Fiducian India Fund

Indian Equities Large, Mid and Small-Caps

FIDUCIAN
INTEGRITY • TRUST • EXPERTISE

Monthly Report – August 2017

Fund Objective

The Fiducian India Fund aims to provide investors with the opportunity to invest in a well-diversified range of companies listed on Indian stock exchanges. It is managed by carefully selected Indian fund managers who are based in India and have satisfied Fiducian's selection criteria. This Fund gives investors the opportunity to invest in an economy that has been one of the fastest growing in the world in recent years.

The objective of the fund is to outperform its benchmark, the Bombay Stock Exchange 100 Index (BSE 100), after fees, over rolling five-year periods.

Fund Classification	Core/Diversified	Sector	Specialist/Satellite

Fund Performance Summary

Current Period Return (net of fees as at 31 August 2017 in $A terms)

	1 Mth	3 Mth	6 Mth	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs
Fund	-0.7%	-2.0%	12.5%	11.3%	10.9%	18.7%	31.2%	25.3%
Index (BSE100)	-0.2%	-2.1%	12.3%	12.6%	8.2%	11.6%	20.5%	16.1%
Excess	-0.6%	0.1%	0.2%	-1.2%	2.8%	7.2%	10.7%	9.2%

Calendar Year return (net of fees in $A terms)

	2009	2010	2011	2012	2013	2014	2015	2016
Fund	47.2%	2.0%	-33.7%	30.8%	15.4%	74.8%	6.1%	5.0%
Index (BSE 100)	50.1%	6.4%	-38.2%	21.9%	7.6%	41.2%	1.0%	2.0%
Excess	-2.9%	-4.4%	+4.5%	+8.9%	+8.3%	+33.5%	+5.0%	+3.0%

Manager Commentary

The Fiducian India Fund under-performed the benchmark, falling 0.7% in August compared with a return of -0.2% by the benchmark. Over the rolling year, the Fund under-performed the benchmark by 1.2%, rising 11.3%. Sundaram was the best performer with a return of 15.5%, closely followed by HDFC which gained 13.3% over this period. State Bank of India (SBI) under-performed the index (+3.8% against +12.6% rise by the index) over the same period. During August, Tata Asset Management was added as a manager for the Fund.

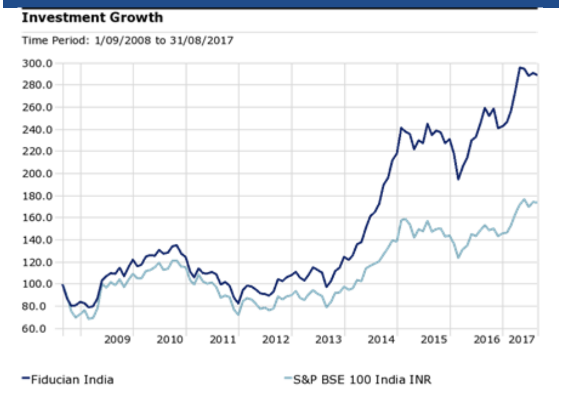
During August, the mid-cap sector (+1.0%) out-performed both the small-cap sector (-0.6%) and the broader market, the S&P BSE Sensex (-2.4%). Over the rolling year, the small-cap sector (+26.4%) was still ahead of both the mid-cap sector (+17.6%) and the broader market (+11.5%). The Tata portfolio performed the best in August with a return of 0.8% closely followed by Sundaram (+0.7%).

During August, a number of stock changes were also made, particularly for the SBI and HDFC portfolios. The HDFC portfolio established a new position in Dr Reddy Laboratories while exiting shares of Hero Motocorp Ltd and HT Media Ltd. Positions in Hindustan Construction Co. Ltd, HSIL Ltd, TV18 Broadcast Ltd, HSIL Ltd and Tata Motors Ltd-A-Dvr were increased. New positions in Pidilite Industries Ltd and AU Small Finance Bank Ltd were established for the SBI portfolio while a position in Supreme Industries Ltd was exited during the month. The Fund's largest exposure continued to be Sundaram at around 45%, which on relative terms has contributed to strongest performance over the longer term. The mid-cap and small-cap sectors appeared to be where more attractive opportunities could be found.

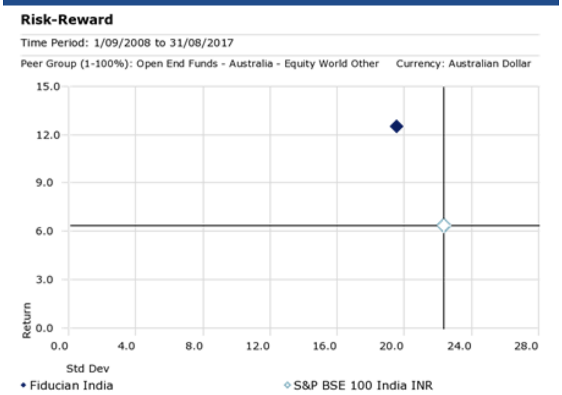
Fund Facts

Portfolio Manager:	Conrad Burge
Asset Sector:	International Equity (Indian Equities)
Asset Code:	IE23
ARSN:	125 089 456
APIR Code:	FPS0013AU
Benchmark:	BSE 100 Index (in $A terms)
Inception Date:	September 2007
Fund Size:	$72.4 million as at 31 August 2017
Application/Exit Fee:	Nil
Management Fee:	1.54%

Investment Growth



Risk-Reward Chart



Managers Diversification

Manager	Style	Sector	No. of Stocks	Weights
SBI	Growth	Large Cap	39	15.6%
Sundaram	GARP	Mid & Small	24	45.3%
HDFC	GARP	Multi Cap	31	23.3%
TATA	Growth	Multi Cap	40	15.3%
Cash				0.5%

Market Outlook

The benchmark BSE 100 index fell 1.1% in August (in Rupee terms), closing at 10,315. In August, the MSCI India index underperformed other emerging markets, slipping in performance ranking to 20th position from 5th position in July within the MSCI Emerging Markets Index. The Indian Rupee appreciated by 1.0% against the Australian Dollar in August, resulting in a benchmark loss of around 0.2% in AUD terms.

