

# Fiducian Global Smaller Companies and Emerging Markets Equities Fund

Monthly Report - March 2023



## 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 five to seven 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:** \$146 million (March 2023)

**Management cost:** 1.28%

**Total management costs:** 1.33%

**Application/Exit fee:** Nil

**Inception Date:** February 1999

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

## Performance and Risk

After fee returns as at 31 March 2023

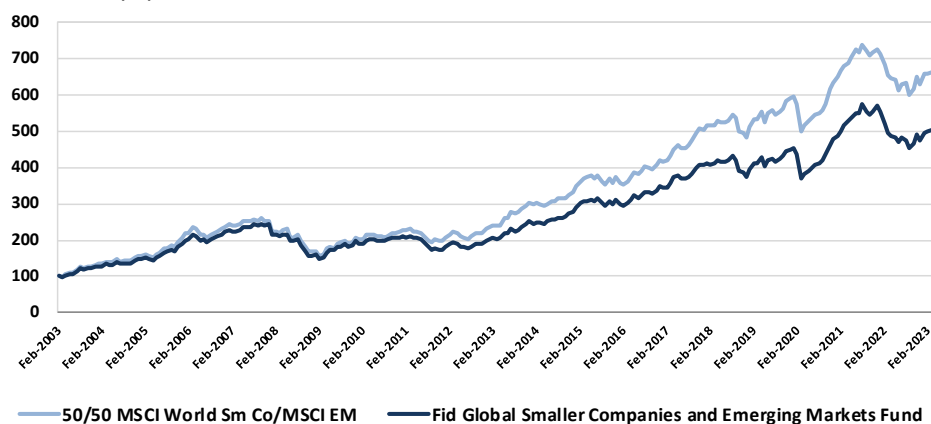
	1 Mth	3 Mth	6 Mth	1 Yr	3 Yrs	5 Yrs	7yrs	10 Yrs
Fund	1.3%	6.7%	11.6%	1.7%	10.5%	4.1%	7.5%	8.7%
Index	0.9%	5.6%	10.6%	1.3%	9.4%	4.7%	8.6%	9.6%
Excess	0.3%	1.0%	1.0%	0.4%	1.1%	-0.6%	-1.1%	-0.9%

Risk Exposure

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Fund Volatility (Std Dev %)	12.0%	14.7%	13.3%	11.6%

Investment Growth

Time Period 28/02/2003 to latest month end

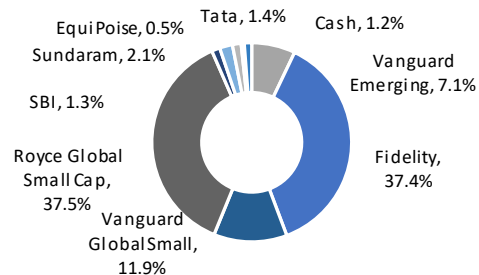
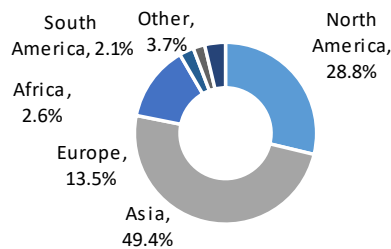


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## Geographic exposures and current manager weights



## Market Commentary and Outlook

The trend of slowing global growth has continued in recent months due to a tightening of monetary policy by key central banks in response to an acceleration last year in the rate of inflation. In some regions, inflation now appears to be moderating. However, the persistent strength in employment conditions and to a lesser extent retail sales has created uncertainty regarding the amount of monetary tightening that will be necessary to bring inflation back towards target ranges.

Global financial markets experienced a turbulent month in March. The failure of some regional US banks, as well as the Swiss Government mandated takeover of Credit Suisse by larger rival UBS initially sent markets lower. However, over the rest of the month, due to a lack of further bank failures, most markets enjoyed a broad recovery. The US market (S&P 500 index) gained 3.5% for the month, while the Australian market (ASX 200 index) was down by 0.2%. A shift towards assets that are perceived as being safer resulted in gains for bonds, gold, and large cap equities.

Looking ahead, elevated geopolitical risks, alongside higher interest rates and slower economic growth this year, represent potential headwinds for markets. The International Monetary Fund (IMF) recently made a small downgrade to its economic forecasts, with global growth now expected to be 2.8% in 2023. The IMF expects growth rates to remain slightly below long-term trend levels for some time. In broad terms, share markets continue to appear more attractive than most other investment opportunities.

## Fund Commentary

The Fund rose by 1.3% in March, ahead of the composite benchmark return of 0.9%. For the 12 months to the end of March, the Fund rose by 1.7%, which compared to the 1.3% return of the benchmark.

The MSCI Global Small Cap index (in US dollars) finished the month 3.3% lower, which was below the performance of global large cap stocks. During March, large cap stocks outperformed small cap stocks in most global markets.

The MSCI Emerging Markets Index (in US dollars) gained 3.0%, helped by improved performances from the Chinese and South Korean stock markets during the month.

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 equal weightings in global small caps (49%) and emerging markets (49%). Global small caps have now outperformed 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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The information has been compiled from sources considered reliable, but is not guaranteed. Past performance is not indicative of future performance and we do not guarantee the performance of the Fund or any specific rate of return. Potential investors should also obtain and consider the relevant Target Market Determination (TMD) and Product Disclosure Statement (PDS) (available from your financial adviser and via [fiducian.com.au](http://fiducian.com.au)) before making a decision about whether to acquire or continue to hold any financial product.