# Manage The Manager

**Fiducian offers a suite of managed funds which provide investors a choice of diversified, sector specific and specialist funds. Each of the funds is managed by Fiducian's Manage the Manager System.**

The Fiducian Manage the Manager System is based on the principle that several carefully selected investment managers can, over any reasonable period, produce a better result, more consistently and with lower volatility, than a single manager. Fiducian has selected a panel of investment managers for each of a wide range of asset sectors. The fund manager selection process involves the application of quantitative and qualitative analysis to identify top performing funds, managed by competent and experienced investment teams who are assessed as being able to achieve consistently good performance over time without taking excessive risks.

The Fiducian Investment Team also makes active tactical asset allocation decisions within the Fiducian diversified funds, both between managers, as well as between asset classes. Within the sector and specialist funds, the Fiducian Investment Team tactically tilts between different investment manager styles and disciplines.

These decisions are the culmination of strategic decisions taken by the Fiducian Investment Team, experienced in detailed economic, market and fund analytics.

## Fiducian's Manage the Manager Philosophy

Fiducian's Manage the Manager philosophy is as follows:

- Diversification is the key to any investment strategy.
- Active manage-the-manager investment management could deliver superior returns over active or passive investment styles over the longer-term.
- Disciplined investment process, including ongoing risk management, is required.
- Fiducian has a process to identify active managers with the necessary attributes to capture benefits for clients' portfolios.
- Well-researched investments are necessary to identify investment opportunities to add value for clients.

## How does the Fiducian Manage the Manager System work?

The Fiducian Manage the Manager System is a Multi Manager, Multi Style and Multi Disciplined process with a Tactical Asset Allocation overlay.

Fiducian Funds are constructed using a number of investment managers, each employing a different investment style. In our diversified funds, we also pro-actively tilt the Asset Allocation of funds to smooth the volatility of potential asset sector performance during the economic cycle.

### Manager Selection Process

Through the Fiducian Manage the Manager System, Fiducian utilises a rigorous and robust process which is designed to identify and select those fund managers able to achieve consistent returns over time, without taking excessive risks.

The diagram below illustrates how the manager selection process works from start to finish.

## Manager Changes

Once a manager has been identified by the manager selection process as appropriate and complementary to the existing panel of investment managers, the manager is added to the panel and is awarded either a new mandate (that is, an agreement to manage a new sum of money) or replaces a manager for an existing mandate (that is, an agreement to take over the management of an existing portfolio of securities).

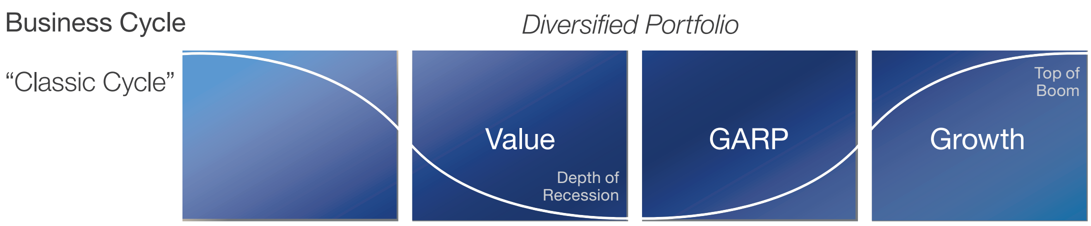
If the manager is replacing the manager of an existing portfolio of securities, then the impact on investors is minimal. This is because underlying securities are held by Fiducian's custodian, rather than the investment manager themselves (see the diagram below).

This has numerous benefits for clients – these are outlined in the 'Benefits of the Fiducian Manage the Manager Systems'.


## Tactical Asset Allocation

The Manage the Manager System not only results in a more diversified portfolio, but also provides investors with exposure to a range of investment manager styles and disciplines. Different investment managers should perform well at different stages of the economic cycle based on the investment style they use. The below diagram illustrates which managers perform best at different stages of the business cycle.

In broad terms, 'value' managers could be expected to often out-perform in a down phase of the cycle, while 'growth' managers could be expected to do better during strong growth phases of the cycle. GARP ('growth at a reasonable price') managers could be expected to do better in the early phase of a pick-up in the cycle.




