

Seneca Australian Equity SMA



Monthly Update
As at 29 February 2024

Description

The model holds a portfolio of actively managed funds. The portfolio will provide diversified exposure to domestic equities. 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 monthly basis with tactical tilts made as the outlook for various sub-asset classes, styles and sectors change over time. Manager selection is driven by quantitative factors and both internal and external research.

Top 5 Holdings (alphabetical)

DNR AUS EQ HIGH CONVICTION	Australian Large Cap
MACQUARIE AUSTRALIAN SMALL	Australian Small Cap
OC MICRO-CAP	Australian Small Cap
REALINDEX AUSTRALIAN SHARE	Australian Large Cap
SENECA AUSTRALIAN SHARES	Australian Large Cap

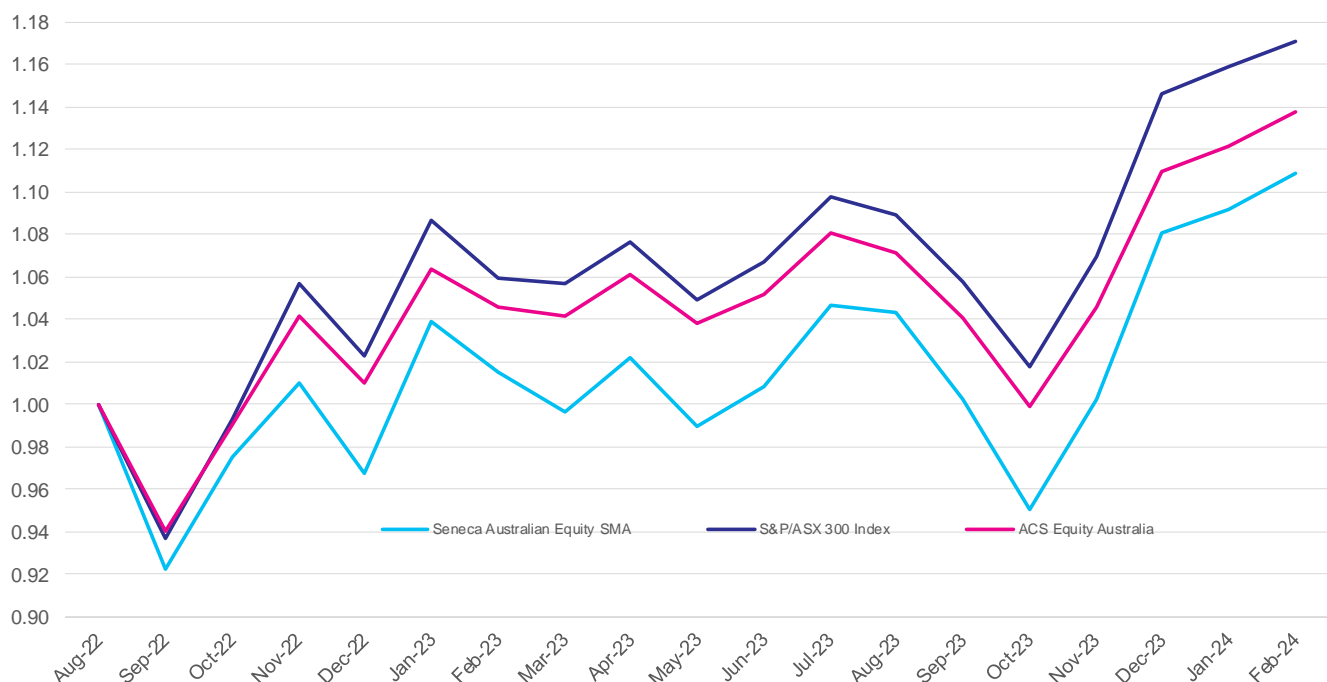
Portfolio Details

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)	3.69%
Benchmark	S&P/ASX 300 Index (TR)
Liquidity	Daily
# of holdings	4 to 8
Cash Allocation	0-10%
Min Investment	AUD \$50,000

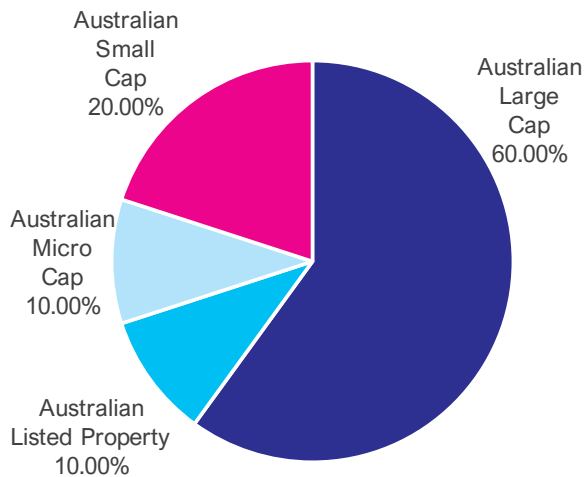
Performance (before fees)

	1m	3m	6m	1y	2y (p.a)	3y (p.a)	Inception (p.a)
Seneca Australian Equity SMA	1.56%	10.61%	6.25%	9.21%	-	-	5.44%
Benchmark	0.98%	9.46%	7.44%	10.53%	8.52%	9.09%	10.23%
Excess return	0.58%	1.15%	-1.19%	-1.32%	-	-	-4.79%

Cumulative Returns (since inception)



Sector Allocation



Portfolio Commentary

The model returned +1.56% in February which was 58bps ahead of the benchmark ASX 300's return of +0.98% and 15bps ahead of sector/peer group. A significant contribution came again from Perennial Value Smaller Companies with +3.91%. The standout performer, however, were Pental Property Securities who, after a retrace last month, returned another +4.85%.

Market Commentary

The global benchmark (MSCI All World Index) was again up in February, adding 3.12% in USD terms.

Japan was the top performing region AGAIN, adding a further 6.43% to January's +8.43%. The Japanese Yen depreciated against the USD by a further 1.65%.

Latin America (-0.76%) was the worst-performing major market.

On the local exchange, the S&P/ASX 200 was up 0.79% led by Technology companies. The top performers included Altium (ALU, +30%) which received a takeover bid from Renesas and Lovisa Holdings (LOV, +41%) on a strong 1H result.

The worst-performing companies in February were Strike Energy (STX, -50%), Corporate Travel Limited (CTD, -22%), Healius (HLS, -20%) and Neuren Pharma (NEU, -18%).

Benefits of a SMA

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

The Australian Dollar depreciated 1.06% against the US Dollar during the month, to close the month at US\$0.6498.

Outlook

The RBA and the US Federal Reserve continue to perform a modern economic miracle – accelerating GDP growth, declining inflation and full employment. While we think unemployment may rise to c. 5% over the next 12 months, this is supportive of our 'peak interest rates' thesis.

Commodity prices are also assisting the RBA with the price of iron ore declining 11.65% during the month of February.

The Australian 10-year bond yields continued to moderate during February and the first two weeks of March, with a yield of 3.96% at the time of writing. Declining yields are supportive of continued growth across our Aggressive and Defensive Income Portfolios.

After reviewing the vast majority of company 1H'24 reports during February, we remain highly constructive on Australian Equities across both large-cap and especially, small-cap investment universes.

There is also a significant opportunity in Emerging Markets, where valuations are at multi-year lows. We are overweight in the Global Equity SMA.

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