

Seneca Australian Small Companies Fund

APIR Code : NPW8333AU
ISIN Code : AU60NPW83339

Description

A portfolio of 20-50 sufficiently liquid, small and mid-cap ASX-listed companies, with a preference for high quality, profitable and growth focused businesses.

The fund is long-only, will not utilise any derivatives or leverage and will be able to hold up to 50% cash at the discretion of the manager.

Trustee & Investment Manager

Trustee

Newport Private Wealth Pty Ltd
ACN 166 931 960 | AFSL 45182

Investment Manager

Seneca Financial Solutions Pty Ltd
ACN 610 665 711 | AFSL 492686

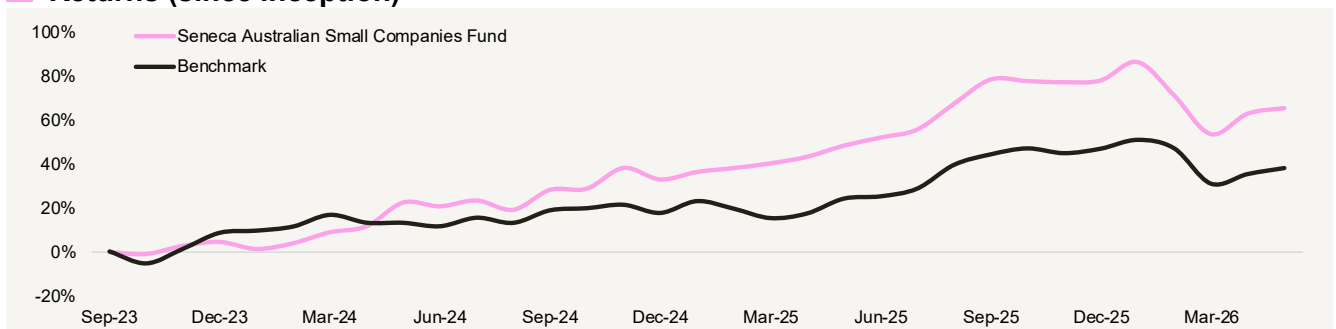
Portfolio Details

Portfolio Managers	Luke Laretive, Ben Richards
Inception Date	4 October 2023
Management Fee	0.00% p.a
Performance Fee	20%
Hurdle Rate	RBA Cash
High Watermark	Yes
Benchmark	S&P/ASX Small Ordinaries Index TR
Minimum Investment	\$100,000
Liquidity	Monthly
Time Horizon	At least 5 years
Authorised Investments	ASX-listed securities
Number of Companies	20 to 50
Cash Allocation	0 to 50%
Investor Eligibility	Wholesale Investors Only

Performance

	1m	3m	6m	1y	2y ann.	Incep. ann.	Incep. cum.
Australian Small Companies Fund	1.56%	-3.37%	-6.65%	11.52%	16.22%	20.83%	65.60%
Benchmark	2.03%	-6.13%	-4.70%	11.25%	10.50%	12.87%	38.08%
Excess return	-0.46%	2.76%	-1.95%	0.27%	5.71%	7.96%	27.52%

Returns (since inception)

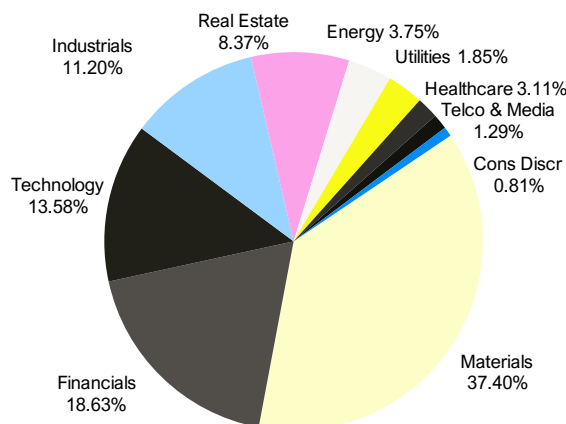


Please refer to important disclaimers on the final page

Top 5 Holdings (alphabetical)

ANTIPA MINERALS LIMITED	AZY	Materials
AUSTRALIAN FINANCE GROUP LTD	AFG	Financials
HMC CAPITAL LIMITED	HMC	Real Estate
REGAL PARTNERS LIMITED	RPL	Financials
XRF SCIENTIFIC LIMITED	XRF	Industrials

Sector Allocation (excl. cash)



Portfolio Commentary

The Seneca Australian Small Companies fund returned 1.56% in May after fees, underperforming the benchmark return which added 2.03%.

Since inception, the fund has returned 20.83% p.a. since inception, +7.96% p.a ahead of the benchmark after fees.

The S&P/ASX 200 rose 1.1%, however the headline result masked a significant divergence beneath the surface. Resources gained 7.8%, supported by stronger commodity prices, while Industrials fell 1.5%. Financials were particularly weak, with Commonwealth Bank (CBA) declining 5.0%, Westpac (WBC) down 4.5% and National Australia Bank (NAB) falling 4.3%.

Australia's more challenging economic backdrop continues to weigh on domestically focused sectors. Inflation remains above target and the Reserve Bank of Australia increased the cash rate by 25 basis points to 4.35% during May. Higher borrowing costs and ongoing cost-of-living pressures continue to constrain household spending and business activity, contributing to weaker earnings expectations across several sectors.

Copper rose 6.8%, silver gained 2.5% and iron ore increased 1.5%, reflecting ongoing demand linked to electrification, infrastructure spending and AI-related data centre construction. Gold was broadly unchanged, while oil fell 19.3% as concerns around major supply disruptions eased and geopolitical tensions moderated.

Contributors and Detractors

HMC Capital (HMC) rallied +23% during the month as investors gained confidence in one of its underlying REITs, DigiCo (DGT), after the data centre operator sold its US data centre asset, CHI1, at a 5% premium to book value to focus on its higher returning Australian data centre asset.

Recent copper IPO, Kaoko Metals (KAO) debuted strongly on the ASX following a heavily oversubscribed 20 cent offering. We look forward to seeing what the team can accomplish with an under-explored copper asset in Namibia.

Life360 (360) announced its quarterly result, reporting revenue growth of +38% and operating cash flow growth of +42%, allowing the company to raise full year guidance. Life360 announced a \$225m share repurchase program.

Venus Metals (VMC) entered a trading halt on the last day of the month before announcing a significant royalty transaction with Franco-Nevada. We have outlined our thesis and investment case previously ([linked here](#)).

Australian Finance Group (AFG) retreated following the Commonwealth Bank (CBA) result, which showed rising bad debts. AFG's track record for loan arrears and bad debts management remains unblemished since they first started lending in 2012. AFG announced a \$15 million on-market share buyback after month end.

Outlook

The market continues to seesaw on geopolitical headlines and shifting rhetoric around the Strait of Hormuz reopening – this has resulted in many investors neglecting underlying business fundamentals. We are encouraged by this and see a particularly attractive opportunity set across our investable universe.

Tax loss selling has been a prominent in the smaller end of the ASX during May and June, with many popular holdings from last year down substantially over the course of the last 12 months. The fund will use this period to add opportunistically to oversold companies, confident that rational pricing will emerge in the new financial year.

Seneca

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