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Fiducian Superannuation Service

2023 Annual Member Meeting

Conrad Burge

Executive Chairman
Fiducian Investment Management Services

The Fiducian Balanced Fund
- 28 underlying managers (same for Growth and Capital Stable funds)

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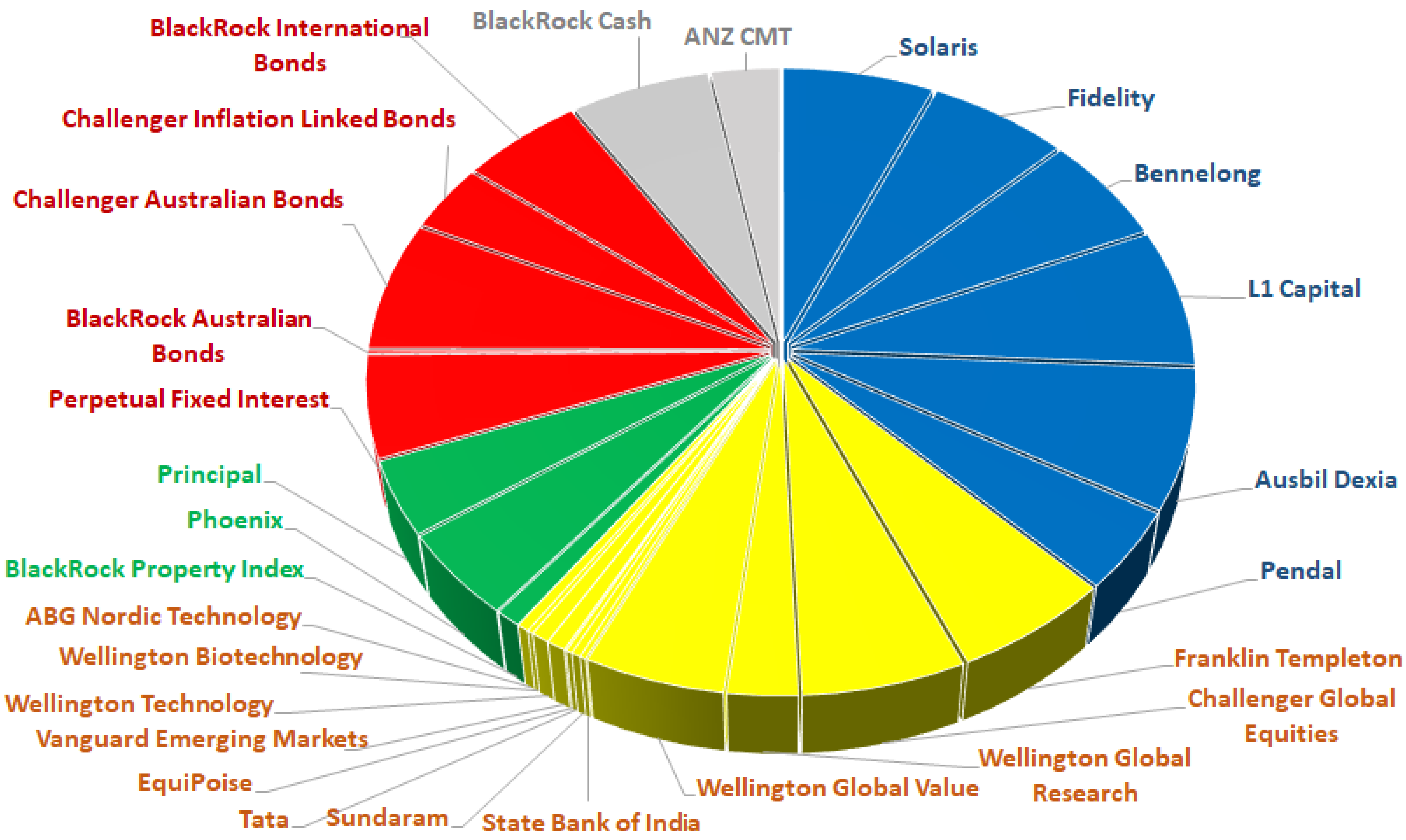

28 different fund manager portfolios through one investment transaction

Progress in the fight against inflation
- interest rates likely to have peaked in the major economies

