

Seneca Australian Shares SMA

Description

An actively managed portfolio of 20-40 Australian shares from inside the S&P/ASX 300 Index.

The manager has a focus on high quality companies trading at fair valuations, using a bottom-up, fundamental approach. Our preference is for growth companies with strong balance sheets, sustainable competitive advantage and large, growing addressable markets.

Top 5 Holdings (alphabetical)

ANZ GROUP HOLDINGS LTD	ANZ	Financials
BHP GROUP LIMITED	BHP	Materials
HMC CAPITAL LIMITED	HMC	Financials
MACQUARIE GROUP LIMITED	MQG	Financials
ZIP CO LIMITED	ZIP	Financials

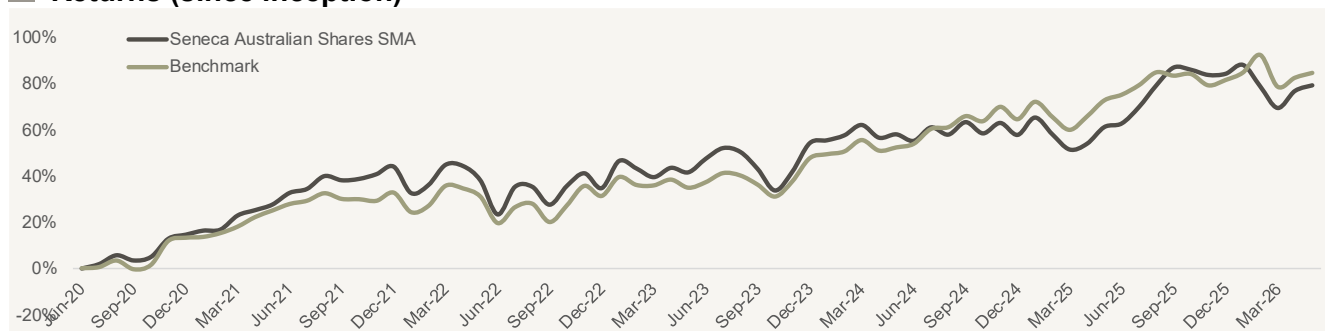
Portfolio Details

Portfolio Managers	Luke Laretive, Ben Richards
Inception Date	16 June 2020
Management Fee	0.45% p.a
Performance Fee	Nil
Benchmark	S&P/ASX 200 Index TR
Minimum Investment	\$25,000
Liquidity	Daily
Time Horizon	At least 5 years
Platform Availability	Praemium SMA Praemium Super
Authorised Investments	S&P/ASX 300 securities
Number of Companies	20 to 40
Cash Allocation	0 to 10%

Performance

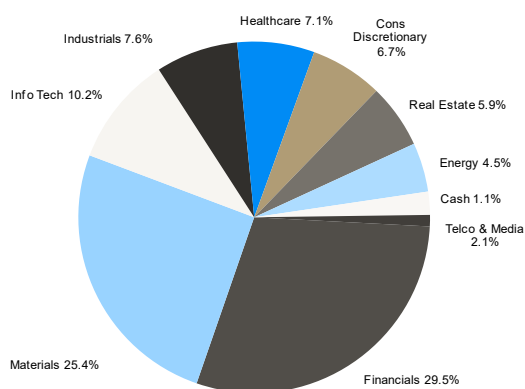
	1m	3m	6m	1y	2y ann.	3y ann.	Incep. ann.
Seneca Australian Shares SMA	1.37%	0.28%	-2.45%	11.20%	6.49%	8.17%	10.47%
Benchmark	1.15%	-4.03%	3.01%	6.89%	10.08%	11.02%	10.71%
Excess return	0.22%	4.31%	-5.46%	4.31%	-3.58%	-2.85%	-0.24%

Returns (since inception)



Please refer to important disclaimers on the final page

Sector Allocation



Benefits of a SMA

	SMA	Managed Fund	Direct Shares
Professional Management	✓	✓	✗
Dividends and franking paid directly	✓	✗	✓
Full transparency on holdings	✓	✗	✓
Individualised tax	✓	✗	✓
Gearing available	✓	✓	✓

Portfolio Commentary

The Seneca Australian Shares SMA delivered a positive return in May, rising 1.37% for the month and outperforming the S&P/ASX 200 Accumulation Index which returned 1.15%.

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.

BHP Group (BHP) continued to march higher, rallying +16% during the month on the back of rising commodity prices and flows away from banks into the resources sector.

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.

Novated lease provider Smartgroup (SIQ) rose +26% in May after the federal budget confirmed its ongoing support for the tax-advantaged treatment of electric vehicles under novated leases.

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.

While volatility persists, and June is likely to be affected by tax loss selling, we are confident our recent portfolio repositioning activity will continue to be effective. We continue to add opportunistically to oversold companies, confident that rational pricing will emerge in the new financial year.



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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.

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