

Seneca Aggressive Income SMA



Seneca

Monthly Update

As at 31 October 2023

Description

Domestic & international income generating assets across multiple asset classes via a diversified portfolio of actively managed and index-tracking funds. The portfolio is focused primarily on more aggressive (higher risk) income generating assets and strategies like high dividend yielding equities, infrastructure assets, high yield government bonds, lower-quality (higher yielding) corporate credit and private debt.

Top 5 Holdings

Fund Name	Sector	Weight
METRICS INCOME OPPORTUNITIES	Private Debt	15.28%
KKR CREDIT INCOME FUND	Specialised High Income	14.99%
MUTUAL HIGH YIELD	Alternative Income High	14.95%
INVESCO WS SENIOR SECURED	Specialised High Income	14.91%
NB GLOBAL CORPORATE INCOME	Specialised High Income	14.72%

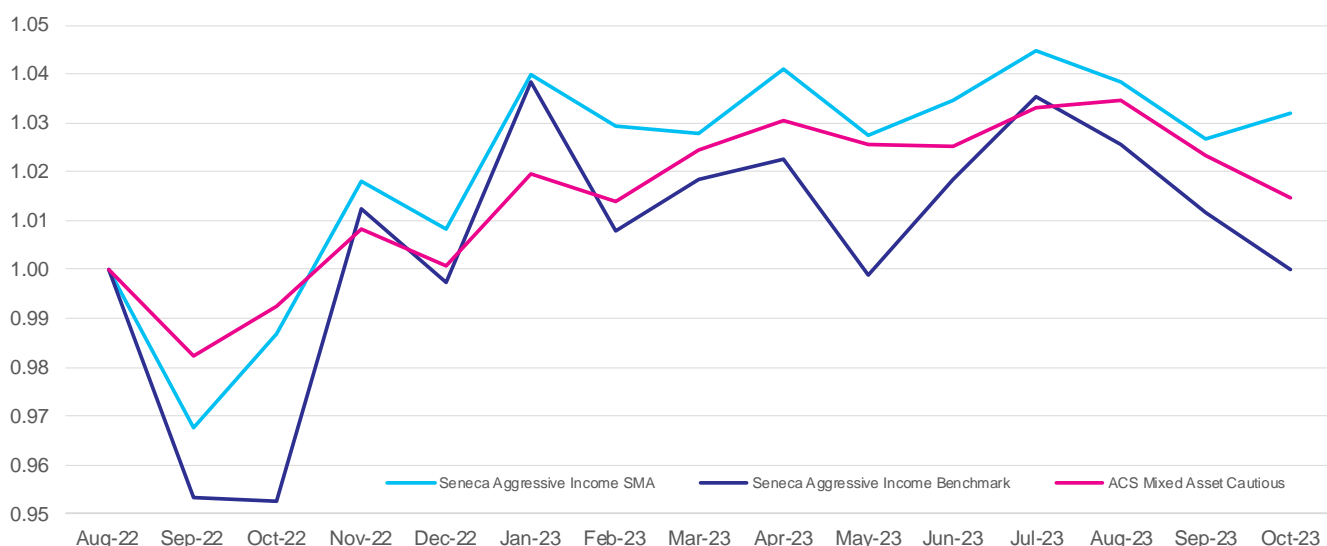
Portfolio Details

Portfolio Manager	Seneca IC
Inception Date	16/08/2022
Management Fee	0.20% pa
Performance Fee	nil
Time Horizon	At least 5 years
Platform Avail	Praemium
Portfolio Yield (net)	7.86%
Benchmark	Custom Composite ¹
Liquidity	Daily
# of holdings	4 to 8
Cash Allocation	0-10%
Min Investment	AUD \$50,000

Performance (before fees)

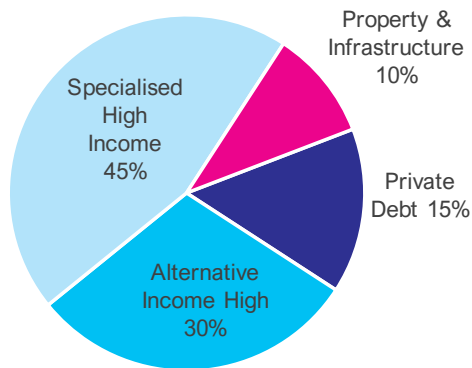
	1m	3m	6m	1y	2y (p.a)	3y (p.a)	Inception (p.a)
Seneca Aggressive Income SMA	0.51%	-1.25%	-0.87%	-	-	-	2.24%
Benchmark	-1.17%	-3.43%	-2.20%	4.96%	-4.89%	-3.63%	-1.35%
Excess return	1.68%	2.18%	1.33%	-	-	-	3.59%

Cumulative Returns (since inception)



¹Bloomberg Global Aggregate Index (hedged) 50% / iShares S&P/ASX Dividend Opps ETF 50%
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Target Sector Allocation



Benefits of a SMA	SMA	Managed Fund	Direct Shares
Professionally Managed	✓	✓	✗
Dividends & franking paid directly	✓	✗	✓
Full transparency on holdings	✓	✗	✓
Individualised Tax	✓	✗	✓
Gearing available	✓	✓	✓

Portfolio Commentary

Pleasingly, the portfolio finished the month up 0.51% compared to a benchmark return of -1.17% and a sector peer group return of -0.84%. Outperformance was due mainly to 2 of our private debt/credit LIC's. KKC returned +3.27% while MCP returned +3.15%. NBI also performed relatively well. The main detractor was our listed/unlisted property exposure.

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 Liontown Resources (LTR, -45%).

Liontown (LTR) was the worst performing stock on the market during October, but Neometals (NMT, -42%) and Loneer (INR, -38%) weren't too far behind.

Graphite miner Syrah Resources (SYR, +30%) was among the top performers after China imposed graphite export restrictions, reducing the global supply of that critical mineral. SYR was pipped by Tletto Minerals (TIE, +67%) who received a takeover bid from Chinese company Zhaojin Mining (1818.HK).

Outlook

While it's certainly too early to be categorical, 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.

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