Fiducian India Fund
Indian Equities Large, Mid and Small-Caps

FIDUCIAN
INTEGRITY • TRUST • EXPERTISE

Monthly Report – September 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 30 September 2017 in $A terms)

	1 Mth	3 Mth	6 Mth	1 Yr	2 Yrs	3 Yrs	4 Yrs	5 Yrs
Fund	**-1.2%**	**0.0%**	**4.7%**	**14.3%**	**9.8%**	**14.9%**	**29.5%**	**22.5%**
Index (BSE100)	-2.1%	0.3%	3.4%	13.8%	5.9%	9.2%	18.4%	12.8%
Excess	0.9%	-0.4%	1.3%	0.5%	4.0%	5.8%	11.1%	9.7%

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 out-performed the benchmark in a weak market, falling 1.2% in September compared with a return of -2.1% by the benchmark. Over the September quarter, the Fund marginally under-performed the benchmark by 0.4%, with a flat return. Sundaram was the best performer with a return of 1.3%, followed by Tata which gained 0.3% over the September quarter. HDFC (-5.5% against +0.3% rise by the index) and State Bank of India (SBI) (-1.7%) under-performed the index over the same period. During September, exposure to Tata Asset Management was increased.

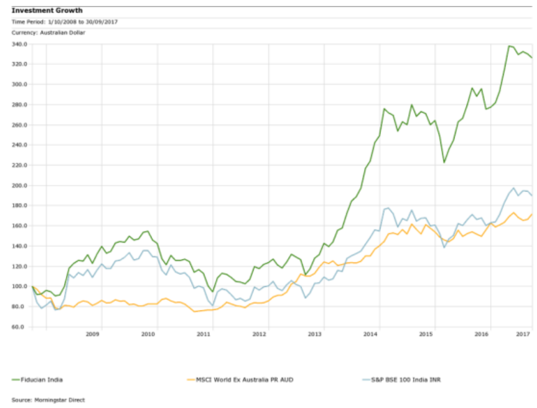
During September, the small-cap sector (+0.8%) out-performed both the mid-cap sector (-0.7%) and the broader market, the S&P BSE Sensex (-1.4%). Over the rolling year, the small-cap sector (+26.1%) was still ahead of both the mid-cap sector (+17.2%) and the broader market (+14.8%). The Sundaram portfolio performed the best in September with a return of 0.3% followed by Tata (-0.6%).

During September, a number of stock changes were made, particularly for the SBI portfolio. New positions in ICICI Lombard, Bharti Airtel, CESC, Equitas, Jubilant Foodworks, Voltas, VA Tech Wabag, Bajaj Finance and Ultratech Cement were established for the SBI portfolio while positions in KEC International, Axis Bank, Sanofi India, PI Industries and Bayer Cropscience were exited during the month. In addition, positions in Hindustan Unilever, SBI, ITC, IGL and Tata Motors were reduced. The HDFC portfolio established a new position in Mayur Uniquoters Ltd while exiting shares of Ambuja Cements Ltd. The Fund's largest exposure continued to be Sundaram at around 45%, which in relative terms has been the best performer over the longer term. The mid-cap and small-cap sectors still appeared to be where more attractive opportunities could be found.

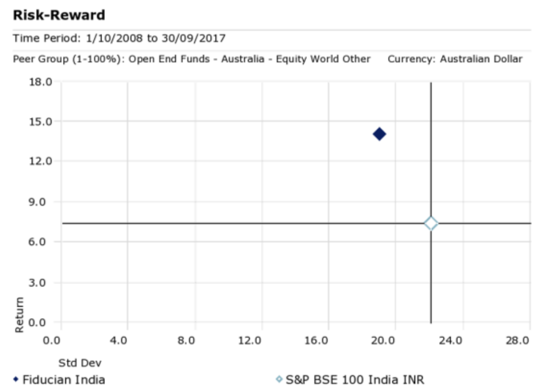
Fund Facts

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 30 September 2017
Application/Exit Fee: Nil
Management Fee: 1.74%

Investment Growth



Risk-Reward Chart



Managers Diversification

Manager	Style	Sector	No. of Stocks	Weights
SBI	Growth	Large Cap	42	15.2%
Sundaram	GARP	Mid & Small	24	45.5%
HDFC	GARP	Multi Cap	30	22.6%
TATA	Growth	Multi Cap	40	15.2%
Cash				1.5%

Market Outlook

The benchmark BSE 100 index fell 1.4% in September (in Rupee terms), closing at 10,173. In September, the MSCI India index underperformed most other emerging markets, although its performance ranking rose 2 positions to 18th position within the MSCI Emerging Markets Index. The Indian Rupee depreciated by 0.7% against the Australian Dollar in September, resulting in a benchmark loss of around 2.1% in AUD terms.