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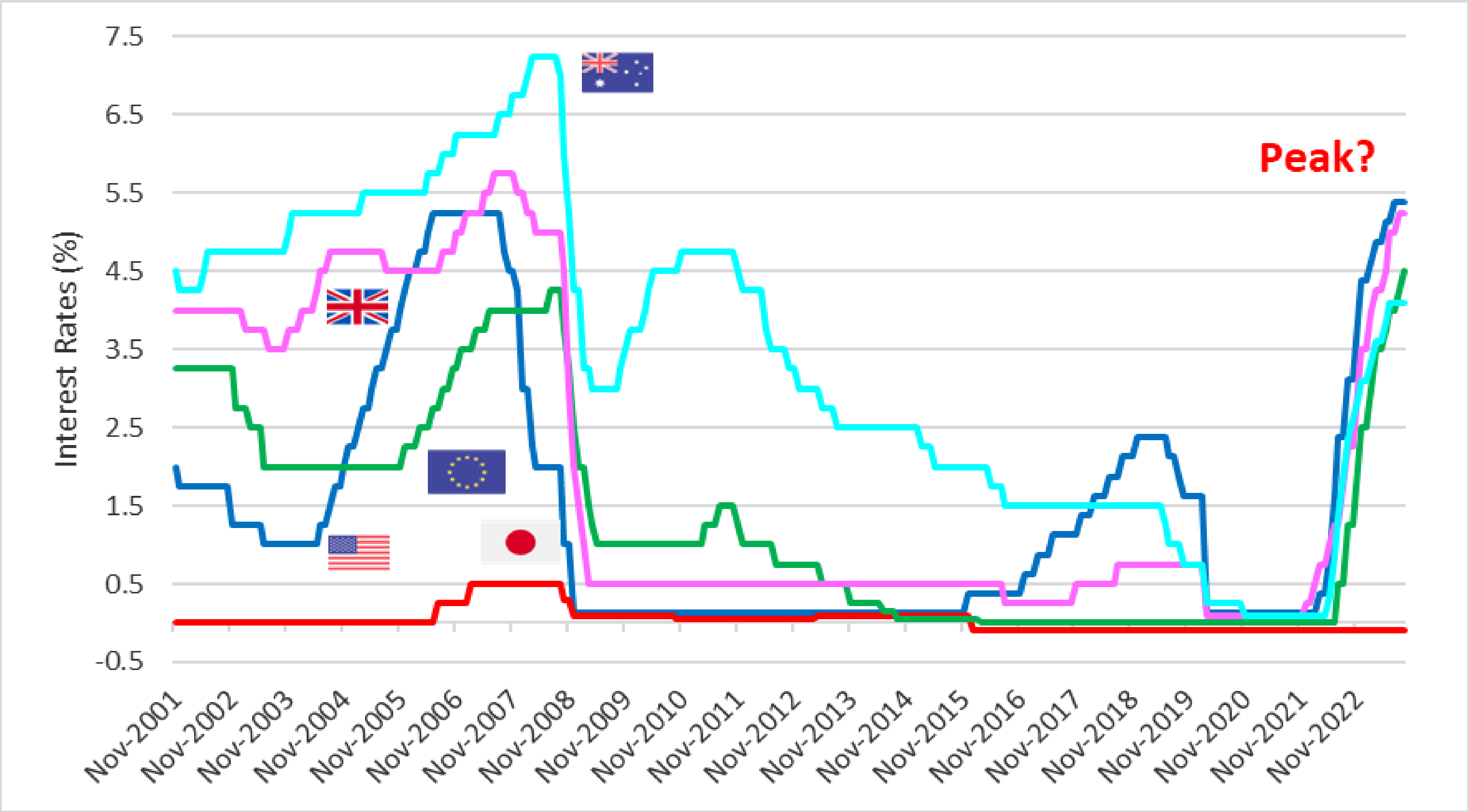
- The latest IMF report forecasts continuing sluggish global growth over the coming year (2.9% after growth of 3.0% in 2023). Growth in the advanced economies is forecast to be particularly slow (1.4% in 2024 after growth of 1.5% in 2023).
- However, in the IMF's words, 'projections are increasingly consistent with a "soft landing" scenario, bringing inflation down without a major downturn in activity'.
- Furthermore, 'inflation – both headline and underlying (core) – is gradually being brought under control'. Some recent headline inflation data support this: a monthly rate for October of 0% for the US (3.2% for the annual rate) and -0.5% (deflation) for November for the Eurozone (2.4% annual rate).
- Despite this evidence of the effectiveness of monetary policy (through the implementation of interest rate hikes and 'quantitative tightening' to reduce economic activity) it would be helpful if governments assisted in this campaign against inflation by reducing spending. In the IMF's words, 'fiscal policy needs to support the monetary strategy', particularly in the US, where 'the fiscal stance has deteriorated substantially', with the public sector deficit forecast to reach over 8% of GDP this year.

