

Fiducian Australian Smaller Company Shares Fund



Monthly Report - July 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: \$263 million (July 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 31 July 2023

	1 Mth	3 Mth	6 Mth	1 Yr	3 Yrs	5 Yrs	7yrs	10 Yrs
Fund	2.9%	0.3%	-2.3%	2.5%	8.6%	6.3%	6.6%	9.6%
Index	3.5%	0.2%	-1.5%	0.8%	5.9%	3.2%	5.1%	6.2%
Excess	-0.6%	0.1%	-0.8%	1.7%	2.7%	3.2%	1.5%	3.4%

Risk Exposure

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Fund Volatility (Std Dev %)	12.9%	17.5%	21.1%	16.5%
Benchmark (Std Dev %)	17.9%	18.4%	20.9%	16.9%
Beta	0.81	0.93	0.98	0.96
Tracking Error (% pa)	6.6%	6.4%	5.7%	

Investment Growth

Time Period: 8/1/2013 to 7/31/2023



Risk-Reward

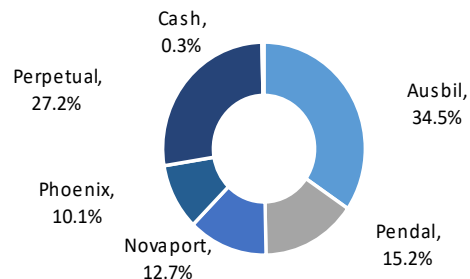
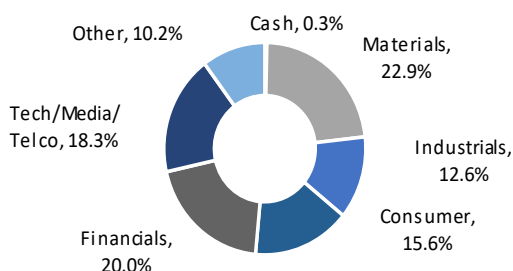
Time Period: 8/1/2013 to 7/31/2023

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

Economic data was largely positive in July, as inflation measures in both the US and Australia showed larger than expected declines, although current inflation rates remain above central bank targets. Additionally, US economic growth over the June quarter was better than market expectations, raising hopes of a so-called 'soft landing' for the US economy.

However, the global economy continues to face challenges. Manufacturing activity is still contracting in most advanced economies, consumer confidence remains low and employment data has been too strong (adding upwards pressure on inflation).

Overall, this backdrop was positive for markets. The broad US market (S&P 500 index) gained 3.1% and the Australian market (ASX 200 index) rose 2.9% for the month. The listed property sector gained 3.8%, and bonds also recorded a small positive return. Most commodity prices increased during the month, with the oil price rising by 16%.

Looking ahead, geopolitical risks, alongside elevated interest rates and slower economic growth this year, represent potential headwinds for markets. The International Monetary Fund (IMF) recently made a minor upgrade to its economic forecasts, with global growth now expected to be 3.0% in both 2023 and 2024. 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 2.9% in July, which was below the 3.5% return of the benchmark. Phoenix (+4.8%) was the best performer for the month followed by Perpetual (+4.1%). Over the last 12 months, Pandal was the top manager (+9.7%) followed by Perpetual (+9.3%). For the 12 months to the end of July, the Fund has returned 2.5%, compared to the index return of 0.8%.

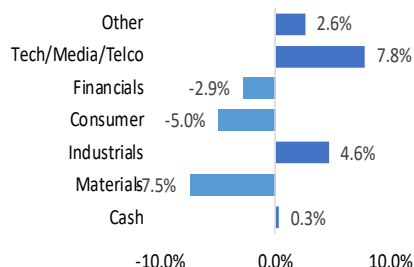
The Small Ordinaries index gained 3.5% in July, which was above the large cap ASX 200 index performance of 2.8%. The small industrials component of the index was 4.8% higher, and small resources trailed, rising by 0.1%.

Continued evidence of a moderation in the rate of inflation was positive for market sentiment, as was the decision by the Reserve Bank of Australia to hold its cash rate steady in July, following increases in May and June.

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
Domain Holdings	Interactive Media	2.1%
Imdex Limited	Diversified Metals & Mining	2.1%
Macquarie Technology Group Ltd	Integrated Telco	2.1%
MMA Offshore Limited	Oil & Gas Services	2.0%
EQT Holdings Limited	Asset Management	1.9%
Genesis Minerals Ltd	Gold	1.9%
Data No 3 Limited	IT Consulting	1.8%
PSC Insurance Group Ltd	Insurance Brokers	1.7%
Gold Road Resources Limited	Gold	1.6%
Hansen Technology Ltd	Application Software	1.6%



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The information has been compiled from sources considered reliable, but is not guaranteed. Past performance is not indicative of future performance and we do not guarantee the performance of the Fund or any specific rate of return. Potential investors should also obtain and consider the relevant Target Market Determination (TMD) and Product Disclosure Statement (PDS) (available from your financial adviser and via fiducian.com.au) before making a decision about whether to acquire or continue to hold any financial product.