

Fiducian Australian Smaller Company Shares Fund



Monthly Report - May 2024

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: \$298 million (May 2024)

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	●			●	

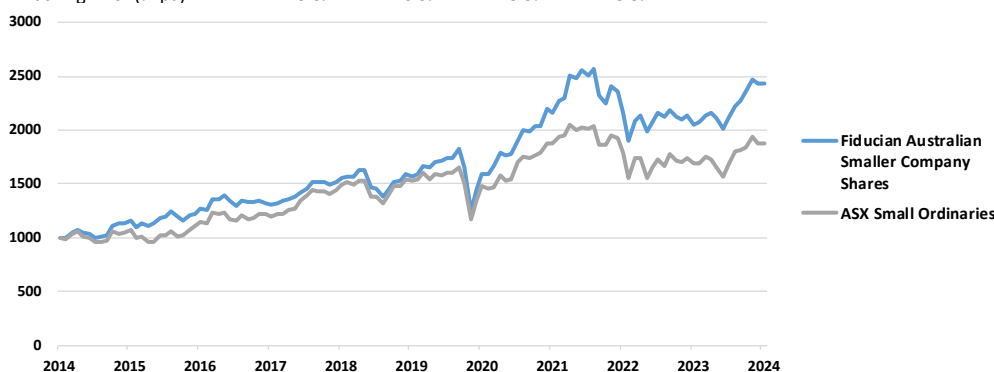
Performance and Risk

After fee returns as at 31 May 2024

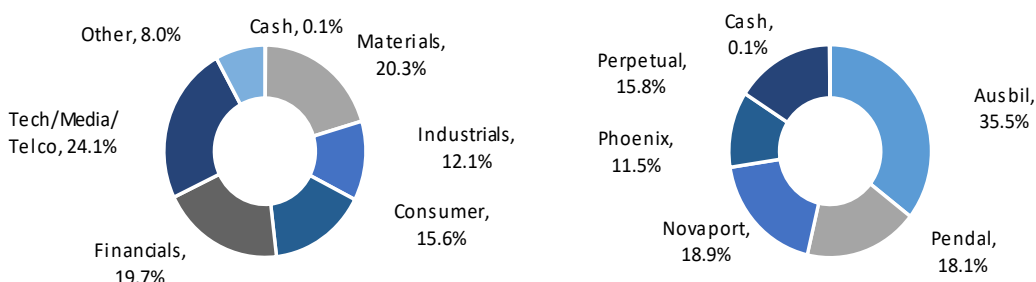
	1 Mth	3 Mth	6 Mth	1 Yr	3 Yrs	5 Yrs	7yrs	10 Yrs
Fund	-0.1%	3.3%	15.0%	18.7%	3.9%	9.1%	9.3%	9.3%
Index	0.0%	1.5%	11.7%	10.9%	-0.1%	4.2%	6.7%	6.5%
Excess	-0.1%	1.8%	3.2%	7.8%	4.0%	4.9%	2.7%	2.8%

Risk Exposure

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Fund Volatility (Std Dev %)	10.5%	16.7%	20.5%	16.6%
Benchmark (Std Dev %)	13.7%	18.1%	20.6%	17.1%
Beta	0.67	0.84	0.94	0.91
Tracking Error (% pa)	5.0%	6.3%	5.9%	5.5%



Sector exposures and current manager weights



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Market Commentary and Outlook

The global economy has continued to expand at a moderate pace, although growth in some of the advanced economies, particularly in Japan, remains weak. Inflation data from other global economies continue to point to a moderation in pricing pressures, although at a slightly slower rate than had been expected. This has left the outlook for future interest rate movements finely balanced.

Overall, expectations of possible interest rate reductions towards the end of this year were positive for global equity markets. In the US, the broad market (S&P 500 index) gained 4.8%, and the Australian market (ASX 200 index) rose by 0.9%. Commodities had a positive month, with gains in copper, gold, iron ore and coal prices.

Looking ahead, monetary policy could begin to become less restrictive towards the end of this year if inflation rates continue to decline, which could help to sustain markets. However, geopolitical risks represent potential headwinds. Despite this, the IMF is now forecasting global growth to be 3.2% in 2024, which is close to its long-term trend rate. 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 0.1% in May, which was in line with the benchmark return of 0.0%. Ausbil (+0.6%) was the top performer for the month. Over the last 12 months, Ausbil was the top manager (+31.5%) followed by Pendal (+20.7%). For the 12 months to the end of May, the Fund has returned 18.7%, compared to the index return of 10.9%.

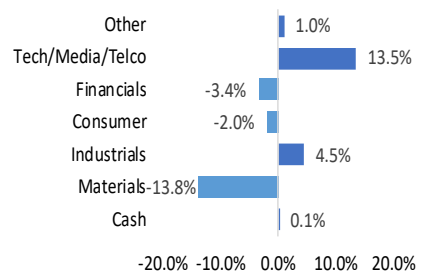
The Small Ordinaries index was flat in May, which was below the performance of the broader market (ASX 200 index) of 0.9%. The Federal Budget was released during the month, with a minor surplus recorded as high levels of employment and strong commodity prices boosted tax receipts. New spending measures were announced to provide additional 'cost of living support' to consumers, which combined with higher than expected inflation data released during the month, is expected to delay the timing of any interest rate cuts by the Reserve Bank.

The Small Industrials index (-0.9%) was weaker during the month, whilst Small Resources (+1.9%) gained on the back of higher commodity prices. Microcap stocks also had a positive month, rising by 0.6%.

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 biggest underweight position is in the Materials sector.

Top stock holdings and sector tilts

Stock	Industry	Weight
EQT Holdings	Diversified Financial Services	2.5%
Aussie Broadband	Telecommunications	2.2%
Codan	Telecommunications	2.2%
Light & Wonder	Entertainment	2.2%
Sandfire Resources	Mining	2.0%
Life360	Software	2.0%
Pinnacle Investment	Diversified Financial Services	1.9%
Tuas	Leisure Time	1.8%
Macquarie Technology Group	Telecommunications	1.6%
Premier Investments	Retail	1.6%



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