

Seneca Australian Shares SMA



Seneca

Monthly Update

As at 30 June 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 LTD	BHP	Materials
CREDIT CORP GROUP	CCP	Financials
MACQUARIE GROUP	MQG	Financials
PILBARA MINERALS	PLS	Materials
WEBJET LTD	WEB	Cons Discretionary

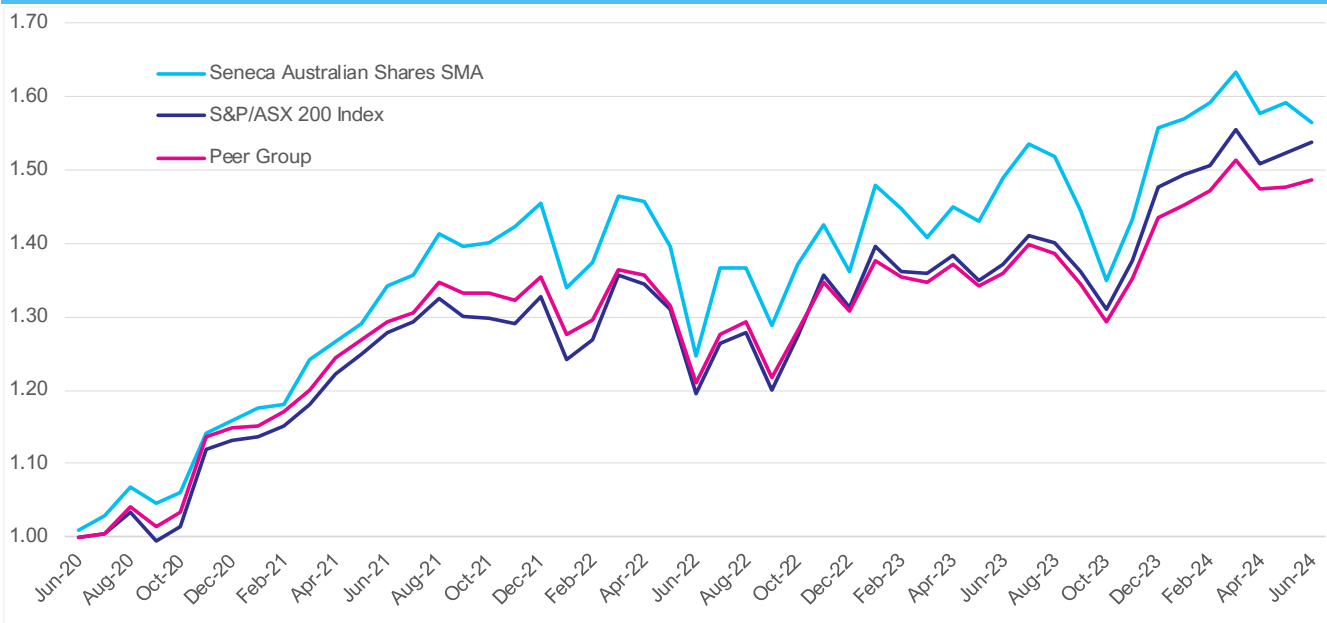
Portfolio Details

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)	3.23%
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	-1.80%	-4.26%	0.48%	5.05%	12.01%	5.26%	11.70%
S&P/ASX 200 Accumulation Index	1.01%	-1.05%	4.22%	12.10%	13.43%	6.37%	11.07%
Excess return	-2.81%	-3.21%	-3.74%	-7.05%	-1.42%	-1.11%	0.63%

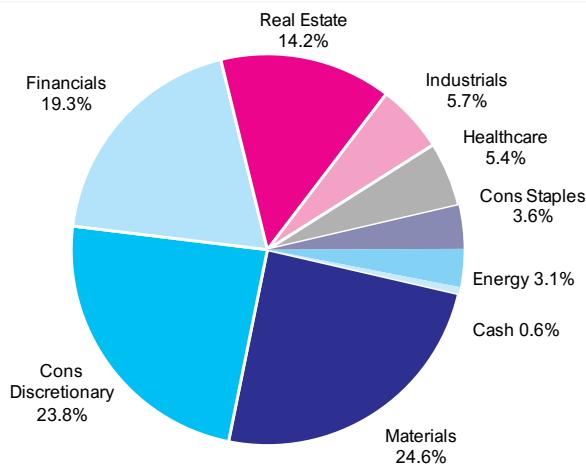
Cumulative Returns (since inception)



Peer Group = FE Fundinfo ACS Equity Australia managed fund sector

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Sector Allocation



Portfolio Commentary

The Seneca Australian Shares SMA declined -1.8% in June, underperforming the S&P/ASX 200 Accumulation Index which rose by 1.01%. Since inception, the portfolio has delivered +11.77% p.a, ahead of the benchmark's +11.08% p.a.

During the month we made a range of changes to the portfolio, increasing our weights in BHP Group (BHP), Macquarie Bank (MQG) and Woolworths (WOW), among others. These were funded by reducing exposure to the big 4 banks and realising gains from recent wins such as ResMed (RMD) and Goodman Group (GMG).

Aristocrat Leisure (ALL) was our best performing position, rallying 10.43% after ALL management provided the market with some guidance on the business's 5-year strategic goals, including a US\$1bn revenue target. Shares are trading at all-time highs of c. \$51.00.

A relatively recent addition to the portfolio is Stanmore Resources (SMR), which increased by 6.83% during the month of June. We covered our thesis for metallurgical and thermal coal, as well as our position in Stanmore, in a recent Livewire Markets article.

Detracting from performance this month was our lithium shares, Pilbara Minerals (PLS) and Arcadium Lithium (LTM). Despite volatile short-term pricing in the spodumene and lithium markets, we continue to see medium term fundamentals as exceptionally attractive and these low-cost, high-quality producers as best leveraged to the forecast excess demand. Rio Tinto (RIO) clearly agree with us, acquiring an option to buy

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

a 51% interest in the Legacy Lithium Project (James Bay, Canada) last week (5 July 2024), and will earn-in to the project with \$10m in exploration spend.

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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