

# Seneca Australian Small Companies Fund



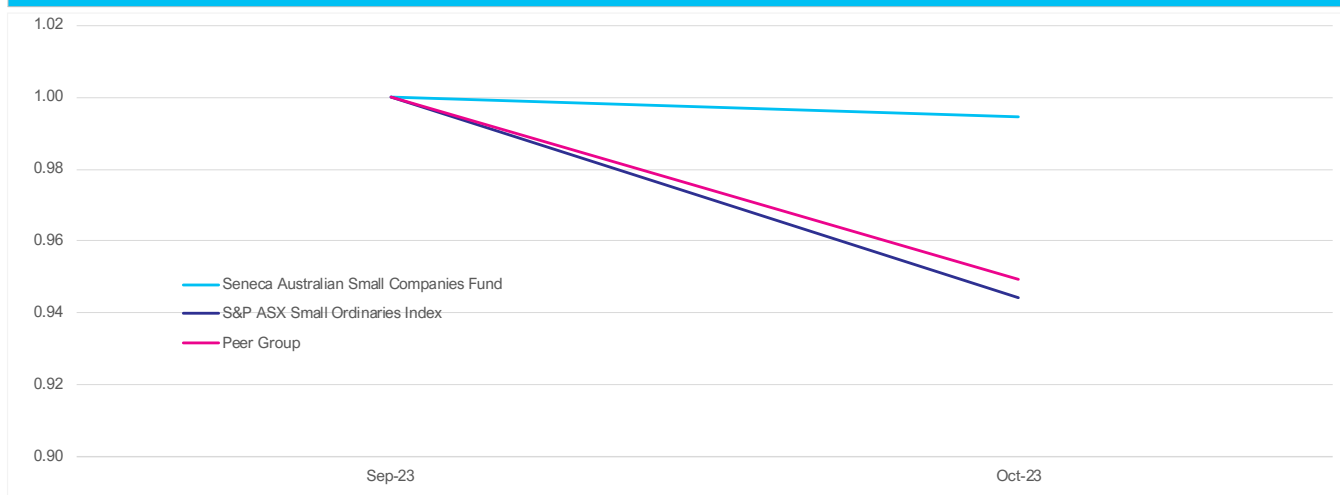
## Monthly Update

As at 31 October 2023

Description	Portfolio Details																													
<p>A portfolio of 20-50 sufficiently liquid, small and mid-cap ASX-listed companies, with a preference for high quality, profitable and growth focused businesses.</p> <p>The fund is long-only, will not utilise any derivatives or leverage and will be able to hold up to 50% cash at the discretion of the manager.</p>	<table border="1"> <tr> <td><b>Portfolio Manager</b></td> <td>Luke Laretive, Ben Richards</td> </tr> <tr> <td><b>Inception Date</b></td> <td>4 October 2023</td> </tr> <tr> <td><b>Management Fee</b></td> <td>0.00% p.a</td> </tr> <tr> <td><b>Performance Fee</b></td> <td>20%</td> </tr> <tr> <td><b>Hurdle Rate</b></td> <td>RBA Cash</td> </tr> <tr> <td><b>High Watermark</b></td> <td>Yes</td> </tr> <tr> <td><b>Benchmark</b></td> <td>S&amp;P/ASX Small Ordinaries Accumulation Index TR</td> </tr> <tr> <td><b>Liquidity</b></td> <td>Monthly</td> </tr> <tr> <td><b>Min Investment</b></td> <td>AUD \$100,000</td> </tr> <tr> <td><b>Time Horizon</b></td> <td>At least 5 years</td> </tr> <tr> <td><b>Authorised Invest.</b></td> <td>S&amp;P/ASX 200</td> </tr> <tr> <td><b>Number of Stocks</b></td> <td>20-50</td> </tr> <tr> <td><b>Cash Allocation</b></td> <td>0-50%</td> </tr> <tr> <td><b>Investor Eligibility</b></td> <td>Wholesale Investors Only</td> </tr> </table>		<b>Portfolio Manager</b>	Luke Laretive, Ben Richards	<b>Inception Date</b>	4 October 2023	<b>Management Fee</b>	0.00% p.a	<b>Performance Fee</b>	20%	<b>Hurdle Rate</b>	RBA Cash	<b>High Watermark</b>	Yes	<b>Benchmark</b>	S&P/ASX Small Ordinaries Accumulation Index TR	<b>Liquidity</b>	Monthly	<b>Min Investment</b>	AUD \$100,000	<b>Time Horizon</b>	At least 5 years	<b>Authorised Invest.</b>	S&P/ASX 200	<b>Number of Stocks</b>	20-50	<b>Cash Allocation</b>	0-50%	<b>Investor Eligibility</b>	Wholesale Investors Only
<b>Portfolio Manager</b>	Luke Laretive, Ben Richards																													
<b>Inception Date</b>	4 October 2023																													
<b>Management Fee</b>	0.00% p.a																													
<b>Performance Fee</b>	20%																													
<b>Hurdle Rate</b>	RBA Cash																													
<b>High Watermark</b>	Yes																													
<b>Benchmark</b>	S&P/ASX Small Ordinaries Accumulation Index TR																													
<b>Liquidity</b>	Monthly																													
<b>Min Investment</b>	AUD \$100,000																													
<b>Time Horizon</b>	At least 5 years																													
<b>Authorised Invest.</b>	S&P/ASX 200																													
<b>Number of Stocks</b>	20-50																													
<b>Cash Allocation</b>	0-50%																													
<b>Investor Eligibility</b>	Wholesale Investors Only																													
Trustee	<p>Newport Private Wealth Pty Ltd ACN 166 931 960 AFSL 451820 Level 30, 35 Collins Street, Melbourne VIC 3000</p>																													

