Fiducian Geared Australian Shares Fund

Monthly Report - June 2023

Fund description

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

In this Fund, the underlying managers can borrow against the investor’s assets in the fund to purchase additional shares and provide a leveraged exposure. This can amplify returns in rising markets, and magnify losses when markets decline.

Share investment can be volatile over the short term, especially when geared, and the recommended holding period is at least 9 years.

Fund facts

Portfolio manager: Conrad Burge
ARSN: 105 996 192
APIR code: FPS0011AU
Benchmark: ASX 200 Accumulation Index
Current fund size: $14 million (June 2023)
Management cost: 1.12%
Total management costs: 1.45%
Application/Exit fee: Nil
Inception Date: September 2003

	Style			Size		
Manager	Value	Core	Growth	Large	Broad	Small
First Sentier			●	●		
Ausbil		●		●		
Fiducian		●		●		

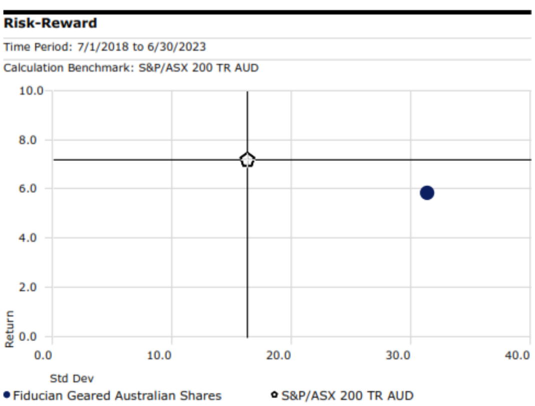
Performance and Risk

After fee returns as at 30 June 2023

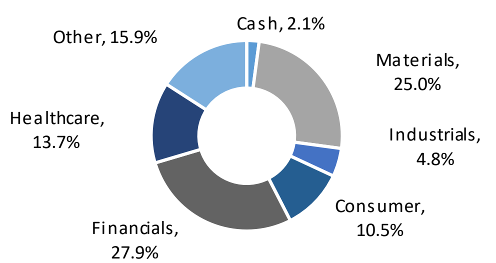
	1 Mth	3 Mth	6 Mth	1 Yr	3 Yrs	5 Yrs	7yrs	10 Yrs
Fund	**3.0%**	**1.8%**	**7.8%**	**23.3%**	**17.8%**	**5.8%**	**9.9%**	**9.8%**
Index	1.8%	1.0%	4.5%	14.8%	11.1%	7.2%	8.9%	8.6%
Excess	1.3%	0.8%	3.2%	8.5%	6.6%	-1.3%	0.9%	1.3%

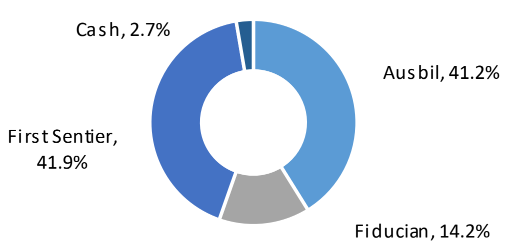
Risk Exposure

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Fund Volatility (Std Dev %)	25.9%	25.3%	31.4%	25.2%
Benchmark (Std Dev %)	14.8%	13.7%	16.4%	13.9%
Beta	1.38	1.47	1.56	1.47
Tracking Error (% pa)	11.7%	12.6%	16.0%	12.3%



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 week, 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 Geared Australian Shares Fund rose by 3.0% in June, which was above the index return of 1.8%. Over the last 12 months, the fund has returned 23.3% compared to the index return of 14.8%. Over this period, both Ausbil and First Sentier have outperformed the index.

The Australian share market (ASX200 index) rose by 1.8% during the month amid broad gains for global stock markets. The materials sector (+4.8%) was the best performer during the month, as a number of commodity prices increased, including copper and iron ore. Information technology (+3.5%) and financials (+3.2%) also performed strongly. Healthcare (-6.6%) and Telcos (-1.0%) declined over the month.

For the Financial Year ending 30 June 2023, the ASX 200 gained 14.8% inclusive of dividends. All sectors gained over the 12-month period, with Information Technology (+38.1%) the best performer, followed by Materials (+22.6%) and Utilities (+20.3%).

At an aggregate level, the largest sectoral tilts in the Fund are an underweight to financials, primarily lower returning and less volatile property trusts, with this funding overweight positions in the materials and healthcare sectors. As at the end of June, the average gearing level in the Fund was 43.0%.

Top stock holdings and sector tilts

First Sentier Top Holdings	Weight
BHP Group	12.3%
CSL	9.5%
Commonwealth Bank	8.9%
National Australia Bank	5.2%
Woolworths	4.0%
QBE Insurance	3.9%
Goodman Group	3.8%
Santos	3.8%
Westpac Bank	3.5%
Aristocrat Leisure	3.4%

Ausbil Top Holdings	Weight
BHP	10.7%
CSL	8.8%
Commonwealth Bank	7.5%
National Australia Bank	5.1%
Macquarie Group	4.2%
Santos	3.5%
QBE Insurance	3.1%
Goodman Group	3.1%
Telstra	3.1%
Aristocrat Leisure	3.0%