

# Fiducian Australian Smaller Company Shares Fund



Monthly Report - March 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 5 to 7 years.

## Fund facts

**Portfolio manager:** Conrad Burge

**ARSN:** 093 542 020

**APIR code:** FPS0008AU

**Benchmark:** ASX Small Ordinaries Acc Index

**Current fund size:** \$260 million (March 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 March 2023

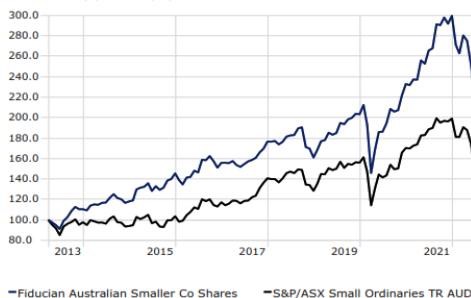
	1 Mth	3 Mth	6 Mth	1 Yr	3 Yrs	5 Yrs	7yrs	10 Yrs
Fund	-1.4%	-0.6%	5.2%	-12.9%	18.7%	7.0%	8.1%	9.3%
Index	-0.7%	1.9%	9.6%	-13.2%	13.1%	3.9%	6.8%	5.2%
Excess	-0.7%	-2.5%	-4.4%	0.3%	5.5%	3.1%	1.3%	4.1%

### Risk Exposure

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Fund Volatility (Std Dev %)	22.6%	24.9%	21.1%	16.7%
Benchmark (Std Dev %)	26.4%	24.7%	20.9%	17.4%
Beta	0.87	0.98	0.98	0.95
Tracking Error (% pa)	7.1%	6.7%	5.7%	5.8%

### Investment Growth

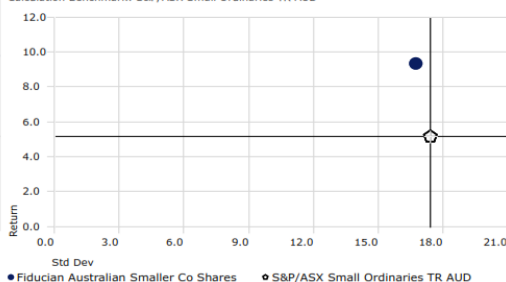
Time Period: 4/1/2013 to 3/31/2023



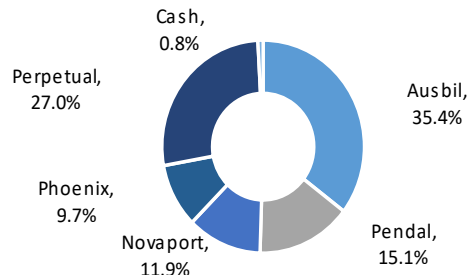
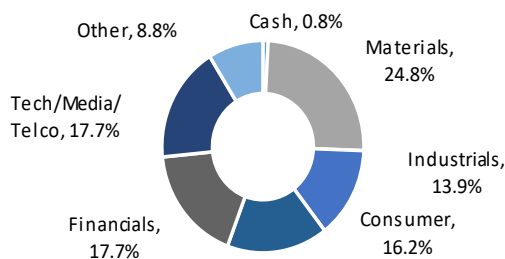
### Risk-Reward

Time Period: 4/1/2013 to 3/31/2023

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



## Sector exposures and current manager weights



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## Market Commentary and Outlook

The trend of slowing global growth has continued in recent months due to a tightening of monetary policy by key central banks in response to an acceleration last year in the rate of inflation. In some regions, inflation now appears to be moderating. However, the persistent strength in employment conditions and to a lesser extent retail sales has created uncertainty regarding the amount of monetary tightening that will be necessary to bring inflation back towards target ranges.

Global financial markets experienced a turbulent month in March. The failure of some regional US banks, as well as the Swiss Government mandated takeover of Credit Suisse by larger rival UBS initially sent markets lower. However, over the rest of the month, due to a lack of further bank failures, most markets enjoyed a broad recovery. The US market (S&P 500 index) gained 3.5% for the month, while the Australian market (ASX 200 index) was down by 0.2%. A shift towards assets that are perceived as being safer resulted in gains for bonds, gold, and large cap equities.

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. In broad terms, share markets continue to appear more attractive than most other investment opportunities.

## Fund Commentary

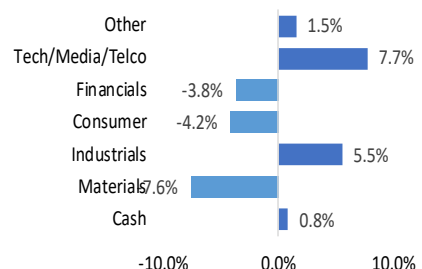
The Fiducian Australian Smaller Company Shares Fund decline by 1.4% in March, which was below the -0.7% return of the benchmark. Novaport (+0.6%) was the top performer for the month with Pental (-0.2%) also outperforming on a relative basis. Over the last 12 months Novaport was the top manager on a relative basis (-7.5%) followed by Phoenix (-7.6%). For the 12 months to the end of March the Fund has declined by 12.9%, compared to the index return of -13.2%.

The Small Ordinaries index declined by 0.7% for the month, and the ASX Emerging Companies index was 0.3% lower. Small industrials finished the month 3.0% lower. However, elevated commodity prices resulted in a 5.6% gain for the small resources component of the index.

At an aggregate level, the largest sectoral tilts in the Fund are an underweight to financials and an overweight to the industrials sectors, with the overweight position in the technology sector being increased again in recent months. There is also an underweight position in lower growth property stocks and more volatile small cap miners. Cash levels are currently higher than usual, reflective of the elevated levels of volatility currently being observed in this segment of the market.

## Top stock holdings and sector tilts

Stock	Industry	Weight
Imdex Limited	Diversified Metals & Mining	2.6%
Data No 3 Limited	IT Consulting	2.1%
EQT Holdings Limited	Asset Management & Custody	1.9%
Gold Road Resources	Gold	1.8%
Psc Insurance Group	Insurance Brokers	1.8%
Johns Lyng Group Ltd	Construction & Engineering	1.7%
Kelsian Group Ltd	Trucking	1.6%
DGL Group Ltd	Specialty Chemicals	1.5%
Mma Offshore Limited	Oil & Gas Services	1.5%
AUB Group Limited	Insurance Brokers	1.5%



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