Foreign institutional investors remained net sellers to the tune of US$1.8 billion, while domestic mutual funds were net buyers for the 14th consecutive month at a solid US$2.4 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 3.2% in August from 1.9% (year-on-year) reached in July. The surprising increase was mainly due to a sharp spike in food and fuel prices. Industrial production growth increased marginally to 1.2% (year-on-year) in July from -0.2% in June (latest available data). The slight rise in industrial production was mainly driven by solid growth in the mining industry group, which grew 6.5%.

The MSCI India index fell 3.7% in USD terms, significantly under-performing the MSCI Emerging Markets Index (-0.5% in USD terms). Global macro factors including geopolitical concerns, weak economic data and higher than expected inflationary pressures as well as downward earnings revisions locally drove the markets lower. The Healthcare, Utilities and Consumer Discretionary sectors outperformed the overall market while the Telecom, Consumer Stable and Energy sectors were underperformers.

The Indian economy is expected to be relatively weak over the second quarter of the year due to challenges with the implementation of the GST. The economic outlook, however, appeared to be fairly promising with restocking rebound expected post GST as well as from waning of demonetisation and GST led earnings headwinds.

Following a recent market correction, the broad market valuation (the overall price-to-earnings ratio) moved down from 18.1x to 17.6x for one year forward earnings, which is still around a 14% premium to the most recent 10-year average. This could still 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 the solar power tariff fell to a record low of INR 2.44 (USD0.037) per unit earlier this year. With improving technology and reducing tariffs, the Ministry of New and Renewable Energy (MNRE) is not only confident of achieving a target of 175 GW by 2022 but also looking at exceeding it.

2. Do you know that 70% of all the world's spices come from India?

3. While Beijing's pollution problem is more infamous, the world's most polluted city is New Delhi, India.

4. India is expected to be the world's most populous country by 2050. With a forecast 1.6 billion people, it would almost equal the combined population of the U.S. and China.

Portfolio Top Holdings

Stocks	Weight
ICICI BANK LTD	3.7%
GRUH FINANCE LTD	3.2%
YES BANK LTD	3.1%
STATE BANK OF INDIA	3.0%
V-GUARD INDUSTRIES LTD	3.0%
SUNDRAM FASTENERS LIMITED	2.9%
HOUSING DEVELOPMENT FINANCE	2.6%
INDRAPRASTHA GAS LTD	2.6%
INFOSYS LTD	2.5%
LARSEN & TOUBRO LTD	2.5%
FEDERAL BANK LTD	2.3%
BALKRISHNA INDUSTRIES LTD	2.3%
INSECTICIDES INDIA LTD	2.0%
NATCO PHARMA LTD	2.0%
HERITAGE FOODS LIMITED	1.9%
HDFC BANK LTD	1.8%
TATA CHEMICALS LIMITED	1.8%
MAX FINANCIAL SERVICES LTD	1.8%
EICHER MOTORS LTD	1.7%
TITAN CO LTD	1.7%
THERMAX LTD	1.6%
MAHINDRA HOLIDAYS AND RESORTS	1.5%
DR LAL PATHLABS LTD	1.5%
BERGER PAINTS INDIA LTD	1.5%
VST TILLERS TRACTORS LIMITED	1.5%
Total	**56.1%**

Sector Diversification

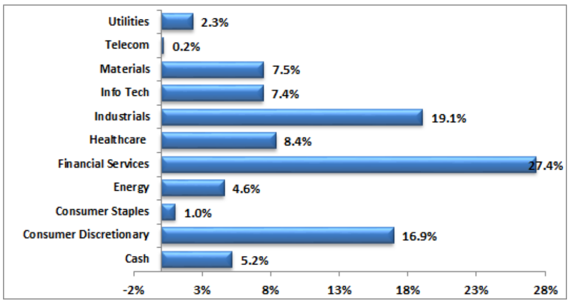


Chart of the Month

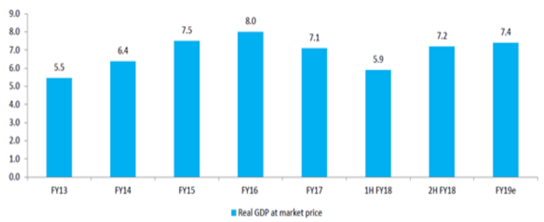


Chart: Trends in India's GDP over the next few years (source: State Bank of India)