Seneca Australian Shares SMA

Monthly Update
As at 29 February 2024

Description

An actively managed portfolio of 20-40 Australian shares from inside the S&P/ASX 200 Index.

The manager has a focus on high quality companies trading at fair valuations, using a bottom-up, fundamental approach.

Top 5 Holdings (alphabetical)

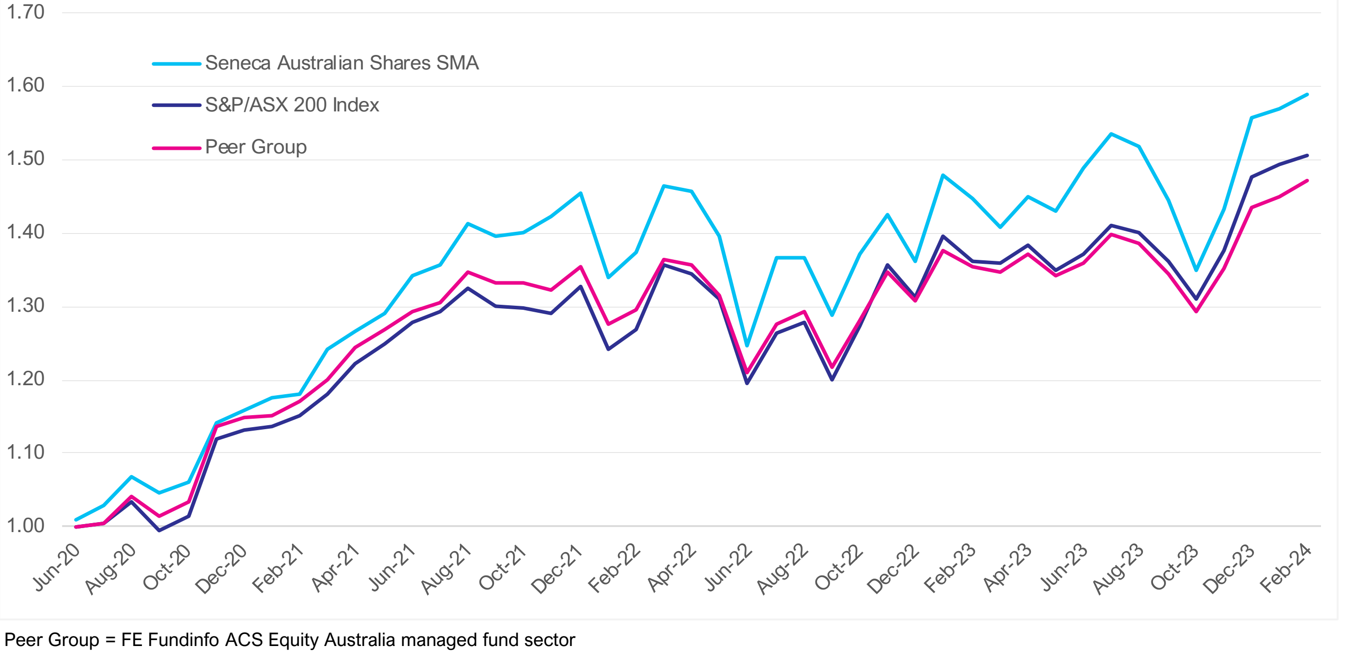
BHP GROUP LIMITED	BHP	Materials
CSL LIMITED	CSL	Healthcare
MACQUARIE GROUP LIMITED	MQG	Financials
PILBARA MINERALS LIMITED	PLS	Materials
WESTPAC BANKING CORP	WBC	Financials

Portfolio Details	
Portfolio Manager	Luke Laretive
Inception Date	16/06/2020
Management Fee	0.45% p.a
Performance Fee	nil
Time Horizon	At least 5 years
Authorised Invest.	S&P/ASX 200
Platform Avail	Praemium
Portfolio Yield (net)	3.72%
Liquidity	Daily
Number of Stocks	20-40
Cash Allocation	0-10%
Min Investment	AUD $25,000

Performance (before fees)

	1m	3m	6m	1y	2y (p.a)	3y (p.a)	Inception (p.a)
Seneca Australian Shares SMA	**1.22%**	**10.90%**	**4.60%**	**9.76%**	**7.51%**	**10.42%**	**13.30%**
S&P/ASX 200 Accumulation Index	0.79%	9.39%	7.42%	10.64%	8.89%	9.32%	11.48%
Excess return	**0.43%**	**1.51%**	**-2.82%**	**-0.88%**	**-1.38%**	**1.10%**	**1.82%**

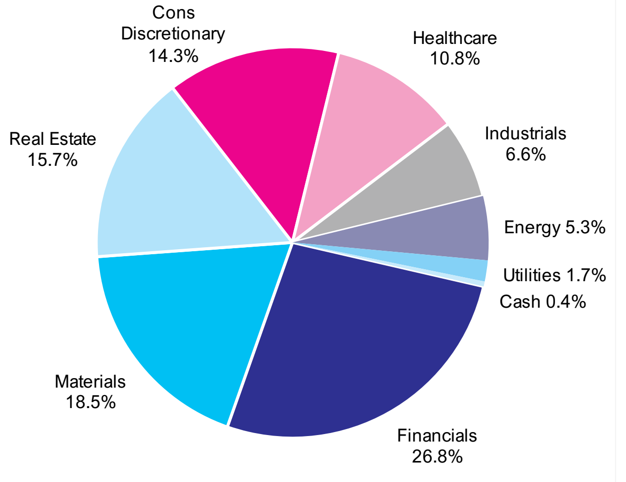
Cumulative Returns (since inception)



Peer Group = FE Fundinfo ACS Equity Australia managed fund sector

Please refer to important disclaimers on the final page

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 Seneca Australian Shares SMA added a further 1.22% in February, outperforming the benchmark by 0.43%.

February's reporting season was largely positive, with resilient revenue growth and impressive cost control resulting in profit margins surprising to the upside.

In our portfolio, above-consensus reports at the likes of Reliance Worldwide (RWC, +29% for the month) and ARB Corporation (ARB, +22% for the month), as well as a bounce in the lithium price drove our outperformance.

Our main detractor was Sonic Healthcare (SHL, -9.6%) as they, like many in the healthcare services sector, continue to struggle with cost management (specifically, labour costs) in a post-pandemic operating environment.

On the back of the result, we removed Sonic from the portfolio in favour of positions in Webjet (WEB) and Monadelphous Group (MND)

At an index level, the relatively small S&P/ASX 200 technology sector was the standout performance of the month, while Gold, the broader Resources sector and Energy all fell more than 5%.

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%).

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.

Model Portfolio performance is based on the theoretical performance of the Model Portfolio and does not take into account any fees applicable to the Model Portfolio. Actual portfolios may not perform in the same manner as the Model Portfolios, depending on customisations and timing issues. Accordingly, the actual after-tax returns you receive are likely to be different from the Model Portfolio returns and those of other investors. Rounding used in the presentation of data may result in minor variations. Past performance is no indicator of future performance. Long term performance returns show the potential volatility of returns over time. The value of investments and the income from them can fall as well as rise and is not guaranteed. You may not get back the amount originally invested. Fluctuation may be particularly marked in the case of a higher volatility Model Portfolio and the value of an investment may fall suddenly and substantially.