Seneca Global Equity SMA

Monthly Update
As at 31 October 2023

Description

An actively-managed, diversified portfolio of global equities managers. The portfolio is weighted entirely toward growth type asset classes with zero exposure to defensive asset classes. Asset allocation is strategic and reviewed on a quarterly basis with tactical tilts made to take advantage of opportunities in specific regions, different manager styles and across currencies. Manager selection is driven by quantitative factors and internal and external research.

Top 5 Holdings

FAIRLIGHT GLOBAL SMALL & MID	Global Small/Mid Cap	19.50%
AORIS INTERNATIONAL FUND D	Global Large Cap	15.56%
GQG PARTNERS GLOBAL EQUITY	Global Large Cap	14.77%
FIDELITY ASIA	Global Emerging Markets	14.64%
GQG PARTNERS EMERGING	Global Emerging Markets	14.32%

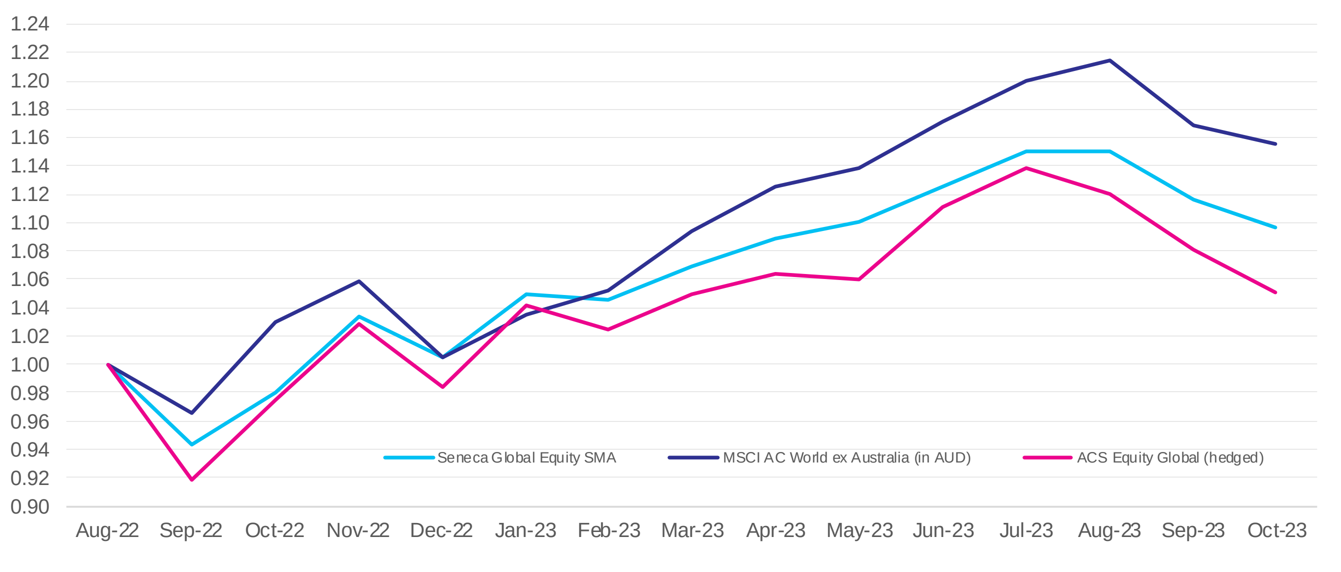
Portfolio Details

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)	1.95%
Benchmark	MSCI AC World Ex-Australia (AUD)
Liquidity	Daily
# of holdings	4 to 8
Cash Allocation	0-10%
Min Investment	AUD $50,000

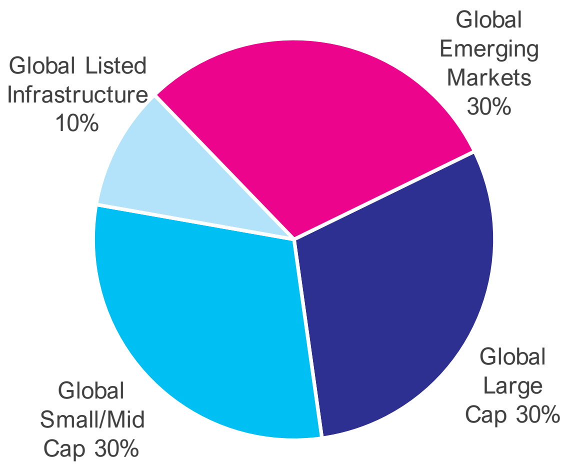
Performance (before fees)

	1m	3m	6m	1y	2y (p.a)	3y (p.a)	Inception (p.a)
Seneca Global Equity SMA	**-1.67%**	**-4.63%**	**0.82%**	**-**	**-**	**-**	**3.68%**
Benchmark	-1.07%	-3.66%	2.74%	12.30%	2.94%	10.95%	8.53%
Excess return	**-0.60%**	**-0.97%**	**-1.92%**	**-**	**-**	**-**	**-4.85%**

Cumulative Returns (since inception)



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

The model performed largely in line with sector peer group in October with both underperforming the ACWI ex Australia equity index. Global large-cap, infrastructure and Asia equity managers all outperformed. The model's underperformance was a result of allocations to global emerging market equities and global small/mid-caps.

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 Ioneer (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 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 $50,000
For more information call (03) 8639 1600

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