Global interest rates – rose rapidly to counter inflation

- US (5.25 to 5.5%), Euro zone (4.5%), UK (5.25%), Japan (-0.1%), Australia (4.35%)
- may have now peaked



Economic growth is weak (latest GDP data as at 30 September 2023)

- some economies are on the brink of recession
- manufacturing indices show contraction in output in all of the major economies

	GDP (quarter-on-quarter)	GDP (year-on-year)	Manufacturing PMI (Nov)
US	1.2%	2.9%	46.7
Euro zone	-0.1%	0.1%	44.2
Japan	-0.5%	1.6%	48.3
Germany	-0.1%	-0.4%	42.6
France	0.1%	0.7%	42.9
UK	0.0%	0.6%	47.2
Australia	0.2% (Jun) (-0.3% per capita)	2.1% (-0.3% per capita)	46.0
China	1.3%	4.9%	50.7
India	1.9% (Jun Q)	7.6%	56.0

	2020	2021	2022	2023	2024
World	-3.1%	6.3%	3.3%	3.0%	2.9%
Advanced economies	-4.5%	5.4%	2.7%	1.5%	1.4%
Developing economies	-2.0%	6.8%	4.0%	4.0%	4.0%

PMI = Purchasing Managers' Index (economic trends)

Leading indicators

- economic indicators for the US and the G7 now improving after post-tightening dip
- indicating that the general outlook is improving despite ongoing tight monetary policy

