

Seneca Australian Small Companies Fund



Monthly Update
As at 31 January 2024

APIR Code : NPW8333AU
ISIN Code : AU60NPW83339

Description

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.

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.

Trustee & Investment Manager

Trustee

Newport Private Wealth Pty Ltd
ACN 166 931 960
AFSL 451820

Investment Manager

Seneca Financial Solutions Pty Ltd
ACN 610 665 711
AFSL 492686

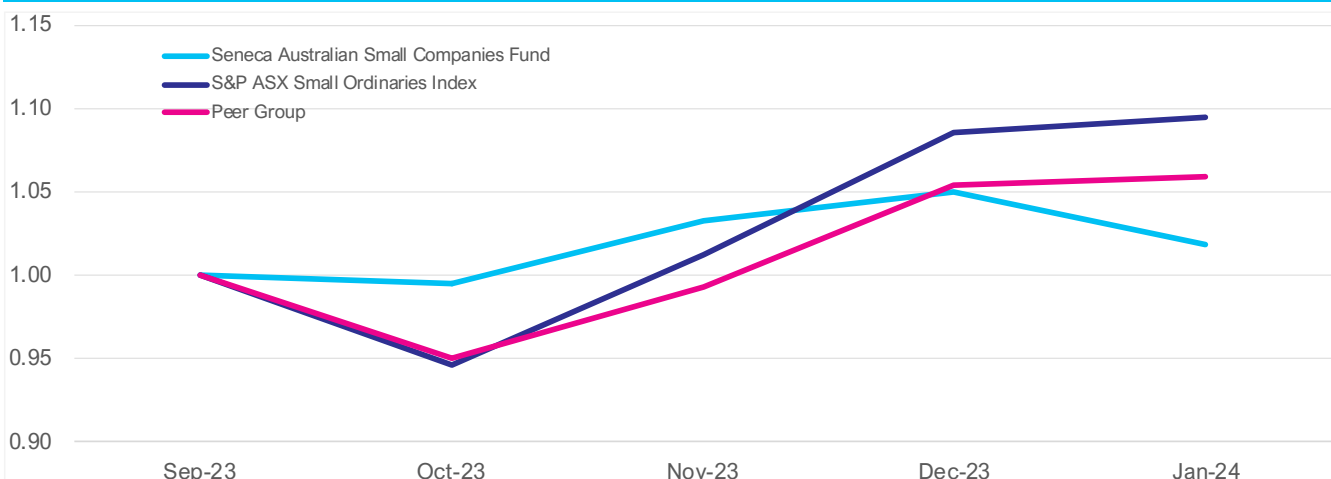
Portfolio Details

| | |
|-----------------------------|--|
| Portfolio Managers | Luke Laretive, Ben Richards |
| Inception Date | 4 October 2023 |
| Management Fee | 0.00% p.a |
| Performance Fee | 20% (over hurdle & HWM) |
| Hurdle Rate | RBA Cash |
| High Watermark | Yes |
| Benchmark | S&P/ASX Small Ordinaries Accumulation Index TR |
| Liquidity | Monthly |
| Min Investment | AUD \$100,000 |
| Time Horizon | At least 5 years |
| Authorised Invest. | ASX listed securities |
| Number of Stocks | 20-50 |
| Cash Allocation | 0-50% |
| Investor Eligibility | Wholesale Investors Only |

Performance

| | 1m | 3m | 6m | 1y | 2y (p.a) | 3y (p.a) | Inception (p.a) |
|--|---------------|----------------|----|----|----------|----------|-----------------|
| Australian Small Companies Fund | -3.04% | 2.32% | - | - | - | - | - |
| S&P ASX Small Ordinaries Index | 0.90% | 15.80% | - | - | - | - | - |
| Excess return | -3.94% | -13.48% | - | - | - | - | - |

Cumulative Returns (since inception)



