

Fiducian Australian Smaller Company Shares Fund



Monthly Report - June 2023

Fund description

The Fiducian Australian Smaller Company Shares Fund invests in a diversified group of specialist Australian smaller company share managers. The Fund utilises the Fiducian “Manage the Manager” process, selecting best of breed managers with different styles with the aim of achieving superior returns with reduced risk.

Smaller companies typically offer better growth opportunities and perform differently at different stages of the business cycle compared to larger companies.

Smaller company shares tend to be more volatile over the short term, and the recommended holding period is at least 9 years.

Fund facts

Portfolio manager: Conrad Burge

ARSN: 093 542 020

APIR code: FPS0008AU

Benchmark: ASX Small Ordinaries Acc Index

Current fund size: \$256 million (June 2023)

Management cost: 1.19%

Total management costs: 1.83%

Application/Exit fee: Nil

Inception Date: March 1997

Manager	Style			Size	
	Value	Core	Growth	Small	Micro
Ausbil		●			●
Pendal	●			●	
Novoport	●			●	●
Phoenix		●			●
Perpetual	●			●	

Performance and Risk

After fee returns as at 30 June 2023

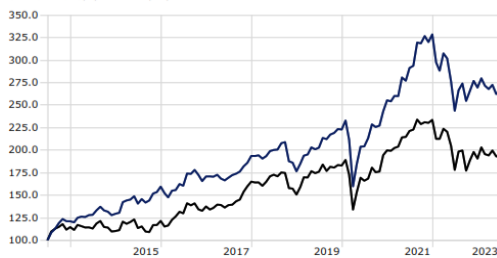
	1 Mth	3 Mth	6 Mth	1 Yr	3 Yrs	5 Yrs	7yrs	10 Yrs
Fund	1.2%	-0.9%	-1.5%	8.9%	9.1%	5.8%	7.4%	10.2%
Index	0.0%	-0.5%	1.3%	8.4%	5.2%	2.3%	5.8%	6.8%
Excess	1.2%	-0.3%	-2.8%	0.4%	3.9%	3.5%	1.6%	3.4%

Risk Exposure

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Fund Volatility (Std Dev %)	15.6%	17.6%	21.1%	16.7%
Benchmark (Std Dev %)	21.0%	18.3%	20.9%	17.2%
Beta	0.81	0.94	0.98	0.96
Tracking Error (% pa)	6.9%	6.5%	5.7%	5.7%

Investment Growth

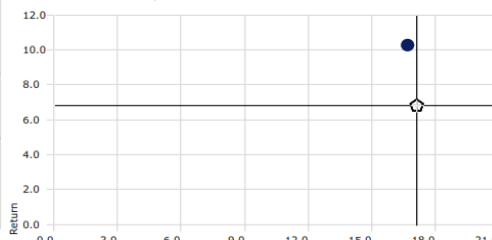
Time Period: 7/1/2013 to 6/30/2023



Risk-Reward

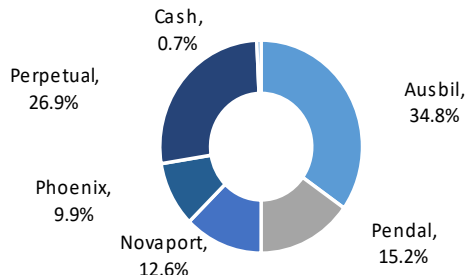
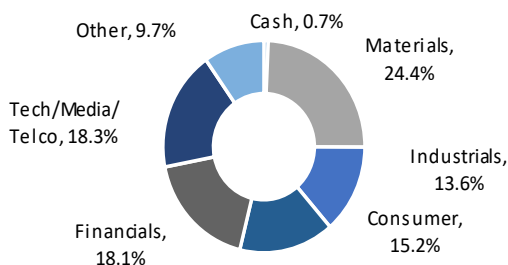
Time Period: 7/1/2013 to 6/30/2023

Calculation Benchmark: S&P/ASX Small Ordinaries TR AUD



— Fiducian Australian Smaller Co Shares — S&P/ASX Small Ordinaries TR AUD ● Fiducian Australian Smaller Co Shares ● S&P/ASX Small Ordinaries TR AUD

Sector exposures and current manager weights



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Market Commentary and Outlook

Global economic growth slowed during the first half of 2023, as monetary tightening policies enacted by central banks to reduce high rates of inflation began to take effect. Manufacturing output has been contracting in most advanced economies, while retail sales have been weak, as have consumer and business confidence levels. On the other hand, employment data has been too strong.

