

# Fiducian Australian Smaller Company Shares Fund



Monthly Report - December 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:** \$275 million (December 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	●			●	

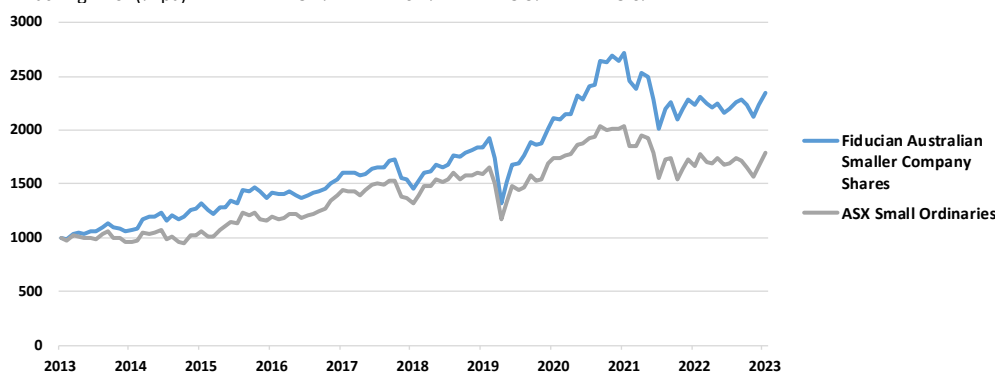
## Performance and Risk

After fee returns as at 31 December 2023

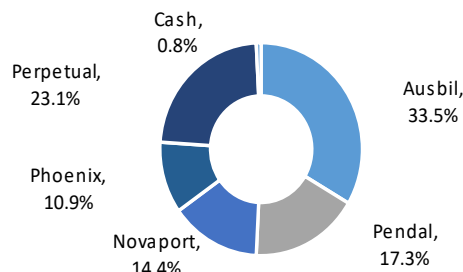
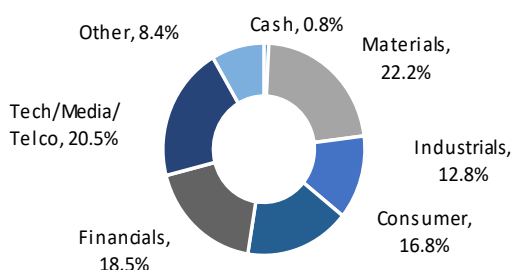
	1 Mth	3 Mth	6 Mth	1 Yr	3 Yrs	5 Yrs	7yrs	10 Yrs
Fund	5.2%	5.4%	7.3%	5.7%	3.7%	10.0%	7.5%	8.9%
Index	7.2%	8.5%	6.4%	7.8%	0.9%	6.4%	5.9%	6.0%
Excess	-2.0%	-3.1%	0.9%	-2.1%	2.7%	3.6%	1.6%	2.9%

### Risk Exposure

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Fund Volatility (Std Dev %)	11.3%	17.0%	20.5%	16.5%
Benchmark (Std Dev %)	15.2%	18.0%	20.8%	17.1%
Beta	0.65	0.86	0.93	0.90
Tracking Error (% pa)	5.7%	6.4%	5.9%	5.6%



## Sector exposures and current manager weights



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## Market Commentary and Outlook

Global monetary policy tightening, which commenced in early 2022, slowed the levels of economic growth across most of the world in 2023. In recent months too, it appears that this policy has been proving effective in achieving its aim of lowering inflation, with rates of inflation returning towards the target levels of most central banks. This has increased the likelihood that interest rates will remain on hold in the near term, and may be cut in the later part of 2024 if current trends persist.

Global markets enjoyed a strong finish for the year. The broad US market (S&P 500 index) gained 4.4% in December, and the Australian stock market (ASX 200 index) gained 7.3%. Listed property had another strong month, and falling yields produced positive returns for bonds. For calendar year 2023, all major global equity markets, with the exception of China, generated positive returns.

Looking ahead, less restrictive monetary policy could be positive for markets. However, geopolitical risks, alongside slower economic growth in the coming year represent potential headwinds. The International Monetary Fund (IMF) is forecasting global growth to be 2.9% in 2024, which is 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 5.2% in December, which was below the 7.2% return of the benchmark. Phoenix (+7.2%) was the top performer for the month. Over the last 12 months, Pandal was the top manager (+17.8%) followed by Novaport (+9.9%). For the 12 months to the end of December, the Fund has returned 5.7%, compared to the index return of 7.8%.

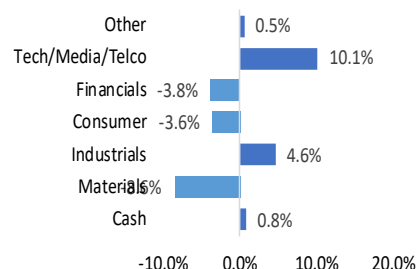
The Small Ordinaries gained 7.2% in December, which was in line with the broader market (ASX 200 index) which gained 7.3%. The small industrials component of the index was 8.5% higher, and small resources rose by 3.7%.

During 2023, the small ordinaries index (+7.8%) underperformed the broader market (+12.4%), predominantly due to weakness in the Small Resources sector. Microcaps declined by 0.4% over the year.

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	2.8%
Eqt Holdings Ltd	Diversified Financial Services	2.2%
Macquarie Technology Group Ltc	Telecommunications	2.0%
Tuas Ltd	Leisure Time	1.8%
Johns Lyng Group Ltd	Engineering & Construction	1.7%
Psc Insurance Group Ltd	Insurance	1.7%
Gold Road Resources	Mining	1.7%
Light & Wonder Inc	Entertainment	1.6%
Lovisa Holdings Ltd	Retail	1.5%
Life360 Inc	Software	1.5%



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