Seneca

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

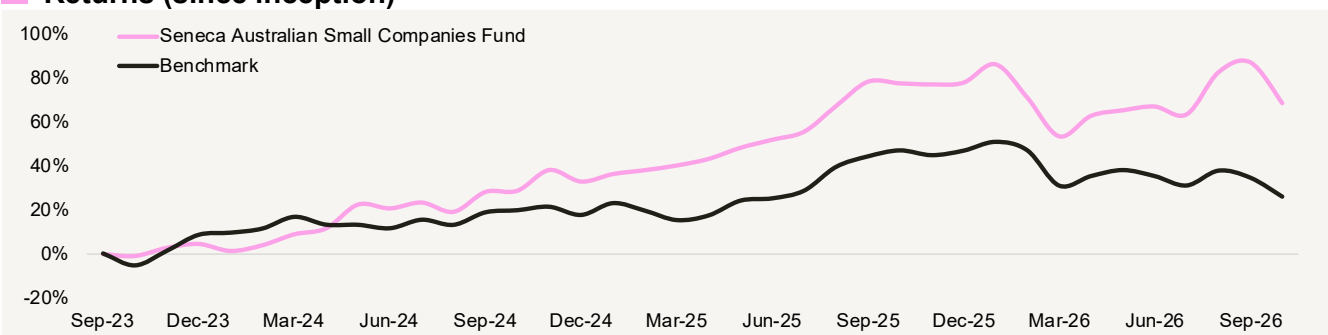
Portfolio Details

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.	3y ann.	Incep. ann.
Australian Small Companies Fund	-9.93%	3.13%	3.56%	-5.08%	14.46%	19.42%	18.51%
Benchmark	-6.43%	-3.89%	-6.94%	-14.36%	2.56%	10.03%	7.76%
Excess return	-3.50%	7.02%	10.50%	9.29%	11.90%	9.39%	10.75%

Returns (since inception)



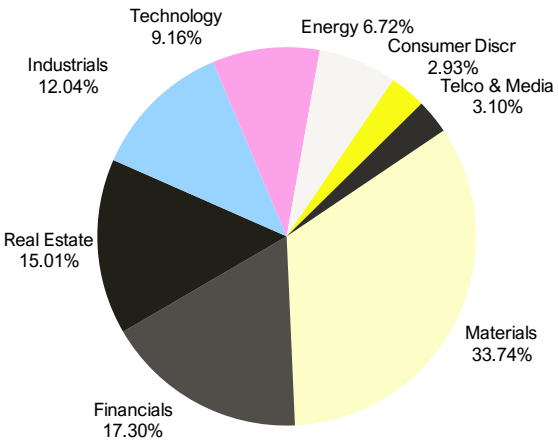
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Top 5 Holdings (alphabetical)

AUSTRALIAN FINANCE GROUP LTD	AFG
HMC CAPITAL LIMITED	HMC
KAOKO METALS LIMITED	KAO
REGAL PARTNERS LIMITED	RPL
XRF SCIENTIFIC LIMITED	XRF

Sector Allocation (excl. cash)



Portfolio Commentary

The Seneca Australian Small Companies Fund returned -9.93% in October, underperforming the S&P/ASX Small Ordinaries which declined -6.43%. Since inception, the fund has generated +18.51% p.a., outperforming the benchmark's +7.76% p.a.

It was a disappointing month, with losses concentrated in our resource holdings. Kaoko Metals (KAO) accounted for more than half of the portfolio's dollar loss, reversing some of its strong September contribution. Positive returns from technology and non-bank financials provided a partial offset.

Contributors and Detractors

Copper explorer Kaoko Metals (KAO) declined 61% following laboratory assays from its first two drill holes at the Chalkos project in Namibia. The first two holes into the secondary target, Otniel, included 37.1m@1.23% copper and 48m@1.02% copper - confirming encouraging widths and grade, however after reporting exceptional visuals, the market expectations were very high. Drilling continues at both Otniel and the primary target, Donkey Hill. With cash raised at c. double the current valuation, the company is poised to execute on a comprehensive exploration program. Our thesis is enhanced by these results to date and remains very much intact and on track.

XRF Scientific (XRF) was our largest positive contributor, appreciating 17% on the back of its September-quarter update. XRF reported revenue growth of 38% and profits up 30%, with management guiding to a strong December quarter.

Siteminder (SDR) gained 24% as management clarified organic growth rates at its AGM. The company also provided meaningful updates on margin expectations, supported by scale and operational efficiency.

Australian Finance Group (AFG) rose 13% as its quarterly mortgage index showed the AFG Securities loan book expanded 28% over the last 12 months, in the face of softer volumes.

Recent IPO Normandy Minerals (NMD) also contributed positively, ending the month 25% above the IPO subscription price. We briefly touched on our thesis in this article for Livewire Markets.

During October we exited 5 positions and initiated 6 new ones, however most of our buying activity was focused on upweighting existing, high conviction positions.

Outlook

November has got off to a strong start, the fund is tracking ahead of benchmark, and we have had a couple of exceptional wins in the first few days of the month.

Our views on the macroeconomic environment have not changed materially, however reading the tea leaves, it appears 'peak risk-aversion' is now behind us – bond yields are declining and typical 'risk-on' beneficiaries are outperforming more defensive names that have been in favour recently. The S&P/ASX Small Ordinaries has outperformed the S&P/ASX 20 Leaders by 3% since 23 October, after underperforming by ~20% over the last 12 months.

We continue to favour businesses with identifiable earnings growth, strong balance sheets and exposure to supportive industry fundamentals. With valuation dispersion elevated and corporate activity accelerating, we see a fertile backdrop for active management and stock selection.

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