Seneca Australian Equity SMA

Monthly Update
As at 30 June 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
PERENNIAL VALUE SHARES	Australian Large Cap
REALINDEX AUSTRALIAN SHARE	Australian Large Cap
SENECA AUSTRALIAN SHARES	Australian Large Cap

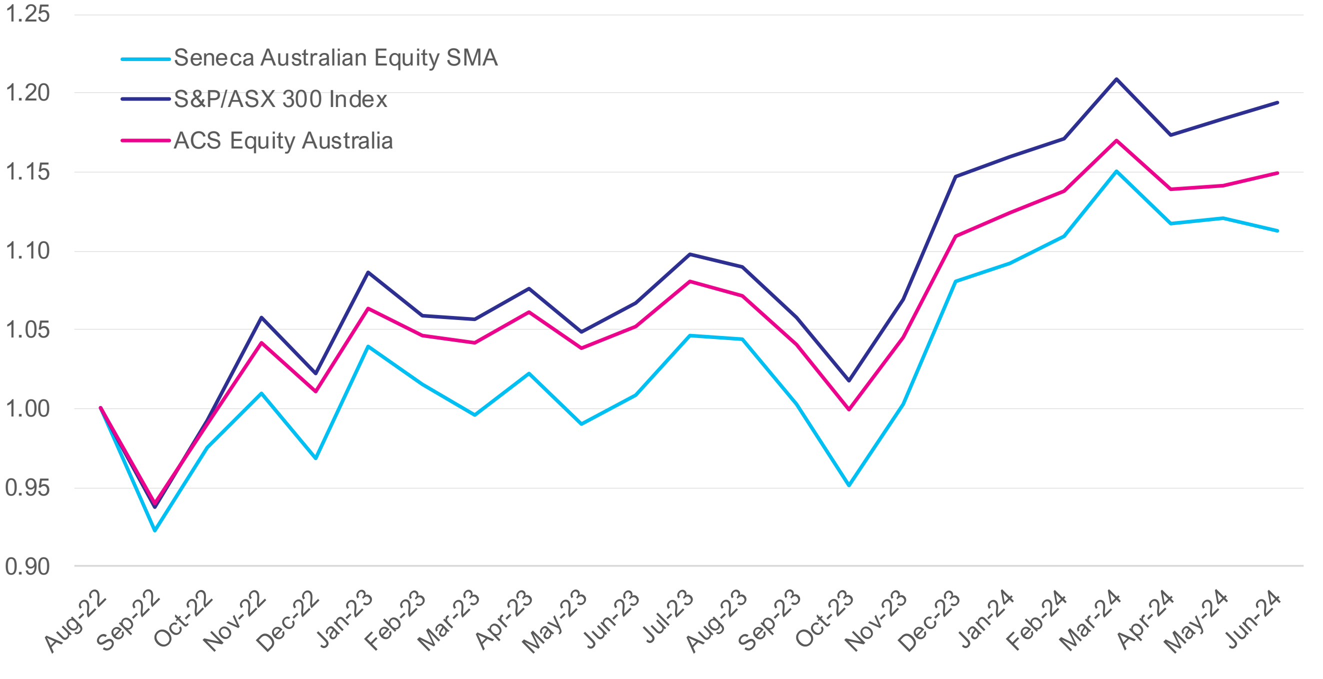
Portfolio Details

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)	3.50%
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	**-0.66%**	**-3.28%**	**3.04%**	**10.39%**	**-**	**-**	**4.67%**
Benchmark	0.92%	-1.20%	4.16%	11.92%	13.15%	6.08%	9.50%
Excess return	**-1.58%**	**-2.08%**	**-1.12%**	**-1.53%**	**-**	**-**	**-4.83%**

Cumulative Returns (since inception)



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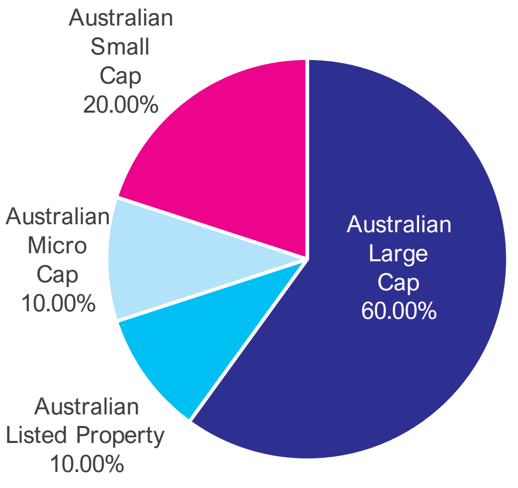
Sector Allocation



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 SMA model portfolio returned -0.66% in June. Performance fell short of both the ASX 300 Index and the ACS Equity Australia fund sector/peer group. Over the 12 months to 30 June, the model portfolio is 153bps behind benchmark but 112bps ahead of fund sector/peer group. Micro/small caps were again the main contributors to underperformance in June with Macquarie and Spheria returning -0.94% and -2.85% respectively. Seneca's own large cap SMA also had an unusually tough month, returning -1.80% largely on the back of reversals in resources exposures.

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.

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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.