

# Seneca Global Income & Growth Trust PLC

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## Seneca Global Income & Growth Trust sees plenty of long-term value in its portfolio

In 1984 Warren Buffett shared these insights in an article that marked the 50th anniversary of the Security Analysis, the bible for value investors, written by Benjamin Graham and David Dodd.

"There seems to be some perverse human characteristic that likes to make easy things difficult," he said.

"The academic world, if anything, has actually backed away from the teaching of value investing over the last 30 years. It's likely to continue that way.

"Ships will sail around the world but the Flat Earth Society will flourish. There will continue to be wide discrepancies between price and value in the marketplace, and those who read their Graham and Dodd will continue to prosper."

### An art form

Buffet has turned value investing into an art form, one that has made him richer than Croesus.

However, even he would say its central tenets are the model of simplicity: You buy assets below their intrinsic value and sell them for more than their underlying worth. Okay there are a few more bells and whistles, but not too many.

Where value investing principles have been applied to share trading for more than 80 years, Seneca Investment Managers is using that search for 'bargains' across the gamut of asset classes.

Here in the UK, the focus is on a managed portfolio of mid-caps, while overseas it has found facsimile boutique businesses that "have an investment culture rather than a corporate culture", explains Seneca chief executive David Thomas.

Outside of equities, the firm runs fixed income portfolios and is interested in "alternatives" such as infrastructure and specialist financial assets, private equity and property. It has even made a successful foray into the gold arena.

### Seneca Global Income & Growth Trust

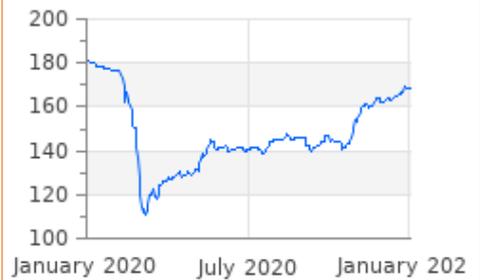
A four-strong team from the investment manager runs stock exchange-quoted Seneca Global Income & Growth Trust (LON:SIGT).

It has been a roller coaster start to the year for SIGT, whose net asset value fell around 30% in the first quarter (not surprising given the capitulation of the equity markets towards the end of the period).

**Price:** 168.5

**Market Cap:** £64.76 m

#### 1 Year Share Price Graph



#### Share Information

**Code:** SIGT

**Listing:** LSE

**52 week High Low**  
 180.372 107.5

**Sector:** Investments and investor services

**Website:** senecaim.com

#### Company Synopsis:

Seneca Investment Managers is based in Liverpool with a national client base. Investors range from institutions such as pension funds and charities, through to financial advisers, discretionary private client managers and personal investors. The firm specialises in multi-asset value investing. Where Seneca IM differs from most other providers of multi-asset investment products is in our 'value' based approach.

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The second three months of 2020 has seen a partial return to form with a 16.5% increase in the NAV.

Thomas believes this recovery of Q2 has further to run (much, much further).

"The weighted average price-to-book of our UK equity portfolio is around half its long-term average, and much lower than that of the FTSE 250 and yet the return on equity is on a par with the FTSE 250," he explains.

"So, if our price-to-book reverted to norm there would be 80% upside in our UK equity portfolio."

## Untapped value

Before we look further at the (untapped) value case, it is perhaps worth understanding the management team's mandate at SIGT.

Over the cycle, the aim is to achieve a total return of at least of consumer price inflation plus 6% (for the period end 2009 to end 2019 the NAV compound real return was 6.5%). Dividend growth, with a typical yield of around 4% over the long term, aims to exceed the cost of living.

The trust also has a discount control mechanism that ensures that the net asset value and share price "move in lockstep".

"It offers a degree of certainty for clients that we aren't going to 'gap out' [move sharply up and down]," explains Thomas. "And because of how the mechanism works it allows a high degree of liquidity."

## Good UK stocks

Turning to the portfolio, good UK stocks that perhaps have had a "hiccup" along the way are an ideal long-term investment, says the Seneca CEO.

In the US, where the equity markets are at or near record highs and look over-bought, there are still diamonds in the rough to be found.

As Thomas points out, equity valuations are skewed by the trillion-dollar club tech stocks, or the sought-after biotechs.

Scrape the surface and you'll find good, solid cyclicals on price-to-earnings multiples of 10 or less - that's bargain territory by anyone's measure.

The same goes for Japan, where the benchmark stocks index looks topy, but where the underlying mid-caps seem a little unloved, Thomas says.

SIGT is playing the long game - one where it might take five years for the world to return to normal, post-pandemic. By then the portfolio should look exceedingly cheap.

## There will continue to be discrepancies between price and value

As Buffett pointed out in 1984, there will continue to be discrepancies between price and value in the market..."and those who read their Graham and Dodd will continue to prosper".

"We think there's a lot of value around, it's just not being recognised by the market," Thomas says.

"We are quite happy doing things other people don't want to do. That's just in the nature of the game, or at least the way we play it."

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