

Fiducian Global Smaller Companies and Emerging Markets Equities Fund



Monthly Report - May 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: \$140 million (May 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 May 2022

	1 Mth	3 Mth	6 Mth	1 Yr	3 Yrs	5 Yrs	7yrs	10 Yrs
Fund	-1.2%	-7.5%	-13.9%	-10.9%	5.9%	4.9%	5.3%	9.5%
Index	-0.7%	-6.2%	-11.5%	-10.0%	6.3%	6.5%	6.2%	10.6%
Excess	-0.5%	-1.3%	-2.3%	-0.9%	-0.5%	-1.6%	-1.0%	-1.1%

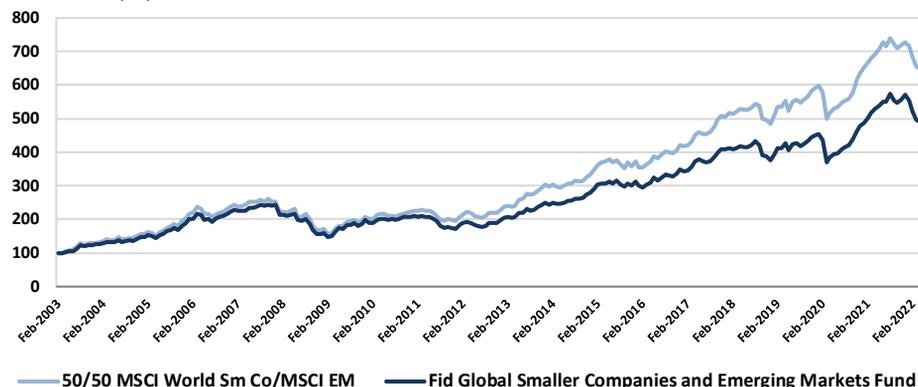
Risk Exposure

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Fund Volatility (Std Dev %)	10.3%	14.2%	12.8%	11.4%

Overall Morningstar Rating™
 ★★
 As at 31 May 2022

Investment Growth

Time Period 28/02/2003 to latest month end

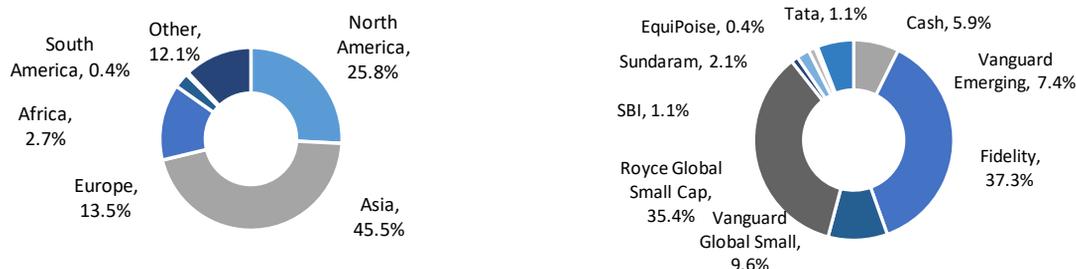


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Geographic exposures and current manager weights



Market Commentary and Outlook

The global economy has slowed this year 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 the Covid-19 coronavirus pandemic. These developments have led to significant price rises for energy, metals and grains, which have fed into higher inflationary pressures more generally. While unemployment has been trending lower and wages growth has been trending higher, consumer and business confidence has been dented.

Global equity markets were mixed for the month, as investors processed the impact of higher interest rates. The US market (S&P 500) finished the month flat, with the Australian equity market (ASX 200) declining by 2.6% and European markets generally recording small gains. Central banks around the world, including Australia, the UK, the US and Canada continued to raise interest rates from historically low levels to counter rising inflation. Australian listed property finished the month 8.7% lower, and energy prices continued to rise with the oil price moving 10% higher and coal prices gaining 31%.

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 1.2% in May, compared to the composite benchmark return of -0.7%. For the 12 months to the end of March, the Fund declined by 10.9%, which was 0.9% behind the benchmark.

The MSCI Global Small Cap index (in US dollars) finished the month 0.5% lower and the MSCI Emerging Markets Index (in US dollars) gained 0.4%. Both of these markets performed broadly in line with the large cap focused MSCI World Index, which was flat for the month.

The Chinese stock market, which is the largest weight in the Emerging Markets index, staged a minor recovery during the month, as harsh pandemic-related lockdowns in major cities were gradually lifted and stimulus programmes were announced by the government. Other markets in the region generally drifted lower, with the Indian stock market index (BSE Sensex) declining by 2.6%.

Global smaller company stocks marginally underperformed during the month, but have outperformed global large caps by 1.2% over the 1-year period.

Currently, the Fund has a modest overweight position in emerging markets (50%) versus global small caps (45%). 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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