The Reserve Bank of Australia increased interest rates by a further 0.25% in June, bringing the 'cash rate' to 4.1% and the cumulative increase this year to 1.0%, in line with actions taken by the US Federal Reserve. In Australia, the rate of inflation has moderated from a peak of 8.4% in December 2022 to the most recent measure of 5.6% in May.

Global equity markets had a strong month in June. The broad US market (S&P 500 index) gained 6.5% amid optimism that interest rates may be approaching a peak. Economic data, whilst indicating a slowing economy, has also been slightly better than forecast. The Australian market (ASX 200 index) rose 1.8% for the month. Year to date, developed market equities have performed well, with a 15.9% gain for the US market, a 4.5% rise for the Australian market and strong gains across most of Europe as well as Japan. Property stocks rose by 3.9% for the first half of the year, and bonds have been relatively flat.

Looking ahead, elevated geopolitical risks, alongside higher interest rates and slower economic growth this year, represent potential headwinds for markets. The International Monetary Fund (IMF) recently made a small downgrade to its economic forecasts, with global growth now expected to be 2.8% in 2023. The IMF expects growth rates to remain slightly below long-term trend levels for some time. However, in broad terms, share markets continue to appear more attractive than most other investment opportunities.

Fund Commentary

The Fiducian Australian Smaller Company Shares Fund rose by 1.2% in June, which was above the 0.0% return of the benchmark. All managers in the Fund were above the benchmark in June, with Pental (+3.9%) the best performer. Over the last 12 months Pental was the top manager (+15.9%) followed by Perpetual (+14.9%). For the 12 months to the end of June the Fund has returned 8.9%, compared to the index return of 8.4%.

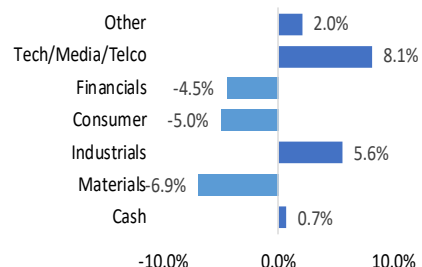
The Small Ordinaries index was flat in June, trailing the large cap ASX 200 index performance of 1.8%. During the month, the Small Industrials component of the index gained 0.5%, and the Small Resources sector declined by 1.2%.

For the Financial Year ending 30 June 2023, small industrials rose 9.5%, ahead of the 6.0% gain by small resources. Over this period, small caps (+8.4%) trailed large cap stocks (+14.8%).

At an aggregate level, the largest sectoral tilts in the Fund are overweight positions in the Information Technology and Telco sector and the Industrials sector. The main underweight positions are in Financials (predominantly Property Trusts), the Consumer sector and the Materials sector.

Top stock holdings and sector tilts

Stock	Industry	Weight
Macquarie Technology Group Ltd	Integrated Telco	2.2%
Imdex Limited	Diversified Metals & Mining	2.1%
Eqt Holdings Limited	Asset Management	1.9%
Mma Offshore Limited	Oil & Gas Equipment	1.8%
Domain Holdings Australia	Interactive Media	1.8%
Psc Insurance Group Ltd	Insurance Brokers	1.8%
Data No 3 Limited	IT Consulting	1.8%
Johns Lyng Group Ltd	Construction & Engineering	1.7%
Genesis Minerals Ltd	Gold	1.7%
Aub Group Limited	Insurance Brokers	1.7%



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