Specialist Assets	1,294	2.01
Conventum Lyrical Fund[(A)]	Unit Trusts & OEICs	Overseas Equities	1,281	1.99
Top twenty investments			**31,973**	**49.58**
Schroder UK Public Private Trust	Investment Companies	Specialist Assets	1,265	1.96
Invesco Physical Gold ETC[(B)]	Exchange Traded Fund	Defensive Assets	1,244	1.93
Purplebricks Group	Support Services	UK Equities	1,243	1.93
Morgan Advanced Materials	Electronic & Electrical Equipment	UK Equities	1,243	1.93
Clinigen Group	Support Services	UK Equities	1,233	1.91
Royal London Sterling Extra Yield Bond Fund[(A)]	Unit Trusts & OEICs	Fixed Income	1,230	1.91
BT Group	Fixed Line Telecoms	UK Equities	1,229	1.90
AEW UK REIT	UK REIT	Specialist Assets	1,225	1.90
Ediston Property Investment Company	UK REIT	Specialist Assets	1,199	1.86
Merian Chrysalis Investment Trust	Investment Companies	Specialist Assets	1,107	1.72
Top thirty investments			**44,191**	**68.53**

(A) Open-ended

(B) Exchange-traded commodity

(C) In liquidation

Company	Sector	Asset class	Valuation £'000	%
The PRS REIT	UK REIT	Specialist Assets	1,101	1.71
Babcock International	Support Services	UK Equities	1,063	1.65
International Public Partnerships	Investment Companies	Specialist Assets	1,060	1.64
Invesco Perpetual European Equity Income Fund(A)	Unit Trusts & OEICs	Overseas Equities	1,051	1.63
Legal & General	Life Insurance	UK Equities	979	1.52
Essentra	Support Services	UK Equities	949	1.47
Syncona	Investment Companies	Specialist Assets	928	1.44
Vistry Group	Household Goods	UK Equities	912	1.41
European Assets Trust	Investment Companies	Overseas Equities	906	1.40
Doric Nimrod Air Two	Investment Companies	Specialist Assets	856	1.33
Top forty investments			**53,996**	**83.73**
Marks & Spencer	General Retailers	UK Equities	851	1.32
Halfords Group	General Retailers	UK Equities	800	1.24
Phoenix Group Holdings	Life Insurance	UK Equities	795	1.23
Liontrust European Enhanced Income Fund(A)	Unit Trusts & OEICs	Overseas Equities	706	1.09
National Express	Travel & Leisure	UK Equities	681	1.06
LXI REIT	UK REIT	Specialist Assets	677	1.05
Home Group	UK REIT	Specialist Assets	663	1.03
Senior Engineering	Aerospace & Defence	UK Equities	630	0.98
M&G	General Financial	UK Equities	587	0.91
Britvic	Beverages	UK Equities	582	0.90
Top fifty investments			**60,968**	**94.54**
Doric Nimrod Air Three	Investment Companies	Specialist Assets	570	0.88
LondonMetric Property	UK REIT	Specialist Assets	528	0.82
dotdigital Group	Support Services	UK Equities	375	0.58
JLEN Environmental Assets Group	Investment Companies	Specialist Assets	349	0.54
Greencoat UK Wind	Investment Companies	Specialist Assets	343	0.53
Kier Group	Construction & Materials	UK Equities	275	0.43
Assura	UK REIT	Specialist Assets	137	0.21
Strix Group	Electronic & Electrical Equipment	UK Equities	99	0.15
Blue Capital Global Reinsurance Fund(C)	Investment Companies	Specialist Assets	69	0.11
DP Aircraft I	Investment Companies	Specialist Assets	57	0.09
Top sixty investments			**63,770**	**98.88**
Assured Fund	Unit Trusts & OEICs	Specialist Assets	17	0.03
Total investments			**63,787**	**98.91**
Cash			700	1.09
Total investments plus cash			**64,487**	**100.00**

(A) Open-ended
(B) Exchange-traded commodity
(C) In liquidation

Directors' Statement of Responsibilities in Respect of the Half-Yearly Financial Report

In accordance with Chapter 4 of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the Directors confirm that to the best of their knowledge:

- the condensed set of financial statements has been prepared in accordance with Financial Reporting Standard 104 (Interim Financial Reporting) on a going concern basis, and gives a true and fair view of the assets, liabilities, financial position and net return of the Company;
- the half-yearly report includes a fair review of the important events that have occurred during the first six months of the financial year and their impact on the financial statements;
- the Directors' Statement of Principal Risks and Uncertainties shown on pages 24 and 25 is a fair review of the principal risks and uncertainties for the remainder of the financial year;
- the half-yearly report includes a fair review of the related party transactions that have taken place in the first six months of the financial year; and
- in light of the controls and monitoring processes that are in place, the Company has adequate resources and arrangements to continue operating within its stated objective and policy for the foreseeable future. Accordingly, the accounts continue to be drawn up on the basis that the Company is a going concern.

