

Fiducian Global Smaller Companies and Emerging Markets Equities Fund



Monthly Report - January 2022

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: \$155 million (January 2022)

Management cost: 1.28%

Total management costs: 1.33%

Application/Exit fee: Nil

Inception Date: January 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 January 2022

	1 Mth	3 Mth	6 Mth	1 Yr	3 Yrs	5 Yrs	7yrs	10 Yrs
Fund	-3.1%	0.3%	-0.5%	12.1%	11.8%	9.8%	8.4%	10.9%
Index	-1.6%	-0.2%	-1.3%	7.5%	11.2%	11.0%	9.2%	12.0%
Excess	-1.5%	0.6%	0.9%	4.6%	0.6%	-1.2%	-0.8%	-1.1%

Risk Exposure

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Fund Volatility (Std Dev %)	8.2%	13.9%	12.3%	11.2%

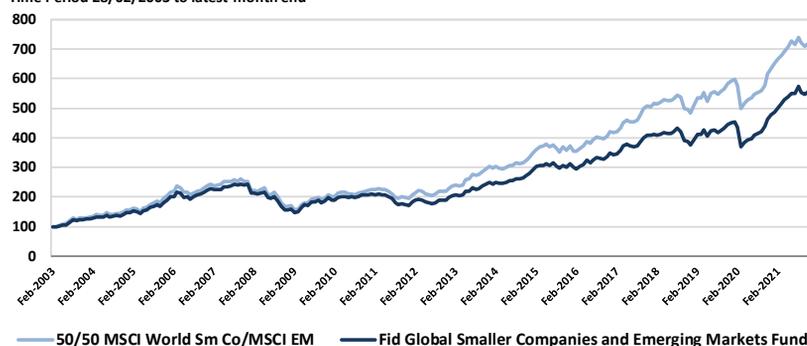
Overall Morningstar Rating™

★★

As at 31 January 2022

Investment Growth

Time Period 28/02/2003 to latest month end



— 50/50 MSCI World Sm Co/MSCI EM

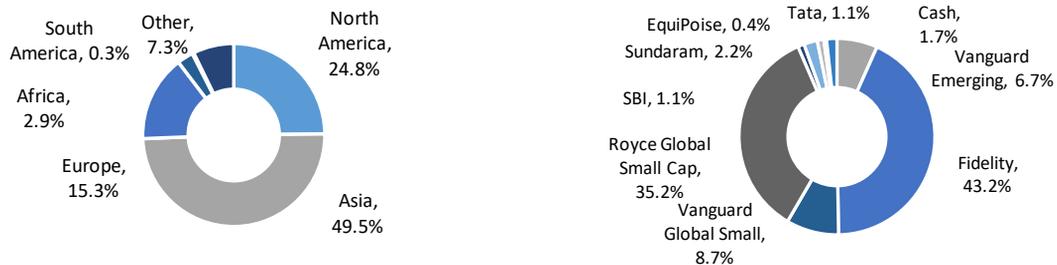
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Geographic exposures and current manager weights



Market Commentary and Outlook

January was a mixed month for the global economy. The ongoing spread of the Omicron variant of the COVID-19 coronavirus caused some weakness in consumer confidence and retail spending, which is expected to be temporary. Other economic indicators were positive, including manufacturing activity. Most notably, unemployment rates across most of the world continued to decline and there are emerging signs of wages growth. Overall, the outlook remains broadly positive.

These strong underlying conditions, combined with a continuation of higher inflation, resulted in the market bringing forward the expected timing for tighter monetary conditions, including higher interest rates. This led to negative returns for most asset classes. US, European and Australian stock markets all finished January around 4-6% lower. Sectors that are exposed to high growth rates (such as Technology) or are sensitive to interest rates were most affected. Bond prices also finished the month lower. Commodities were the exception, performing strongly during the month as energy and metal prices moved higher due to sustained demand growth.

Looking ahead, leading indicators remain supportive of a continued economic recovery this year, with the IMF forecasting global GDP growth of around 5% in 2022. The risk of further disruption caused by lockdowns to counter the pandemic remains, but is lessening as vaccine rollouts continue and restrictions become more targeted.

Fund Commentary

The Fund declined by 3.1% in January, behind the composite benchmark return of -1.6%. For the 12 months to the end of January, the Fund generated a return of 12.1%, 4.6% ahead of the benchmark. Over the month, emerging markets performed better than global small company stocks.

The MSCI Global Small Cap index (in US dollars) finished the month down 7.1%, and the MSCI Emerging Markets Index (in US dollars) was down by 1.9%, as expectations that interest rates could rise earlier than expected affected global equity markets.

Emerging markets performed well relative to developed markets, which were down by 5.3% (MSCI Developed Markets Index). In particular, Asian equities held up well, with only modest falls in China and India during the month.

Currently, the Fund has a modest overweight position in emerging markets (52%) versus global small caps (47%). Both sectors should perform strongly as the global economy continues to recover over the coming year. Regionally, the largest exposures are Asia (largely emerging markets) followed by North America and Europe (predominantly global small caps).

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