

# Fiducian Global Smaller Companies and Emerging Markets Equities Fund



Monthly Report - May 2024

## Fund description

The Fund provides investors with the opportunity to combine investments in developed market small cap equities with investments in emerging market equities. Smaller companies in developed markets have shown superior long-term growth when compared with their larger peers. Emerging markets funds invest in developing countries and offer investors the opportunity to benefit from the significant growth potential inherent in many of these economies.

It is expected that by diversifying between these two segments of the international share market, investors could be somewhat cushioned against unexpected volatility and loss of capital that any one country's market, industry sector or individual share could generate. However, while this Fund could deliver high returns over the long term, it could also show periods of significant volatility.

The Fund utilises the Fiducian "Manage the Manager" process, selecting funds that provide diversification among different management styles, geographies and sectors.

It is recommended that investment in this Fund be undertaken for at least nine years. International share investment can be volatile over the short-term.

## Fund facts

**Portfolio manager:** Conrad Burge  
**ARSN:** 093 543 849  
**APIR code:** FPS0009AU  
**Benchmark:** 50/50 MSCI EM/MSCI Small Cap  
**Current fund size:** \$145 million (May 2024)  
**Management cost:** 1.28%  
**Total management costs:** 1.33%  
**Application/Exit fee:** Nil  
**Inception Date:** February 1999

Manager	Style			Sector	
	Value	Core	Growth	EM	Small
Fidelity	●			●	
Vanguard Emerging		●		●	
Fiducian India			●	●	
Vanguard Global Small Cap		●			●
Royce Global Small Cap		●			●

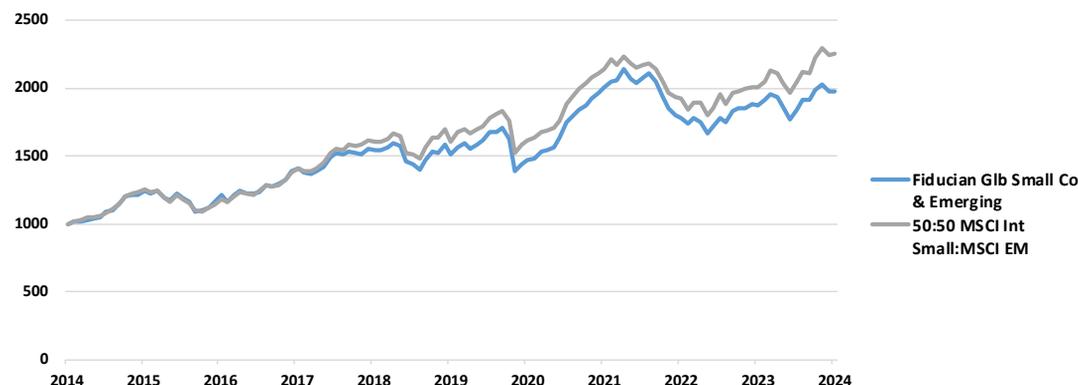
## Performance and Risk

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%	-0.7%	7.5%	5.7%	-0.5%	5.6%	5.0%	7.1%
Index	0.2%	1.1%	10.2%	12.4%	1.7%	7.1%	6.9%	8.4%
Excess	-0.3%	-1.8%	-2.7%	-6.7%	-2.2%	-1.5%	-2.0%	-1.4%

### Risk Exposure

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Fund Volatility (Std Dev %)	10.3%	10.1%	12.0%	11.0%
Benchmark (Std Dev %)	10.4%	10.3%	11.5%	10.4%
Beta	0.87	0.89	0.98	1.00
Tracking Error (% pa)	3.3%	3.9%	3.4%	3.1%

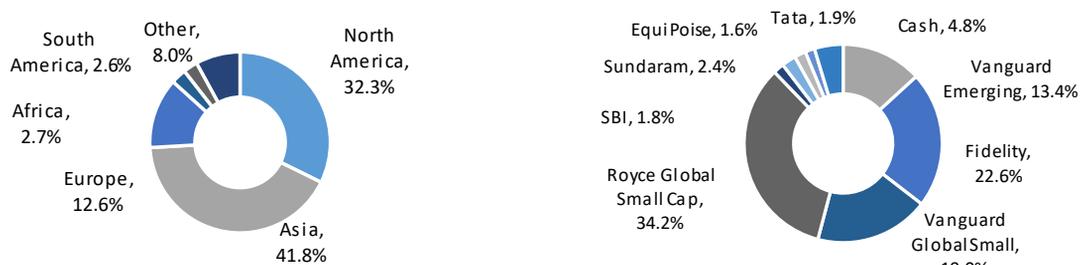


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## Geographic exposures and current manager weights



## 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 Fund declined by 0.1% in May, which was below the composite benchmark return of 0.2%. For the 12 months to the end of May, the Fund rose by 5.7%, compared to the 12.4% return of the benchmark.

The MSCI Global Small Cap index gained 2.2% in May (in Australian dollars), which was above the performance of the global large cap index, which increased by 2.0% (in Australian dollars).

The MSCI Emerging Markets Index declined by 1.8% in May (in Australian dollars). The major emerging market stock indices were mostly flat for the month, but gains in the Australian dollar relative to most currencies reduced the Australian dollar return.

Despite a rebound in recent months, global small cap indices have seen broad market valuations (notably 1-year forward price to earnings ratios) decline to levels that are now low in historical terms and appear attractive relative to other investment opportunities.

Currently, the Fund has an overweight position in global small caps (53.2%) relative to emerging markets (43.7%). Global small caps have underperformed large caps over the previous year, and emerging markets have underperformed developed markets. Regionally, the largest exposures are Asia (largely emerging markets) followed by North America and Europe (predominantly global small caps).

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