Seneca Absolute Return SMA

Monthly Update
As at 31 January 2024

Description

The portfolio is focused primarily on active managers running absolute return strategies such as systematic global macro (managed futures), equity long/short, relative value and non-traditional credit. Asset and sector allocation is strategic with tactical tilts made as the outlook for various strategies change over time. Manager selection and portfolio construction is driven by our Investment Committee, with diligent is driven by internal desk based qualitative and quantitative research and external research ratings.

Top 5 Holdings (alphabetical)

CC SAGE CAPITAL ABSOLUTE	Global Eq Market Neutral
CT PYRFORD GLOBAL ABSOLUTE	Multi-Asset / Multi-Strat
GMO SYSTEMATIC GLOBAL MACRO	Global Systematic Macro
Man AHL Alpha (AUD)	Global Systematic Macro
WINTON GLOBAL ALPHA	Global Systematic Macro

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)	n/a
Benchmark	RBA CPI plus 4%[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 Absolute Return SMA	**0.53%**	**0.04%**	**0.84%**	**3.16%**	**-**	**-**	**3.08%**
Benchmark	0.43%	1.29%	2.60%	5.24%	5.48%	5.24%	5.39%
Excess return	**0.10%**	**-1.25%**	**-1.76%**	**-2.08%**	**-**	**-**	**-2.31%**

Cumulative Returns (since inception)

[1]RBA Quarterly Trimmed Mean Inflation + 4% Index

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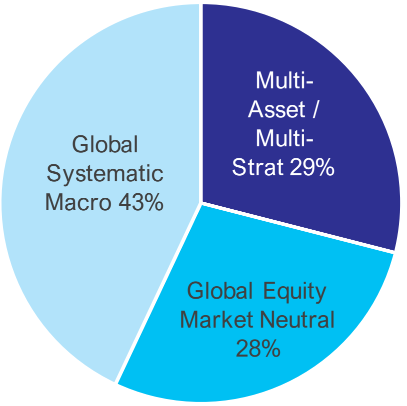
Target Sector Allocation



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

The absolute return model portfolio returned +0.53% in January which was largely in line with the ACS Absolute Return sector and 35bps behind CPI+4%. Winton (global macro) was the standout performer returning +3.60%. Managed futures benefited from global equity indices trending to all-time highs and diversifying trends across commodities such as cocoa, natural gas, corn and nickel. Our two equity market neutral managers also had a good month with Sage returning +2.54% and Perpetual returning +3.35%. Ruffer was the main laggard returning -2.73%.

Market Commentary

The global benchmark (MSCI All- World Index) was positive in the first month of 2024, closing the month up 1.14% in USD terms.

Japan was the top performing region, adding 8.43%, as subdued wages growth and household spending allowed the central bank to maintain its ultra-accommodative policy setting. The Japanese Yen depreciated against the UD by 4.03%.

On the other side of the Tsushima strait, Chinese equities continue to slide, falling 9.96% in the month as economic growth and activity slows.

On the local exchange, the S&P/ASX 200 was up 1.18%, led by Energy, Financial and Healthcare companies. The top performers included uranium miners/developers Boss Energy (BOE +38%) and Paladin (PDN, +31%), as well as ResMed (+15%) and Megaport (MP1, +38%). The worst-performing companies in January were Sayona Mining (SYA, -44%), Liontown Resources (LTR, -38%), Chalice Mining (CHN, -34%) and Domino's Pizza (DMP, -33%).

The Australian Dollar depreciated 3.57% against the US Dollar during the month, to close the month at US$0.6568.

Outlook

Inflation markers both at home and abroad appear to be easing, and markets are now pricing in interest rate cuts for the second half of 2024. The Australian 10-year bond yields have declined from a peak in late October of almost 5% to close to 4% currently, roughly in line with the 20-year average.

Commodity prices remain susceptible to weak demand from China (iron ore), the conflict in the middle east (oil /gas, freight) and escalation of the conflict in Ukraine (ag chemicals, oil/gas, uranium).

Outside of these price takers, industrial-company sales and earnings growth appears to have bottomed in most sectors and valuations are about in line with long term averages. With earnings improving and valuations are supported by the aforementioned decline in the risk-free rate, we continue to be constructive on most liquid asset classes.

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