

Seneca Defensive Income SMA



Monthly Update

As at 29 February 2024

Description

Domestic and international fixed income securities via a diversified portfolio of actively managed fixed income funds focused on more defensive (investment grade) income generating assets and strategies. Allocations are strategic with tactical tilts made as the outlook for various segments of the fixed income market change over time. Manager selection is driven by internal desk based qualitative and quantitative research and external research ratings.

Top 5 Holdings (alphabetical)

MUTUAL HIGH YIELD	Alternative Income High
PERPETUAL DIVERSIFIED INCOME	Specialised Income
PIMCO DYNAMIC BOND W	Diversified Bonds
REALM SHORT TERM INCOME	Alternative Income
YARRA ENHANCED INCOME FUND	Specialised High Income

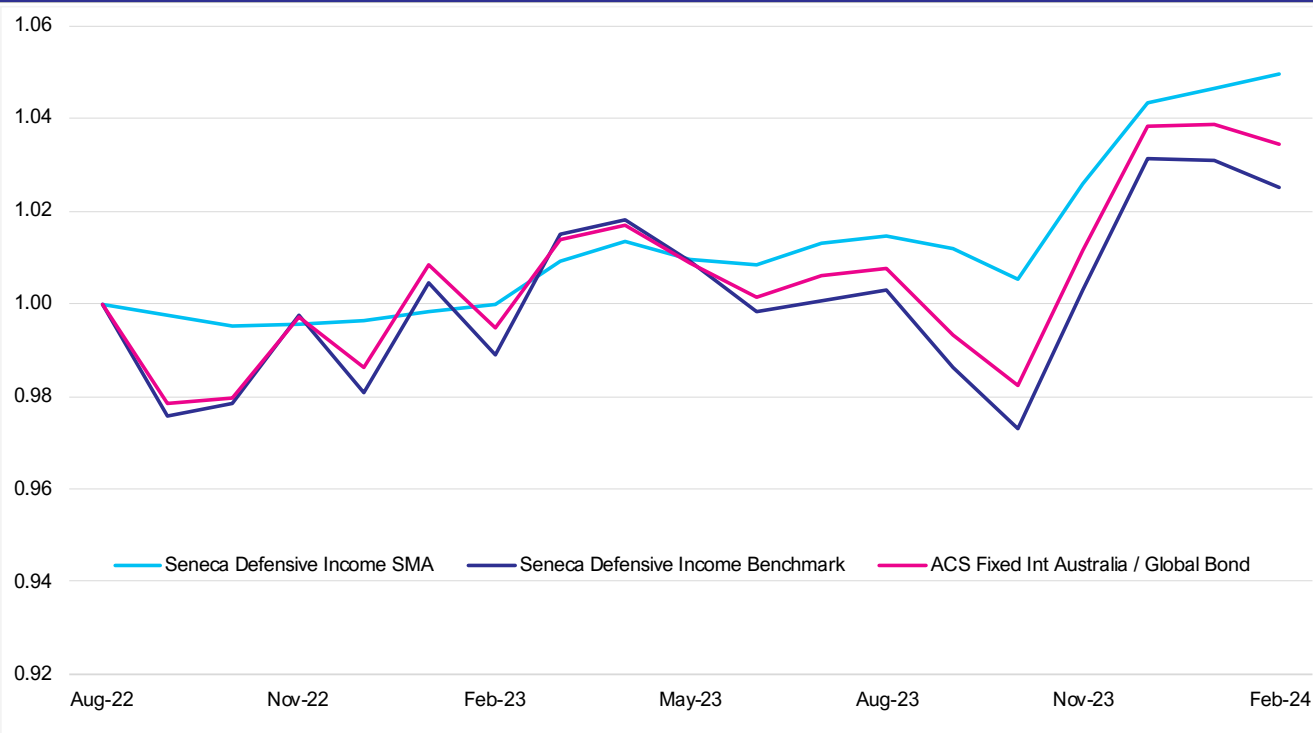
Portfolio Details

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)	5.60%
Benchmark	Custom Composite ¹
Liquidity	Daily
# of holdings	4 to 8
Cash Allocation	0-10%
Min Investment	AUD \$50,000

Performance (before fees)

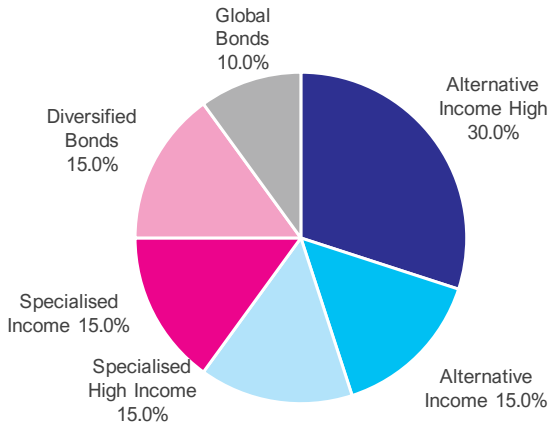
	1m	3m	6m	1y	2y (p.a)	3y (p.a)	Inception (p.a)
Seneca Defensive Income SMA	0.29%	2.33%	3.45%	4.99%	-	-	3.23%
Benchmark	-0.55%	2.23%	2.22%	3.67%	-2.68%	-2.15%	0.53%
Excess return	0.84%	0.10%	1.23%	1.32%	-	-	2.70%

Cumulative Returns (since inception)



¹Bloomberg AusBond Composite Index 50% / Bloomberg Global Aggregate Index (hedged) 50%
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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 portfolio returned +0.29% in February. Performance was 84bps ahead of the -0.55% produced by the portfolio's composite benchmark and 67bps ahead of its fund sector/peer group. GGOV (long duration US treasuries) again gave up some ground, finishing in the red again. With the exception of a minor negative return from Pimco (-0.07%), all other holdings in the portfolio advanced with Mutual High Yield making the largest contribution to performance returning +1.35%.

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.

Invest today from \$50,000
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