Seneca

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)

BHP GROUP LIMITED	BHP	Materials
CATAPULT SPORTS LTD	CAT	Info Tech
HMC CAPITAL LIMITED	HMC	Financials
INGENIA COMMUNITIES GROUP	INA	Real Estate
MACQUARIE GROUP LIMITED	MQG	Financials

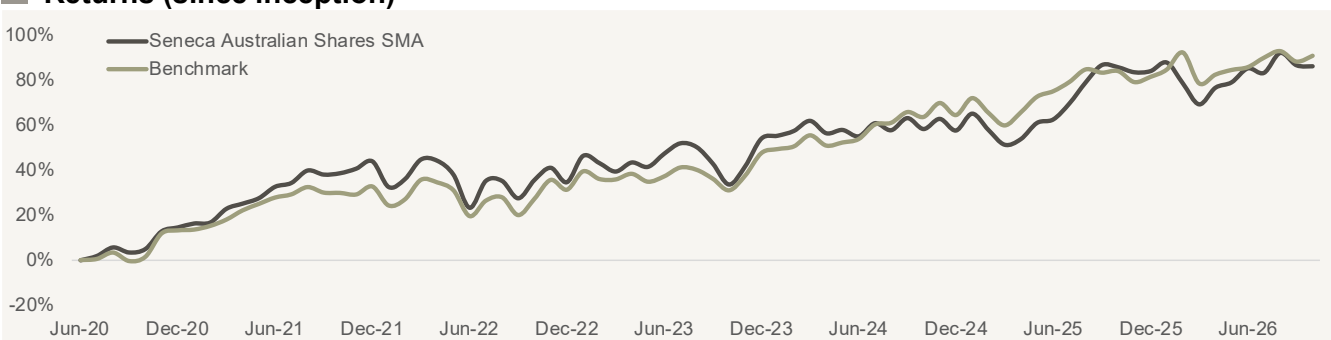
Portfolio Details

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	-0.25%	1.60%	5.42%	0.23%	8.46%	11.69%	10.43%
Benchmark	1.38%	0.45%	4.60%	3.69%	7.99%	13.35%	10.56%
Excess return	-1.62%	1.14%	0.81%	-3.46%	0.47%	-1.66%	-0.13%

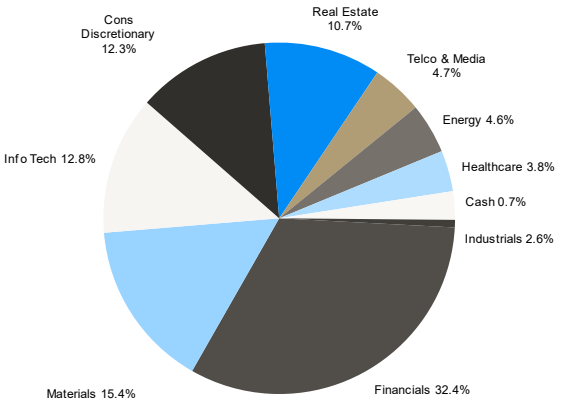
Returns (since inception)



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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 returned −0.25% in October, underperforming the S&P/ASX 200 Accumulation Index, which gained 1.38%. Over the past two years, the SMA has returned 8.46% p.a., compared with the benchmark's 7.99% p.a.

Positive contributions from technology, financials and corporate activity were offset by weakness across our resource holdings. Large banks and healthcare companies supported the index.

Contributors and Detractors

Siteminder (SDR) was our largest positive contributor, returning 24% as management clarified organic growth expectations at its AGM. The company expects annual recurring revenue growth in the mid-20s in FY27, alongside meaningful margin expansion supported by scale, operating efficiencies and increased adoption of its hotel commerce products.

Ingenia Communities (INA) continued its strong performance, with our holding returning 9% as competing takeover proposals emerged. AVID entered the contest at $5.35 per security, prompting Warburg Pincus to increase its proposal to $5.45, plus a permitted distribution of up to five cents. Both proposals remained conditional and non-binding at month-end. The competitive process continues to highlight the strategic value of Ingenia's assets.

Australian Finance Group (AFG) returned 13%. Its quarterly mortgage index showed the AFG Securities loan book had expanded 28% over the previous year, despite softer lodgement volumes. Lending activity improved through the quarter, with September the strongest month since the May Federal Budget.

Our new position in IDP Education (IEL) contributed positively, returning 7% over our holding period. At its AGM, management reaffirmed FY27 adjusted EBIT guidance of $95–115m and outlined further cost reductions as its transformation program progresses through a challenging international education market.

Nickel Industries (NIC) was our largest detractor, declining 23%. Its quarterly report showed record mining earnings, but weaker processing margins and water shortages affecting production and the ramp-up of Excelsior Nickel Cobalt. The company's growth projects continue to advance, with the timing of production, sales and cash generation remaining central to our investment case.

DigiCo Infrastructure REIT (DGT) returned −15%, despite announcing a significant commercial milestone: a 15-year, 71MW contract that takes its SYD1 facility to fully contracted capacity. The agreement materially extends the Australian portfolio's lease duration and supports future earnings as the expansion is delivered. We increased our holding during October.

Ramelius Resources (RMS) declined 13%. Wet weather disrupted high-grade ore haulage during the September quarter, weighing on production and costs. However, management maintained full-year guidance, with production expected to increase and unit costs decline as the year progresses.

During October, we exited three positions and initiated three new ones. Most buying activity was directed towards existing holdings.

Outlook

Our macroeconomic views have not changed materially, although declining bond yields and improving market breadth are encouraging. We remain constructive on most sectors, with scope for positive earnings surprises and attractive valuations across many of our holdings.

Private equity and cashed-up corporates clearly share this view, with M&A activity picking up and acting as an important catalyst for our portfolio holdings. The competing proposals for Ingenia demonstrate the willingness of long-term buyers to commit capital where they see attractive assets and growth opportunities. We believe similar valuation gaps remain elsewhere in the Australian market.

Our purchases during October reflect this view. We continue to favour businesses with identifiable earnings growth, strong balance sheets and exposure to supportive industry fundamentals, alongside selective resource investments with clear production and development catalysts. With valuation dispersion elevated, we see a fertile backdrop for active management and stock selection.

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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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