

Fiducian Global Smaller Companies and Emerging Markets Equities Fund



Monthly Report - February 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: \$148 million (February 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 28 February 2022

	1 Mth	3 Mth	6 Mth	1 Yr	3 Yrs	5 Yrs	7yrs	10 Yrs
Fund	-5.5%	-6.9%	-9.7%	3.0%	8.0%	8.4%	7.0%	9.9%
Index	-4.3%	-5.7%	-8.4%	0.9%	7.9%	9.7%	7.9%	11.1%
Excess	-1.2%	-1.2%	-1.4%	2.2%	0.0%	-1.3%	-1.0%	-1.2%

Risk Exposure

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Fund Volatility (Std Dev %)	10.2%	14.1%	12.6%	11.3%

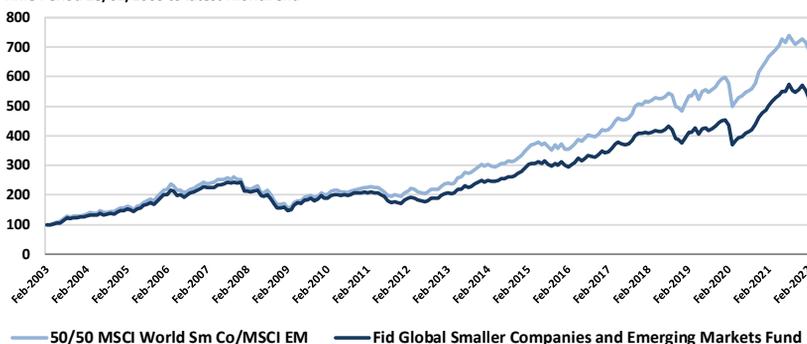
Overall Morningstar Rating™

★★

As at 28 February 2022

Investment Growth

Time Period 28/02/2003 to latest month end

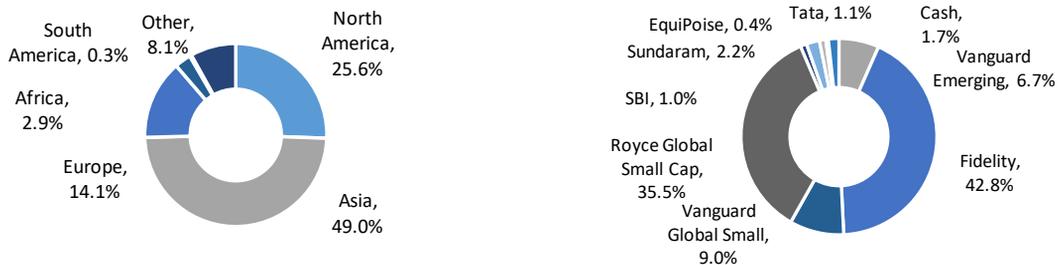


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Geographic exposures and current manager weights



Market Commentary and Outlook

Global economic indicators continued to improve in February, with employment levels, wages and industrial production recording growth across most of the world. Retail sales and consumer confidence measures also remained in positive territory. However, this good news was offset by the Russian invasion of Ukraine late in the month, which saw energy prices, including oil, gas and coal, shift dramatically upwards.

Broad-based selling in equity and other asset markets followed news of the Russian invasion. European stock markets were among the worst performers for the month, with most indices dropping by around 5%. The US market (S&P 500) was 3.1% lower, and the MSCI emerging markets index was down by 3.0%. The Australian market was an exception to this trend, with the ASX 200 index gaining 2.1%. This was due in a large part to the strong performance of energy and mining stocks, with most commodity prices heading higher on expectations of supply disruptions stemming from the Russia-Ukraine conflict.

Bond returns were negative in February, but prices rallied later in the month as investors sought 'safe-haven' assets.

Looking ahead, elevated geopolitical risks, alongside the likelihood of increasing interest rates during the year, represent a headwind to markets. However, leading indicators remain supportive of a continued economic recovery this year, with the IMF forecasting global GDP growth of around 4.5% in 2022.

Fund Commentary

The Fund declined by 5.5% in February, behind the composite benchmark return of -4.3%. For the 12 months to the end of February, the Fund generated a return of 3.0%, which was 2.2% ahead of the benchmark.

The MSCI Global Small Cap index (in US dollars) finished the month broadly flat, rising by 0.1%, while the MSCI Emerging Markets Index (in US dollars) was down by 3.0%.

Global small caps had a good month in the face of generally weaker markets around the world. Performance was helped by positive returns from US small companies in particular.

Emerging markets had a difficult month, caused in part by material declines in Russian listed stocks, which had an approximate 3% weight in the widely followed MSCI index. There was also broad weakness in most Asian stock markets, including China and India. Countries having exposure to energy and commodity exports performed relatively better.

Currently, the Fund has a modest overweight position in emerging markets (52%) versus global small caps (46%). 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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