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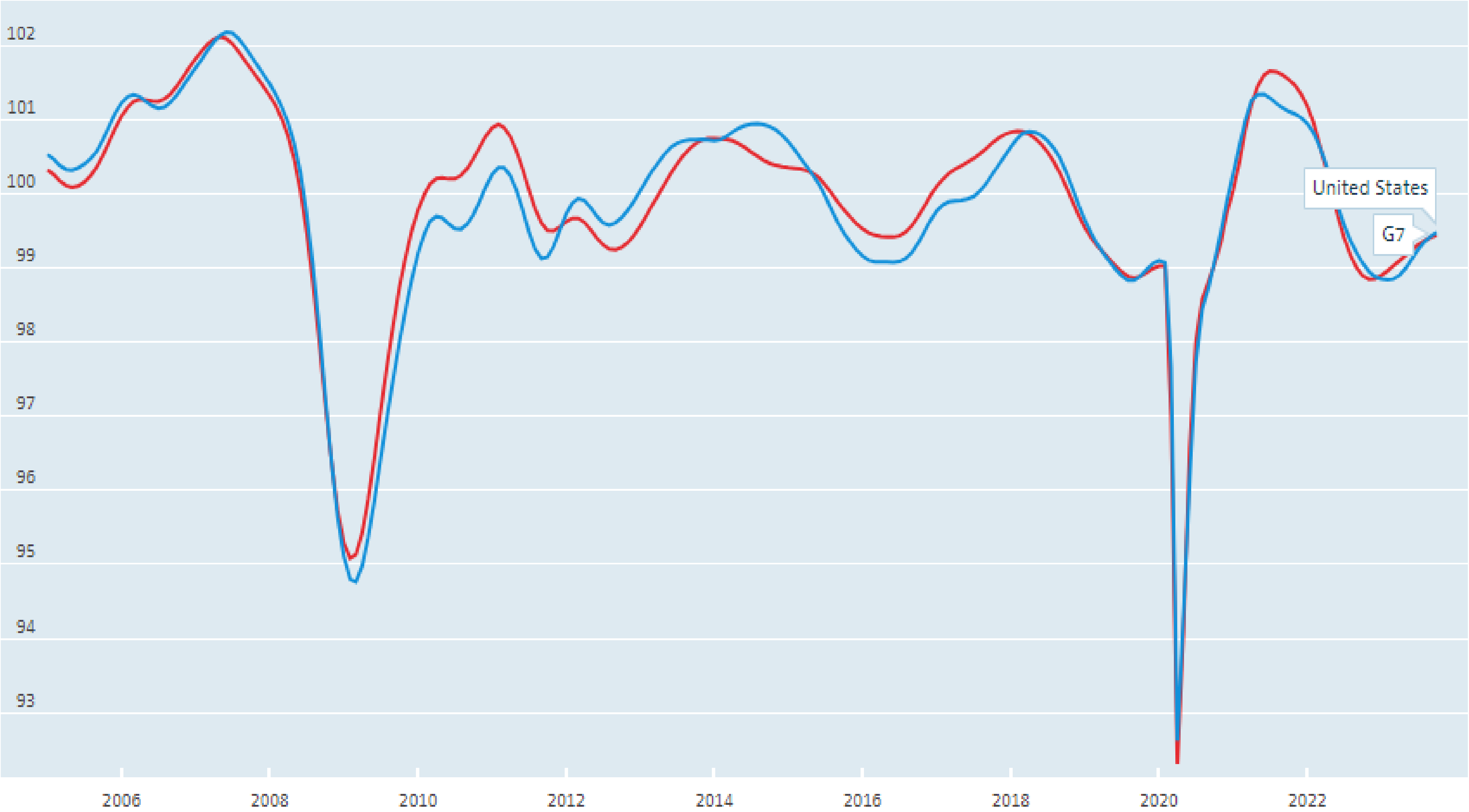