Performance	1m	3m	6m	1y	2y (p.a)	3y (p.a)	Inception (p.a)
<b>Australian Small Companies Fund</b>	-0.55%	-	-	-	-	-	-
S&P ASX Small Ordinaries Index	-5.59%	-	-	-	-	-	-
<b>Excess return</b>	5.04%	-	-	-	-	-	-

### Cumulative Returns (since inception)

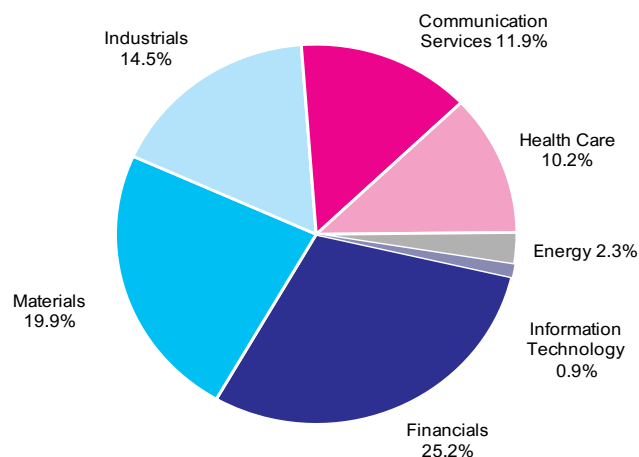


Past performance is no indicator of future performance. Long term performance returns show the potential volatility of returns over time. The value of investments and the income from them can fall as well as rise and is not guaranteed. You may not get back the amount originally invested. Fluctuation may be particularly marked in the case of a higher volatility fund and the value of an investment may fall suddenly and substantially.

## Top 5 Holdings

Company	Sector	Weight
GDC	Financials	9.45%
GQG	Financials	7.91%
NOL	Financials	6.93%
LBL	Industrials	6.59%
TRJ	Healthcare	6.20%

## Sector Allocation



## Portfolio Commentary

The Seneca Australian Small Companies Fund returned -0.55% in October, a pleasing inception month for the fund in the context of the broader market with the S&P ASC Small Ordinaries Index declining -5.59%, the third consecutive month of negative returns.

Our outperformance was partially attributable to the higher than usual cash weighting, as we gradually deploy funds and get set in positions. The fund ended the month just over 80% invested as we establish positions and deploy capital patiently and opportunistically. We expect over the coming months to be largely fully invested as we manage further inflows.