Richard Ramsay
Chairman
1 December 2020

Financial Calendar

18 December 2020	**Payment of second interim dividend for year ending 30 April 2021**
December 2020	**Posting of Half Yearly Financial Report**
March 2021	**Payment of third interim dividend for year ending 30 April 2021**
June 2021	**Payment of fourth interim dividend for year ending 30 April 2021**
June 2021	**Announcement of Annual Results**
June 2021	**Annual Report posted to Shareholders**
July 2021	**Annual General Meeting**

Objective and Investment Policy

Our Objective

Over a typical investment cycle†, the Company will seek to achieve a total return of at least CPI plus 6% per annum after costs with low volatility, and with the aim of growing the aggregate annual dividends at least in line with inflation, through the application of a Multi-Asset Investment Policy.

† The Manager defines a typical investment cycle as one which spans 5-10 years, and in which returns from various asset classes are generally in line with their very long-term averages.

Investment Policy

The asset classes included in the Company's portfolio are UK and overseas equities, fixed income securities, specialist assets, and defensive assets. Further detail of each asset class is provided below. The Company's Manager aims to add value through both strategic and tactical asset allocations within a range for each asset class. The asset allocation ranges 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
Defensive assets	0–20

Asset class descriptions (these are for general guidance only and do not exclude other investments):

- UK and overseas equities – companies listed on any recognised stock exchange throughout the world.
- Fixed income securities – government and corporate bonds, inflation-linked securities, emerging market debt, and high yield bonds.
- Specialist assets – infrastructure, property, private equity, and specialist financials.
- Defensive assets – gold (physical and miners), short equity exchange-traded funds (ETFs), uncorrelated strategies, managed futures, and government bonds.

Exposure to specialist assets will ordinarily be through specialist collective investment products ('funds') managed by third parties. Exposure to other asset classes may be achieved by investing directly or through funds. With the Board's prior approval, any exposure may also be gained through funds managed by the Company's Manager.

The Company may use derivatives for efficient portfolio management.

The Company will not invest more than 7.5% of gross assets in any individual direct equity, any individual security related to another asset class or any physical asset, or more than 10% of gross assets in any fund.

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

The Company may borrow to gear the Company's 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 asset allocation ranges and limits referred to in the Investment Policy are measured at the time of investment or drawdown of borrowings.

Corporate Information

Directors
Richard A M Ramsay, Chairman
James R McCulloch
Susan P Inglis
Anne S Gilding (from 16 June 2020)

Registered Office
Level 13
Broadgate Tower
20 Primrose Street
London EC2A 2EW
Company Registration Number: 03173591

Investment Manager or Manager
Seneca Investment Managers Limited
Tenth Floor
Horton House
Exchange Flags
Liverpool L2 3YL

Alternative Investment Fund Manager, Company Secretary and Administrator
PATAC Limited
28 Walker Street
Edinburgh EH3 7HR

Registrar
Equiniti
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Shareholder helpline **0371 384 2411**
Shareview dealing helpline **0345 603 7037**
Textel/Hard of hearing line **0371 384 2255**
International helpline **+44 121 415 7047**

Lines open 9.00 a.m. to 5.00 p.m., Monday to Friday (excluding public holidays in England and Wales).

Website **www.senecaim.com**

Data Protection
The Company is committed to ensuring the privacy of any personal data provided to it. Details of the privacy policy can be found on the website www.senecaim.com

Auditor
Ernst & Young LLP*
25 Churchill Place
London E14 5EY

*Ernst & Young LLP resigned on 24 November 2020 and the Board has appointed BDO LLP as the Company's new Auditor.

Bankers
The Royal Bank of Scotland PLC
24-25 St Andrew Square
Edinburgh EH2 1AF

Custodian Bankers
J.P. Morgan Chase Bank N.A.
25 Bank Street
Canary Wharf
London E14 5JP

Depositary
J.P. Morgan Europe Limited
25 Bank Street
Canary Wharf
London E14 5JP

Solicitors
Dickson Minto WS
16 Charlotte Square
Edinburgh EH2 4DF

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