Seneca Absolute Return SMA

Monthly Update
As at 30 June 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	Global Systematic Macro
WINTON GLOBAL ALPHA	Global Systematic Macro

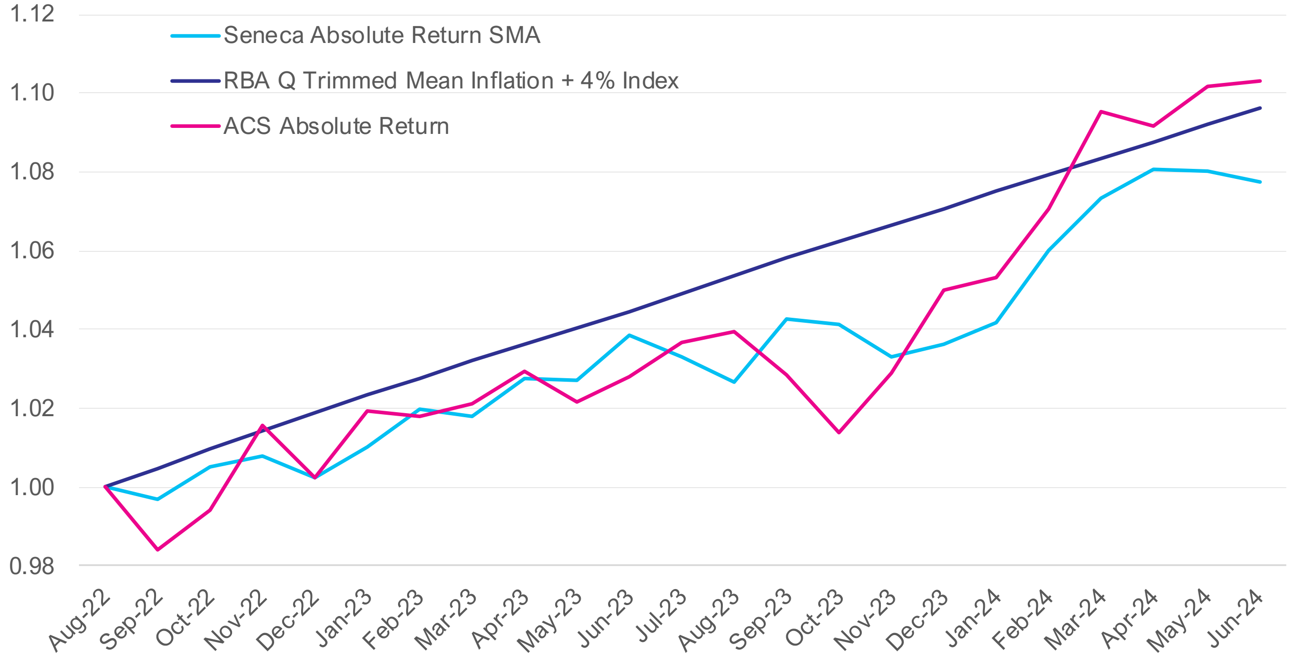
Portfolio Details

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	**-0.27%**	**0.41%**	**3.97%**	**3.75%**	**-**	**-**	**4.25%**
Benchmark	0.39%	1.18%	2.38%	4.94%	5.22%	5.24%	5.16%
Excess return	**-0.66%**	**-0.77%**	**1.59%**	**-1.19%**	**-**	**-**	**-0.91%**

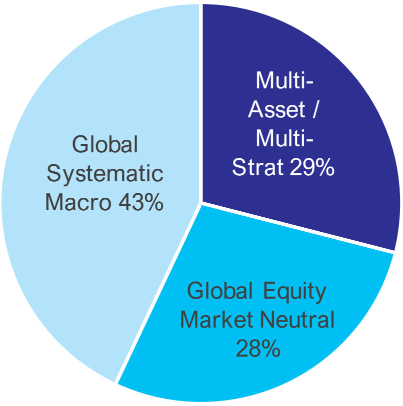
Cumulative Returns (since inception)



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

Please refer to important disclaimers on the final page

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

June saw a return of -0.27% from the absolute return portfolio while the ACS Absolute Return fund sector returned added 0.11%. Not an easy month across the hedge fund universe. Sage Capital (equity market neutral) was our best performer, returning +2.02%. GMO Global Systematic also did reasonably well, producing +0.70%. Our other managed futures managers (AHL/Winton) continued to give back some of the gains from their recent runs with a recovery in rates and reversals in metals cancelling out gains in other markets like long equities.

Market Commentary

The MSCI All World Index, the global benchmark for equities, added 3.10% during June as Indian equities ripped higher (up 6.83%) after prime minister Narendra Modi won the national election and entered his third term. Chinese equities (-4.17%) were weakest, with sluggish growth and consumers weighed down by the bear market in real estate.

In the US, markets pushed towards new highs with the S&P 500 up 4.30% during June. Artificial Intelligence beneficiaries such as Adobe (ADBE +24%), Autodesk (+24%) and ServiceNow (NOW, +23%) were the big winners. NVIDIA (NVDA, +12) also continued its momentum but it wasn't all positive for the AI/Semiconductor sector. Microchip Tech (MCHP, -5%), ON Semiconductor (ON, -5%) and Advanced Micro Devices (AMD, -3%) all underperformed. The US 10-year bond yield fell from 4.50% to 4.31%.

The S&P/ASX 200 index declined in June, but dividends from the REIT sector pushed it into positive territory, adding 1.01%. The banks continued to drive index returns, with 5.47% average returns across the big 4 during the month, CBA now trades on an all-time high valuation of over 22x earnings.

The 10-year Australian Government Bond yield fell from 4.4% at the start of June to 4.312% at the close. The Australian Dollar gained 0.55% on the US Dollar during the month, to close June at US$0.6748.

Outlook

While our positioning has changed, our overall views of the market remain. We feel confident that many of our portfolio holdings are undervalued and suspect that earnings season in August may shine some light on the quality, resilient earnings these businesses can generate for shareholders.

Our views on the 'popular' areas/geographies of the market (too expensive), inflation (flat to moderating), bond yields (trending lower) and where the opportunities are (resources, property, China, travel, gaming, traditional bonds), have not changed since last month.