

# Fiducian Australian Smaller Company Shares Fund



Monthly Report - February 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:** \$289 million (February 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	●			●	

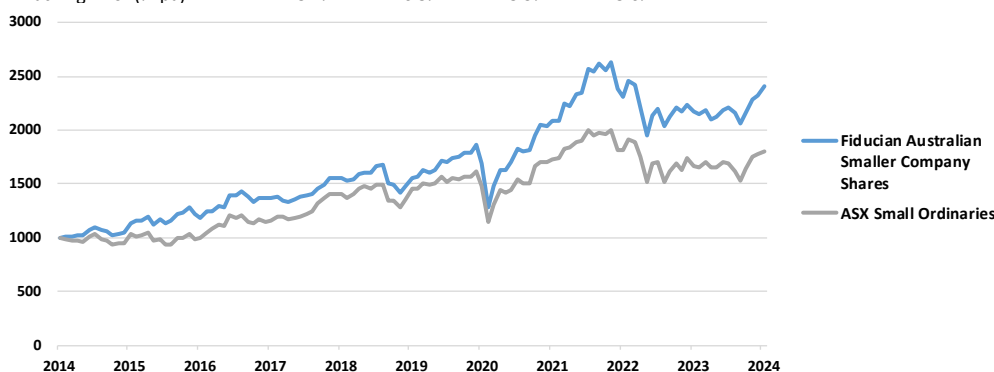
## Performance and Risk

After fee returns as at 29 February 2024

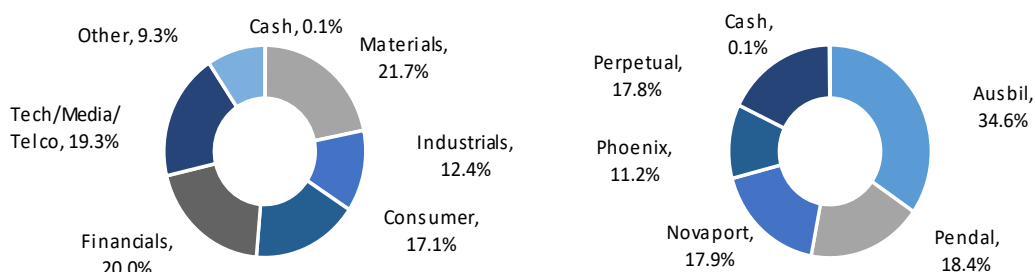
	1 Mth	3 Mth	6 Mth	1 Yr	3 Yrs	5 Yrs	7yrs	10 Yrs
Fund	3.9%	11.3%	8.9%	10.9%	5.0%	9.2%	8.4%	9.2%
Index	1.7%	10.1%	6.9%	7.8%	1.4%	4.4%	6.5%	6.1%
Excess	2.2%	1.3%	2.0%	3.1%	3.6%	4.8%	2.0%	3.1%

### Risk Exposure

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Fund Volatility (Std Dev %)	11.0%	17.1%	20.4%	16.5%
Benchmark (Std Dev %)	13.4%	18.0%	20.5%	17.1%
Beta	0.70	0.86	0.94	0.91
Tracking Error (% pa)	5.2%	6.5%	5.9%	5.6%



## Sector exposures and current manager weights



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## Market Commentary and Outlook

Measures of global economic growth have generally been better than expected in recent months. There have been some signs of improvement in manufacturing activity, and consumer spending has remained robust. The downside to this is that inflation has also been slightly higher, and interest rates are likely to stay 'higher for longer' than previously anticipated.

Global equity market performance was strong in February. In the US, the broad market (S&P 500 index) gained 5.2%, bolstered by a number of positive earnings announcements, and the Australian stock market (ASX 200 index) gained 0.8%. Emerging markets rebounded, led by gains in China (+8.1%) following the announcement of government measures to support the stock market. Fixed income returns were negative as longer term bond yields increased.

Looking ahead, monetary policy could become less restrictive this year, which may be positive for markets. However, geopolitical risks, alongside slower economic growth in the coming year represent potential headwinds. The International Monetary Fund (IMF) recently updated its economic outlook, and is now forecasting global growth to be 3.1% in 2024. This is above previous estimates, but still below the long-term trend rate of growth. In broad terms, share markets continue to appear more attractive than most other investment opportunities.

## Fund Commentary

The Fiducian Australian Smaller Company Shares Fund rose by 3.9% in February, which was above the 1.7% return of the benchmark. Ausbil (+9.2%) was the top performer for the month followed by Pental (+3.0%). Over the last 12 months, Pental was the top manager (+18.7%) followed by Ausbil (+17.9%). For the 12 months to the end of February, the Fund has returned 10.9%, compared to the index return of 7.8%.

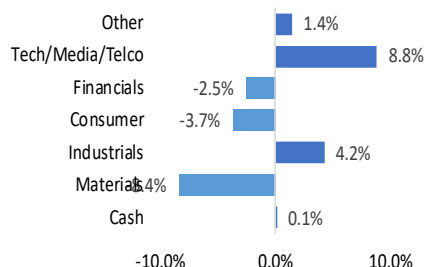
The Small Ordinaries index gained 1.7% during the month, with a notable gap between the performance of Small Industrials (+3.9%) and Small Resources (-4.6%). The microcap-focused Emerging Companies index gained 5.1%.

Most companies reported financial results for the half year ended 31 December 2023. For many companies, expenses have been growing faster than revenue. Over calendar 2023, average expenses increased by 6%, compared with average revenue growth of only 3%. These challenging conditions had generally been anticipated, with approximately two-thirds of companies reporting results that were either in-line with, or above, market expectations.

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 the Consumer sector and the Materials sector.

## Top stock holdings and sector tilts

Stock	Industry	Weight
Mma Offshore Ltd	Commercial Services	2.6%
Light & Wonder Inc	Entertainment	2.4%
Eqt Holdings Ltd	Diversified Financial Services	2.4%
Macquarie Technology Group	Telecommunications	2.1%
Aussie Broadband	Telecommunications	2.1%
Life360 Inc	Software	2.0%
Codan Ltd	Telecommunications	1.6%
Psc Insurance Group	Insurance	1.6%
Tuas Ltd	Leisure Time	1.6%
Kelsian Group Ltd	Transportation	1.5%



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