

Fiducian Global Smaller Companies and Emerging Markets Equities Fund



Monthly Report - October 2021

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: \$153 million (October 2021)

Management cost: 1.28%

Total management costs: 1.33%

Application/Exit fee: Nil

Inception Date: January 1999

	Style			Sector	
	Value	Core	Growth	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 October 2021

	1 Mth	3 Mth	6 Mth	1 Yr	3 Yrs	5 Yrs	7yrs	10 Yrs
Fund	-1.3%	-0.8%	3.7%	24.7%	11.7%	10.7%	9.9%	11.1%
Index	-1.6%	-1.1%	1.9%	22.1%	12.1%	12.2%	10.7%	12.4%
Excess	0.3%	0.3%	1.8%	2.6%	-0.4%	-1.5%	-0.8%	-1.3%

Risk Exposure

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Fund Volatility (Std Dev %)	8.4%	14.2%	12.3%	11.3%

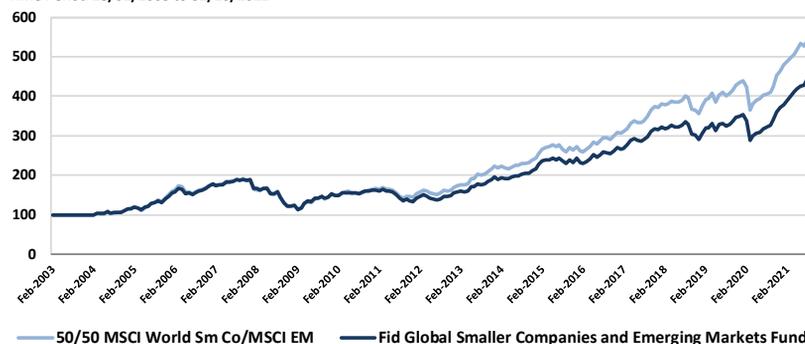
Overall Morningstar Rating™

★★

As at 31 October 2021

Investment Growth

Time Period 28/02/2003 to 31/10/2021

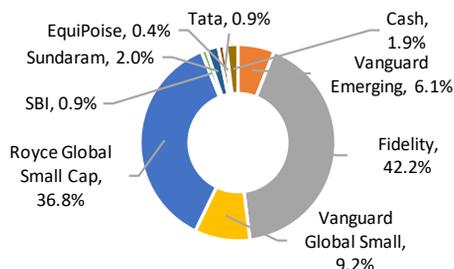
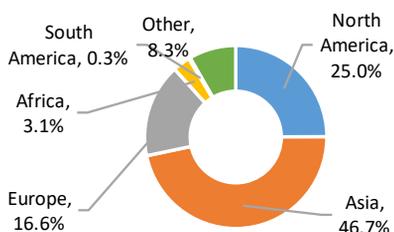


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Geographic exposures and current manager weights



Market Commentary and Outlook

A broadly positive economic trend continued through October, with solid growth in consumer spending, employment and industrial output across the developed world. Growth rates for most regions are forecast to remain relatively high over the coming year as the global economy continues to recover from what has been a severe pandemic-induced slowdown.

Global equity markets had a strong month. In the US, the S&P 500 index rose by 6.9%, major European markets rose by between 2% and 5%, and the MSCI Emerging Market Index finished 1.8% higher. The Australian stock market was flat for the month. There was a material appreciation in the Australian dollar (up by 4% against the US dollar).

Long term interest rates moved higher. The Australian 10-year Government Bond yield increased from 1.2% at the end of August to 2.1% by the end of October- the highest level since March 2019. Inflation levels continue to remain elevated globally, driven in part by ongoing disruptions to supply chains that have affected a broad range of commodities, manufacturing components and consumer goods. Central banks are still expecting these factors to be transitory.

Looking ahead, leading indicators remain supportive of a continued economic recovery into next year, with the IMF forecasting global GDP growth of 5.9% this year and 5% in 2022. The risk of further disruption caused by lockdowns to counter the pandemic is lessening as vaccine rollouts continue.

Fund Commentary

The Fund fell by 1.3% in October, ahead of the benchmark return of -1.6%. For the 12 months to the end of October, the Fund generated a return of 24.7%, 2.6% ahead of the benchmark.

The MSCI Emerging Markets Index finished the month up by 1.8% in US dollar terms and the MSCI Global Small Companies Index rose by 3.5%, as equity markets globally had a strong month. An appreciating Australian dollar resulted in the composite index (in AUD terms) falling 1.4% for the month.

Most emerging market stock indices were higher for the month, with the exception of China, which fell by 0.6% due to concerns about the outlook for the property sector. Global small caps were strong across the board, with the key US Russell 2000 index rising by 4.2%.

During the month, Dimensional was removed as a manager. These funds have been reallocated to the other two Global Small Company managers in the fund, Royce and Vanguard.

Currently, the Fund has a modest overweight position in emerging markets (53%) 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 (predominantly global small caps).

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