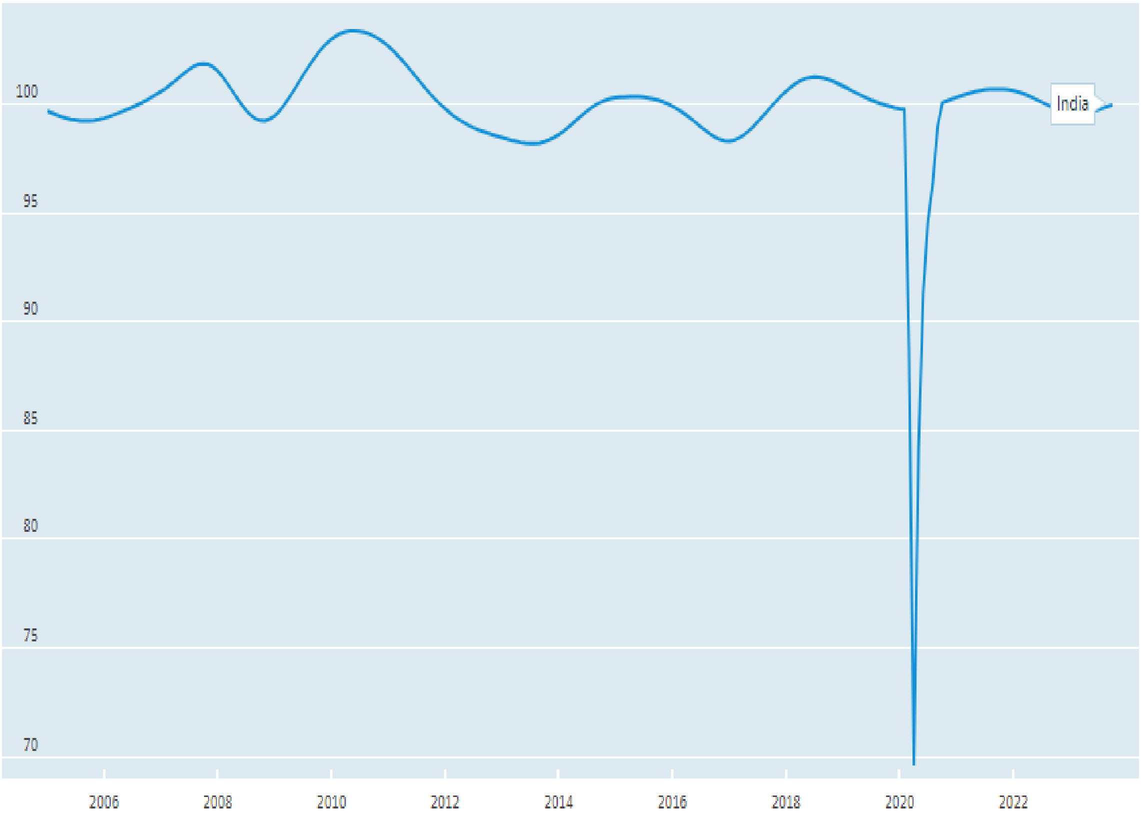
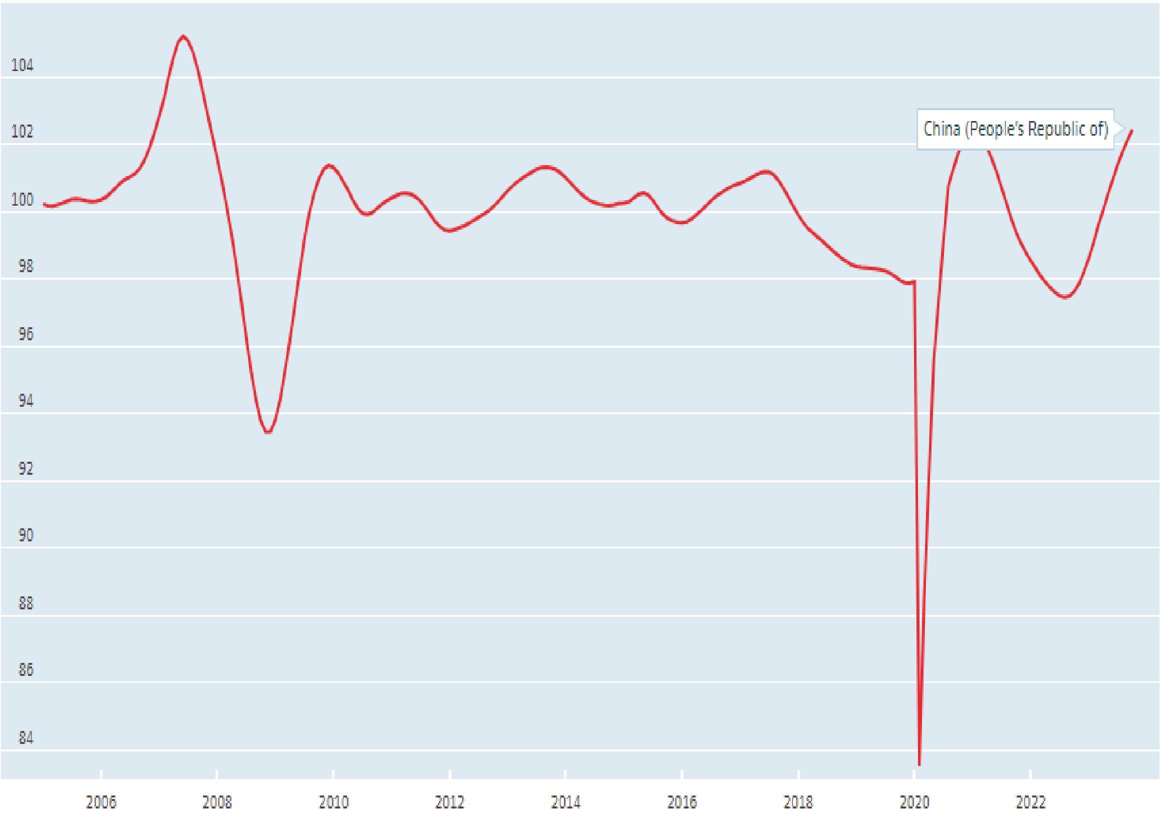