Contributors to outperformance was Trajan Group Holdings (ASX: TRJ), a global developer and manufacturer of life sciences consumables and equipment for analytical laboratories, which was up +14% for the month after its AGM presentations allayed market concerns about weakness in the healthcare equipment sector by reiterating guidance. Trajan has doubled in size (revenue and EBITDA) since its IPO in 2021, while shares continue to trade at a ~20% discount to IPO price, and a discount to peers.

Detracting from performance was debt collector Credit Corp (ASX: CCP), which suffered an impairment related to 14% of the carrying value of its US purchased debt ledgers assets due to weaker than expected collection conditions in the month of September. As a result, the company cut guidance for FY24 and investors sold the stock off sharply, down -28% post-update.

While a disappointing outcome, our position size was small and overall impact on portfolio returns, minor. We believe that management has 'cleared the decks' by extrapolating a short-term trend in collections and if Credit Corp reverts to somewhere near historical collection levels and target 16-18% ROE metrics, the stock will prove oversold at just 1.0x NTA, a valuation level not seen since 2009.

We remain positive on the prospects for small caps on a long-term view, after a period of depressed sentiment and the worst period of returns for small cap since the GFC. In particular, we are enthused about our portfolio companies which are well positioned to ride out the storm of higher interest rates due to stronger balance sheets and idiosyncratic growth opportunities independent of the gyrations of the broader economy.

We appreciate the support we've received from foundation investors in this strategy and remain open for applications from new and existing investors.

## Market Commentary

Global share markets sold off during October, as bond yields continued to rally, the MSCI All World Index down 2.7%. In the US, the S&P 500 fell 2.2%, the MSCI Europe index was down 2.9% and Asian equities were among the worst performers, falling 3.7%. Only the UK's FTSE 100 Index fared worse, declining 3.8% as interest rates have seemingly dragged their economy to a standstill.

Of the global large companies in the S&P 500, Netflix (NFLX) added 9% on stronger than expected subscriber numbers, while AI-driven earnings growth pushed Microsoft (MSFT, +7%) and Adobe Inc (ADBE +4.3%) higher. Among the worst performers were Invisalign manufacturer Align Technologies (ALGN, -40%), vaccine manufacturer Moderna (MRNA, -35%) and lithium miner Albemarle Corporation (ALB, -25%) who pulled out of the battle for ASX-listed Lontown Resources (LTR, -45%). Lontown (LTR) was the worst performing stock on the market during October, but Neometals (NMT, -42%) and Ioneer (INR, -38%) weren't too far behind.

## Outlook

While it's certainly too early to be categoric, it feels to us like sentiment is turning more positive.

Central bankers in the US and Europe have begun to signal that they might have finished increasing interest rates, and the bond market is now only pricing a 20% chance that the US Federal Reserve increases rates in December with expectations of the first US interest rate cut in June 2024.

While the RBA should raise interest rates on Melbourne Cup Day (to cool accelerating domestic inflation) the market remains uncertain and pricing a 48% chance of a 25bps interest rate increase. This implied probability is down from over 80% prior to newly appointed RBA Governor Michelle Bullocks refusal to classify the stronger-than-expected September inflation data as a "material" upside surprise in recent parliamentary testimony.

Couple this changing macro environment with the fact that historically, markets have bounced hard after 3 consecutive negative-return months (like we've just experienced) and the strong seasonality trends observed in December quarters – we think there's room for renewed optimism.

**Invest today from \$25,000**  
**For more information call (03) 8639 1600**

**[senecafs.com.au](https://senecafs.com.au)**



This report provides general information only and does not take into account the investment objectives, financial circumstances or needs of any person. To the maximum extent permitted by law, Seneca Financial Solutions Pty Ltd, its directors and employees accept no liability for any loss or damage incurred as a result of any action taken or not taken on the basis of the information contained in the report or any omissions or errors within it. The Information Memorandum (IM) can be obtained by contacting Seneca. Potential investors should consider the IM before deciding whether to invest, or continue to invest, in the product. It is advisable that you obtain professional independent financial, legal and taxation advice before making any financial investment decision. Seneca does not guarantee the repayment of capital, the payment of income, or the performance of its investments.