**Fiducian aims to take advantage of the business cycle both through its process of manager selection and through its process of tilting towards certain underlying managers at different times.**

**This process aims to select managers able to out-perform their peers within each style sector over the course of the business cycle. Tilting toward certain investment styles at appropriate times is intended to add further to investment performance.**

## Benefits of the Fiducian Manage the Manager System

| Feature | Advantages |
|---|---|
| **Multiple Managers/ Multiple Investment Styles** | • *Diversification of investment manager styles and disciplines.* Fiducian re-weights between manager styles based on in-depth macroeconomic, market and strategic analysis with an aim of reducing volatility.<br>• *Funds can be invested relatively more defensively in times of uncertainty, and relatively more aggressively at other times.*<br>• *Unique process for manager selection.* The aim is to identify and manage consistently outperforming specialists which achieve outperformance without excessive risk.<br>• *Last year's best performer is often not this year's best performer.*<br>• *Individual fund manager risk is limited.* |
| **Efficient Process for Fund Manager Changes** | • *Tax effective.* Fiducian's custodian holds the underlying securities, which means securities can generally be transferred off-market between portfolios rather than sold. This in turn means that replacing a manager does not result in the crystallisation of capital losses or gains.<br>• *Cost effective.* Investment managers can be changed without investors facing a buy/sell spread or being 'out of the market' for a period of time.<br>• *Efficient for financial planners.* The reduced administrative and compliance requirements for Manage the Manager funds enables financial planners to focus more on client strategies. |
| **Multiple Asset Sectors**<br>**(applicable for Fiducian's range of diversified funds)** | • *Diversification across asset sectors.* Different asset sectors generally perform well at different stages of the economic cycle. Fiducian tactically tilts between asset sectors based on in-depth macroeconomic, market and strategic analysis. |
| **Tactical Asset Allocation**<br>**(between asset sectors and fund manager investment styles)** | • *Takes advantage of short term relative mispricing between asset sectors.* Fiducian seeks to take advantage of perceived economic cycles and related market trends.<br>• *Highly active form of investment management.*<br>• Managers within sector funds adjust their portfolios between different industry sectors, securities, financial security types and security issuers.<br>• The Fiducian Investment Team tactically tilts between different investment manager styles within each sector fund.<br>• The Fiducian Investment Team tactically allocates between different asset sectors for the diversified funds. |

| Feature | Advantages |
|---|---|
| **Tactical Asset Allocation (cont.)** | • *Ongoing Research.* Fiducian undertakes thorough analysis of the business cycle and the global economic environment to make informed asset allocation decisions. |
| **Access to High Quality Managers** | • The Manage the Manager System is designed to identify the most consistently performing managers within each investment style.<br>• Continual Monitoring. Portfolio exposures, operations and performance of all of our fund managers are routinely monitored and thoroughly analysed.<br>• Continual Research. The Fiducian Investment Team managers continually review fund managers to find those suitable to be managers within the Fiducian Funds and replaces where need be.<br>• Some managers and funds are wholesale managers only and are not available for retail investors. |
| **Independent members of the Investment Committee** | • *Unbiased overview from the Investment Committee.* The Fiducian Investment Committee contains two external, independent investment professionals as well as two internal executives. This encourages robust discussions and debate over fund manager changes and asset allocation decisions.<br>• *An additional layer of oversight.* Fund manager changes and asset allocation decisions are thoroughly researched and debated for possible merits/weaknesses. The Investment Committee can veto fund manager changes. |
| **Limited Conflicts of Interest** | • *Fiducian is a financial services company.* Fiducian is not connected to any other financial institution and is not obligated to utilize any asset management capabilities of a parent company. |
| **In-house Investment Team** | • *Fiducian's in-house Investment Team is dedicated to achieving the desired outcomes for Fiducian's clients only.*<br>• *The Fiducian Investment Team focuses on providing the optimal asset class over the long term.* Fiducian will not sacrifice long term performance to meet a short term performance objective that an external investment manager may be obligated to meet. |
| **True-to-label. Risk Mitigation** | • *Funds remain within specified asset sector ranges at all times.* The Fiducian Investment Team ensures that all funds maintain asset allocations within defined benchmark ranges, so risk levels within each fund are controlled. |

## Fiducian Funds Available

Fiducian currently offers 15 Funds with different objectives and risk/reward characteristics: 4 diversified funds, 4 sector funds and 7 specialist funds. You should read each Fund's PDS for full information. You may select any number of the Funds and in any proportion. Fiducian recommends that any investment decisions be made with the assistance of your financial planner. As always, we recommend that, to counter market uncertainties, investors should hold diversified portfolios. These should give investors the best opportunities for capital growth with risk minimisation over the medium term.

## For more information contact your Financial Planner.

## fiducian.com.au