A reading above 100 that is rising predicts expansion, above 100 and falling, a downturn; below 100 and falling a slowdown, below 100 and rising a recovery

Source: OECD for period 2005 up to October 2023: a reading above 100 that is rising predicts expansion

Leading economic indicators
- India and China back to longer-term averages
- India forecast to continue to grow strongly in 2024, while China is recovering

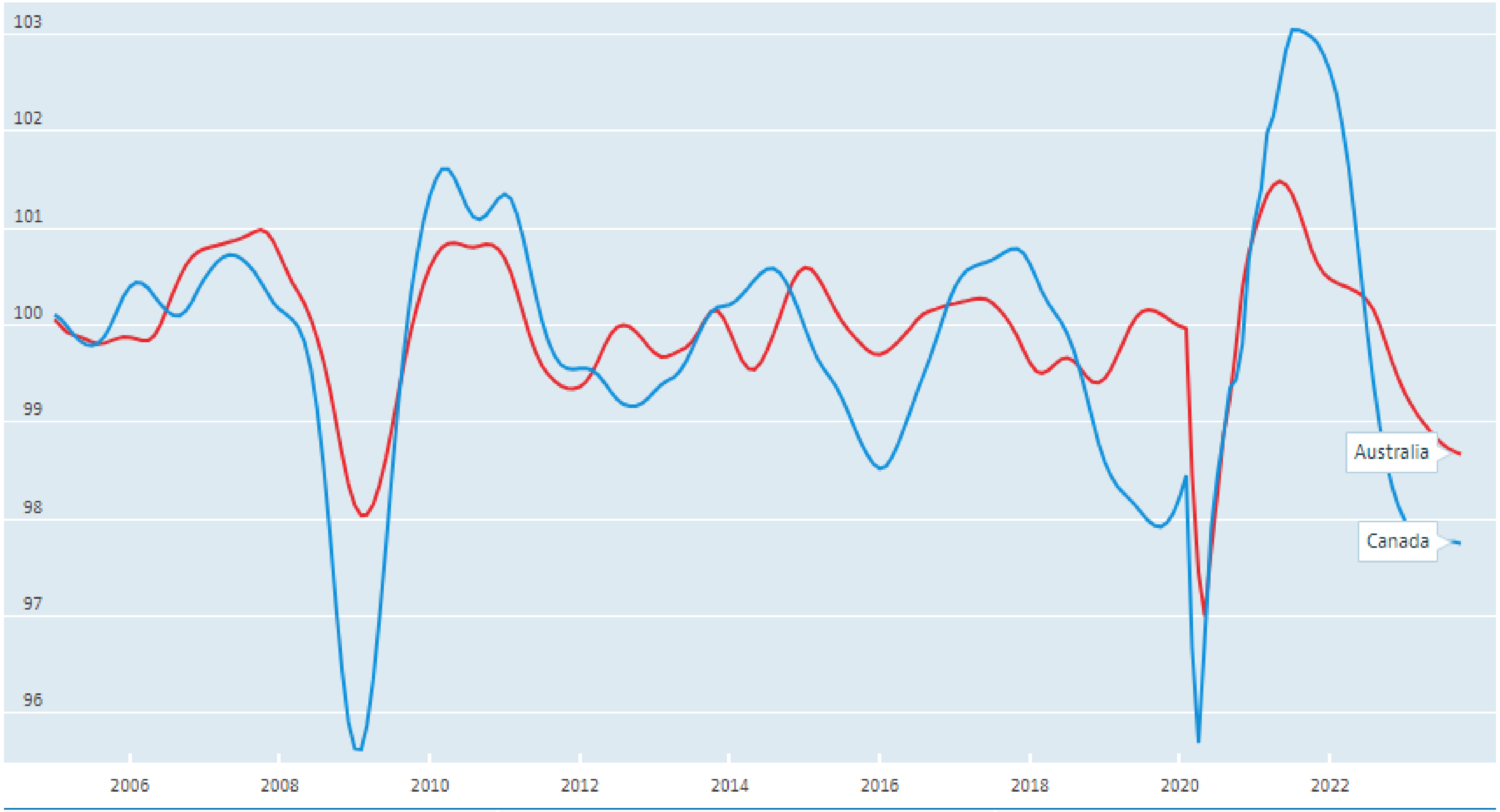




A reading above 100 that is rising predicts expansion, above 100 and falling, a downturn; below 100 and falling a slowdown, below 100 and rising a recovery

Source: OECD for period 2005 up to October 2023

Leading economic indicators
- economic activity in Australia is contracting
- the RBA may have to cease raising interest rates



A reading above 100 that is rising predicts expansion, above 100 and falling, a downturn; below 100 and falling a slowdown, below 100 and rising a recovery

Source: OECD for period 2005 up to October 2023

Global Manufacturing PMIs (purchasing managers' indices)

- manufacturing showing some recovery for Europe and the UK but not the US or Japan
- contraction still underway across the major developed economies

