

Fiducian Global Smaller Companies and Emerging Markets Equities Fund



Monthly Report - April 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: \$141 million (April 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 30 April 2022

	1 Mth	3 Mth	6 Mth	1 Yr	3 Yrs	5 Yrs	7yrs	10 Yrs
Fund	-1.5%	-11.5%	-11.2%	-7.9%	4.4%	5.5%	5.8%	9.2%
Index	-1.4%	-9.6%	-9.8%	-8.1%	4.6%	7.1%	6.6%	10.3%
Excess	-0.1%	-1.9%	-1.4%	0.2%	-0.2%	-1.6%	-0.8%	-1.2%

Risk Exposure

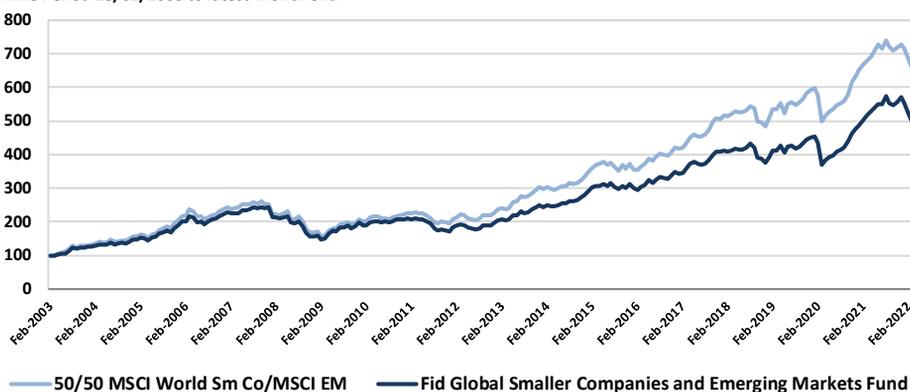
	1 Yr	3 Yrs	5 Yrs	10 Yrs
Fund Volatility (Std Dev %)	10.5%	14.5%	12.7%	11.4%

Overall Morningstar Rating™

★★

Investment Growth

Time Period 28/02/2003 to latest month end

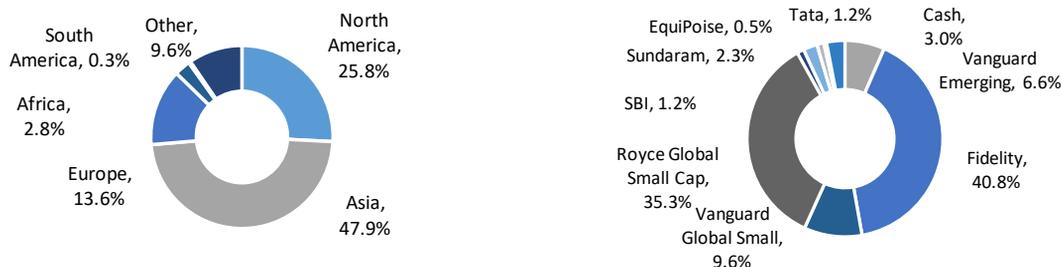


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Geographic exposures and current manager weights



Market Commentary and Outlook

The global economy has slowed but is still forecast to grow at a solid pace over the rest of the year. This is despite headwinds arising from the Russian invasion of Ukraine and lockdowns imposed in many Chinese cities to counter the spread of COVID-19. These factors have led to significant price rises for many commodities, which has fed into inflationary pressures more generally. While unemployment has been trending lower and wages growth has been trending higher, consumer and business confidence has been dented. During the month, the IMF lowered its global growth forecast for 2022 from 4.4% to 3.6%.

Most equity markets finished the month lower, reversing recent gains. The US market (S&P 500) declined by 8.8%, The Australian equity market (ASX 200) performed relatively well, finishing down only 0.8%, with elevated commodity and energy prices continuing to provide support for the domestic market.

Fixed income markets have responded to inflation measures rising almost everywhere, and central banks have indicated that they plan to increase interest rates through the rest of the year. Bond yields moved materially higher during the month, causing negative returns for fixed income assets.

Looking ahead, elevated geopolitical risks, alongside the likelihood of higher interest rates this year represent potential headwinds to markets. However, in broad terms, share markets continue to appear more attractive than most other investment opportunities, including bonds and cash.

Fund Commentary

The Fund declined by 1.5% in April, compared to the composite benchmark return of -1.4%. For the 12 months to the end of March, the Fund declined by 7.9%, which was 0.2% ahead of the benchmark.

The MSCI Global Small Cap index (in US dollars) finished the month 5.9% lower and the MSCI Emerging Markets Index (in US dollars) declined by 5.1%. Both of these markets performed better than the large cap focused MSCI World Index, which was down 8.3%.

The Chinese market, which makes up the largest country weight in the emerging market index, continued to struggle. The Chinese government is pursuing a pandemic-elimination strategy, which has resulted in harsh lockdowns in a number of major cities, including Shanghai and Beijing. This is slowing domestic growth and also causing broader global disruptions. Other Asian markets performed better, recording only modest declines over the month.

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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