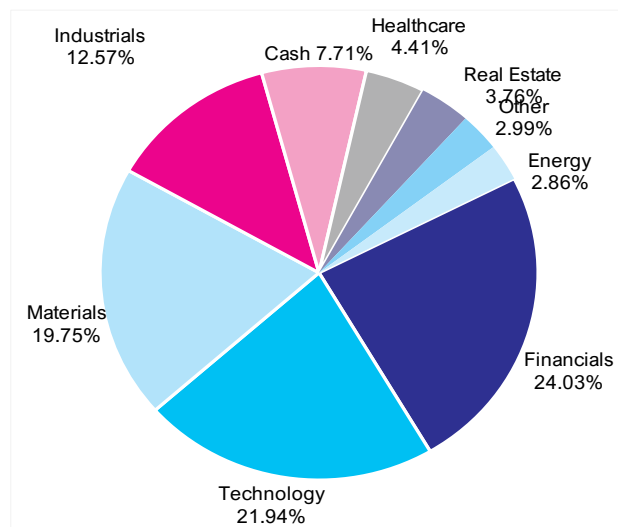
Peer Group = FE fundinfo ACS Equity Australia Small/Mid Cap sector

Please refer to important disclaimers on the final page

Top 5 Holdings (alphabetical)

| | | |
|--------------------------|-----|-------------|
| FIDUCIAN GROUP | FID | Financials |
| GLOBAL DATA CENTRE GROUP | GDC | Technology |
| GQG PARTNERS INC | GQG | Financials |
| IMDEX LIMITED | IMD | Materials |
| XRF SCIENTIFIC LIMITED | XRF | Industrials |

Sector Allocation



Portfolio Commentary

The Seneca Australian Small Companies fund declined -3.0% in January, versus the benchmark S&P/ASX Small Ordinaries return of +0.9%.

While the Small Ordinaries index (companies ranked 100-300 by size) return was slightly positive, it was again a tale of two halves, with the Emerging Companies Index (companies ranked 250-600 by size) returning -5.2% for the month, with investors preferencing larger, more liquid stocks and 'dancing close to the door'. The fund skews slightly smaller relative to the Small Ords – it's where the greatest opportunities are.

As February reporting season looms, we continue to work hard to unearth new investment ideas and optimise the portfolio to benefit from key near-term catalysts.

Contributors and detractors

The strongest performing market sector continued to be energy - specifically, uranium, which we are underweight as we believe ASX-listed uranium companies are by and large, fully valued.

The biggest drag on portfolio performance was in companies exposed to the temporary low in lithium prices and associated depressed sentiment in the battery minerals sector more broadly. Although not held in the fund, higher cost producers such as Core Lithium (CXO) and Sayona Mining (SYA) showed significant cash losses and announced strategic reviews, a typical precursor to mines being placed into care and

maintenance. Fear seems to have spread across the sector after the lithium price breached cost curve support. Investors are now ignoring the c. 20% growth rate coming from the EV sector - a trend we don't think is slowing down. When sentiment surrounding small-cap lithium shares turns, we see countercyclical opportunities in well-managed companies that operate in established mining jurisdictions and have the potential to produce at the low end of the cost curve.

Positive contributors included fertility specialist Monash IVF (MVF) which rose on the back of ABS data showing strong growth in IVF volumes in the 6 months to December 2023. GQG and MMA Offshore enjoyed continued momentum within their respective businesses as mentioned in the previous monthly update, which continued into share price gains in January.

Outlook

The upcoming half-yearly reporting period is expected to show company earnings that reflect a resilient economy in the face of an aggressive rate tightening cycle and persistent inflation.

Guidance commentary will be in focus as investors look ahead to the increasing probability of rate cuts this year. Should this come to fruition, small caps will be excellently placed to outperform, having lagged their large higher-costcap peers for the past 2 years.

Invest today from \$100,000

(smaller initial investment amounts can be accepted at trustee's discretion)

For more information call (03) 8639 1600

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Seneca

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