Foreign institutional investors turned net sellers to the tune of US$1.8 billion, while domestic mutual funds were net buyers for the 13th consecutive month at a solid US$2.7 billion.

The rate of inflation, as measured by the Wholesale Price Index (WPI), appeared to have picked up after easing for four consecutive months, rising 1.9% in July from 0.9% (year-on-year) reached in June. The surprising increase was mainly due to a sharp spike in food prices. Industrial production growth decelerated further by 0.1% (year-on-year) in June from 2.0% in May (latest available data). The manufacturing industry group was the worst, falling 0.4%.

The MSCI India index fell 1.4% in USD terms, significantly under-performing the MSCI Emerging Markets Index (+2.0% in USD terms). Global macro factors including geopolitical concerns, weak economic data and downward earnings revisions locally drove the markets lower. The Reserve Bank of India (RBI) cut interest rates by 0.25% to 6.0%, in line with expectations. The first financial year quarter's GDP was lower than expected, mainly driven by lower than expected private consumption, as well as government expenditure. The Materials, Utilities and Energy sectors outperformed the overall market while the Healthcare, Consumer Discretionary and IT sectors were underperformers.

The Indian economy is now positioned well for sustained long-term growth. The GST just being introduced, which was structured to boost tax and logistic efficiency, could lower inflationary pressures and rebalance the real estate market. This could in turn boost financial savings and could reduce the cost of investment, digitalisation, as well as stabilising land prices and labour costs and augurs well for long-term economic growth and corporate profitability.

Following a recent market rally, the broad market valuation (the overall price-to-earnings ratio) moved up from 16.1x to 18.1x for one year forward earnings, which is still around a 17% premium to the most recent 10-year average. This could potentially limit near-term upside. Mid and small-cap stocks have significantly outperformed large-caps over the last 3 years, with the MSCI India Small-cap Index trading at 20.9x one year forward earnings (a 94% premium to the 10-year average). Any volatility in Indian equities induced by global events at a time when the Indian economy is improving on nearly all indicators could be a good buying opportunity for discerning investors.

SNIPPETS

1. India's foreign reserves rose past US$400 billion for the first time ever, boosting policy makers' buffers ahead of an expected reduction in U.S. monetary stimulus.

2. India could drive the third great wave of Asia's growth, following Japan and China, with a potential workforce set to climb from 885 million to around 1.1 billion people over the next 20 years.

Portfolio Top Holdings

Stocks	Weight
ICICI BANK LTD	3.7%
GRUH FINANCE LTD	3.4%
YES BANK LTD	3.1%
STATE BANK OF INDIA	3.1%
V-GUARD INDUSTRIES LTD	3.1%
SUNDRAM FASTENERS LIMITED	2.7%
HOUSING DEVELOPMENT FINANCE	2.6%
INFOSYS LTD	2.4%
LARSEN & TOUBRO LTD	2.4%
INDRAPRASTHA GAS LTD	2.4%
FEDERAL BANK LTD	2.2%
BALKRISHNA INDUSTRIES LTD	2.1%
AXIS BANK LTD	2.1%
HERITAGE FOODS LIMITED	2.1%
INSECTICIDES INDIA LTD	1.9%
TITAN CO LTD	1.8%
MAX FINANCIAL SERVICES LTD	1.8%
NATCO PHARMA LTD	1.8%
EICHER MOTORS LTD	1.7%
HDFC BANK LTD	1.7%
TATA CHEMICALS LIMITED	1.6%
MAHINDRA HOLIDAYS AND RESORTS	1.6%
VST TILLERS TRACTORS LIMITED	1.6%
DR LAL PATHLABS LTD	1.5%
BERGER PAINTS INDIA LTD	1.5%
Total	55.9%

Sector Diversification

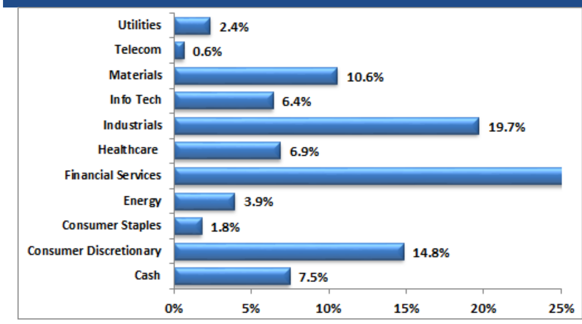


Chart of the Month

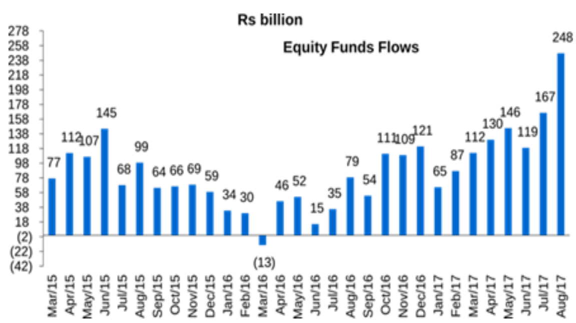


Chart: Trends in India's equity mutual funds inflows (source: AMFI, Morgan Stanley)