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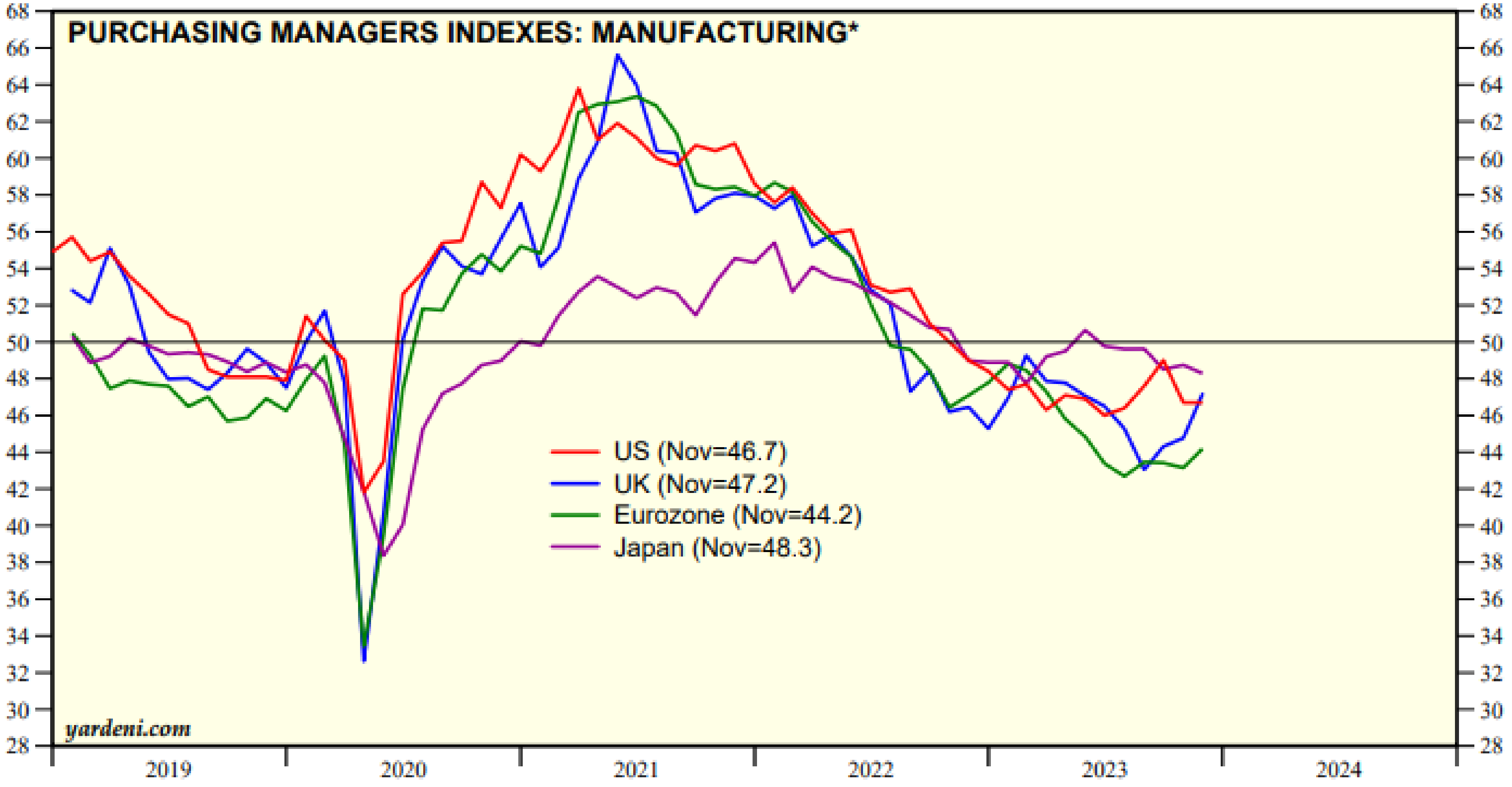

* An index above 50 indicates an increase in manufacturing activity. An index below 50 indicates a decrease in manufacturing activity.
Source: Institute for Supply Management, CIPS, S&P Global, and Haver Analytics.

Source: Yardeni Research as at 1 December 2023

What are the key policy issues now?

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- Some economic indicators are pointing to some recovery in the major economies in 2024
- Consumer and business sentiment generally remains weak for now
- Monetary policy remains contractionary but interest rates could start to come down in 2024
  - Inflation appears to be reducing rapidly in the major economies
  - Central banks (including the US ‘Fed’) will be trying to avoid recession and may soon have to end ‘QT’
- Corporate earnings forecast to grow by a solid 10% globally in 2024 (US 11%, Europe 6%, China 15%, India 14%)
- Overall, we anticipate further ‘green shoots’ in 2024 as we see the beginning of less restrictive monetary policy (interest rate cuts and the end of ‘QT’) in the major economies and then Australia
- Share markets appear fairly priced and appear to have priced in much of the negative news up to this time (including that relating to the wars in Ukraine and the Middle East)
- Share markets could enjoy some upside next year, assuming that recession can be avoided

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