

Fiducian Australian Smaller Company Shares Fund



Monthly Report - September 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: \$260 million (September 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	●			●	
Novaport	●			●	●
Phoenix		●			●
Perpetual	●			●	

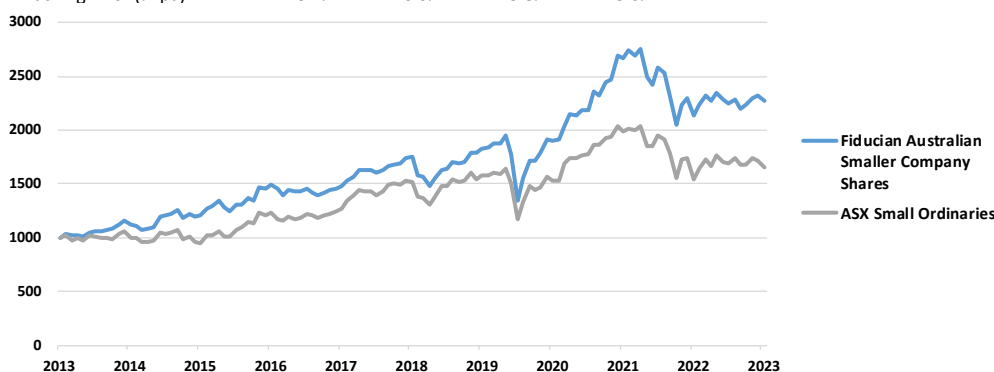
Performance and Risk

After fee returns as at 30 September 2023

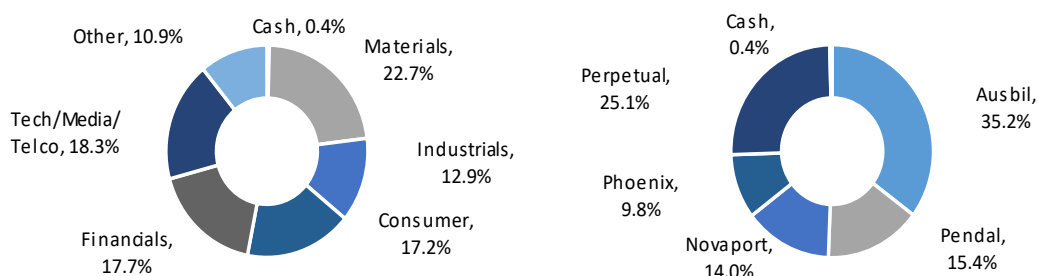
	1 Mth	3 Mth	6 Mth	1 Yr	3 Yrs	5 Yrs	7yrs	10 Yrs
Fund	-2.3%	1.8%	0.9%	6.1%	6.1%	5.3%	6.1%	8.5%
Index	-4.0%	-1.9%	-2.5%	6.8%	2.6%	1.6%	4.3%	5.1%
Excess	1.7%	3.8%	3.4%	-0.7%	3.6%	3.6%	1.8%	3.4%

Risk Exposure

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Fund Volatility (Std Dev %)	9.6%	16.9%	20.9%	16.4%
Benchmark (Std Dev %)	13.5%	17.8%	20.8%	16.9%
Beta	0.61	0.86	0.95	0.91
Tracking Error (% pa)	5.7%	6.6%	5.8%	5.6%



Sector exposures and current manager weights



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Market Commentary and Outlook

The global economy remains sluggish due to severe measures taken by monetary authorities to reduce inflation. While inflation is slowing, manufacturing and service industry activity levels and retail sales point to a general slowdown in activity. However, employment levels remain high and need to come down further and this, along with an uptick in inflation during September could see interest rates rise further and stay higher for longer.

This realisation that inflation has not yet been tamed saw bond yields jump up during the month, with both US and Australian 10-year government bond yields increasing by approximately 0.5%. This had negative flow-on effects on most asset classes. The broad US market (S&P 500 index) declined by 4.9%, and the Australian stock market (ASX 200 index) declined by 2.8%. Interest rate sensitive sectors had the largest falls. Commodity prices, including oil, coal and iron ore rose during the month.

Looking ahead, geopolitical risks, alongside elevated interest rates and slower economic growth this year, represent potential headwinds for markets. The International Monetary Fund (IMF) is forecasting global growth to be 3.0% in 2023 and 2.9% 2024, which is below the long-term trend rate of growth. 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 declined by 2.3% in September, which was above the -4.0% return of the benchmark. All managers finished ahead of the benchmark, with Phoenix (-1.2%) the best performer. Over the last 12 months, Pandal was the top manager (+16.2%) followed by Novaport (+10.3%). For the 12 months to the end of September, the Fund has returned 6.1%, compared to the index return of 6.8%.

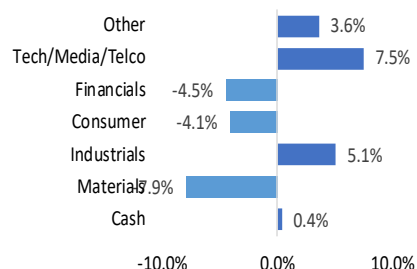
The Small Ordinaries declined by 4.0% during the month, which was below the performance of the broader market (ASX 200 index) which fell by 2.8%. The small industrials component of the index was 5.0% lower, and small resources declined by only 1.2%, assisted by some higher commodity prices.

Interest rate sensitive sectors, particularly property, and stocks in high growth sectors, such as technology, declined the most during the month.

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
Mma Offshore Limited	Oil & Gas Services	2.2%
Eqt Holdings Limited	Asset Management	2.1%
Macquarie Technology Group	Integrated Telco	2.0%
Domain Holdings	Interactive Media	2.0%
Psc Insurance Group	Insurance Brokers	1.9%
Gold Road Resources	Gold	1.9%
Johns Lyng Group	Construction & Engineering	1.6%
Pacific Current Group	Asset Management	1.6%
Genesis Minerals	Gold	1.5%
Hansen Technology	Application Software	1.5%



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