

# Fiducian Global Smaller Companies and Emerging Markets Equities Fund



Monthly Report - November 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:** \$159 million (November 2021)

**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 November 2021

	1 Mth	3 Mth	6 Mth	1 Yr	3 Yrs	5 Yrs	7yrs	10 Yrs
Fund	1.8%	-3.1%	3.4%	20.1%	12.8%	10.6%	9.7%	11.6%
Index	1.2%	-2.9%	1.7%	15.4%	12.8%	11.8%	10.5%	12.7%
Excess	0.6%	-0.2%	1.7%	4.7%	0.0%	-1.2%	-0.8%	-1.1%

Risk Exposure

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Fund Volatility (Std Dev %)	7.1%	14.2%	12.3%	11.2%

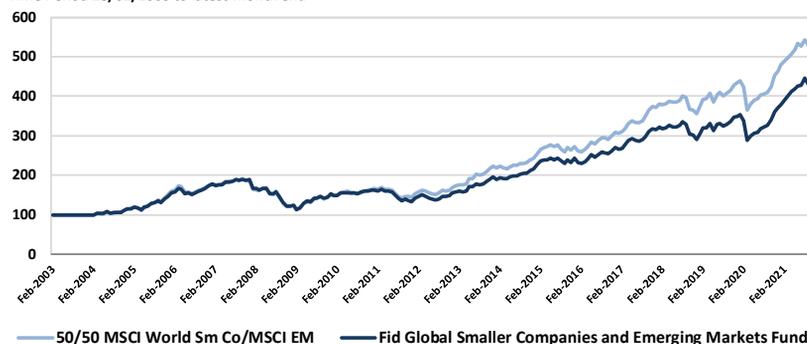
Overall Morningstar Rating™

★★★

As at 30 November 2021

Investment Growth

Time Period 28/02/2003 to latest month end

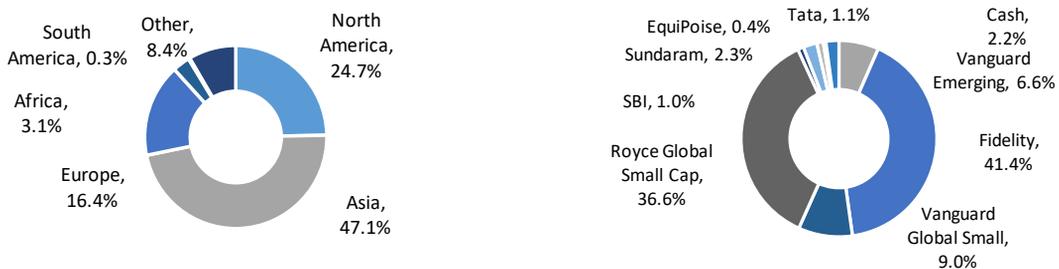


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## Geographic exposures and current manager weights



## Market Commentary and Outlook

Economic momentum remained positive across most of the world during November, with continued growth reported in manufacturing, employment and retail spending measures. A large rise in COVID-19 infections in Europe, along with the emergence of the new “Omicron” variant put a dampener on sentiment as some lockdown measures were reinstated.

Global equity markets generally had a negative month. The broad US market index (S&P 500) was 0.7% lower, the UK market (FTSE) fell by 2.5% and the Australian market (ASX 200) was down by 0.5%. The Australian dollar dropped by 5% against the US dollar, reversing the 4% rise in October. Government bond yields mostly moved lower during the month, including the Australian 10-year Treasury Bond Yield, which fell from 2.1% back to 1.7%. Inflation rates remain elevated through much of the world due to supply chain disruptions, with the US recording a 6.8% increase in the Consumer Price Index (CPI), the highest in 39 years. The US central bank (Federal Reserve) still expects the factors that are driving this to be temporary, but also believes they may persist for longer than previously anticipated.

Looking ahead, leading indicators remain supportive of a continued economic recovery into next year, with the IMF forecasting global GDP growth of around 6% this year and 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 rose by 1.8% in November, ahead of the benchmark return of 1.2%. For the 12 months to the end of November, the Fund generated a return of 20.1%, 4.7% ahead of the benchmark.

The MSCI Emerging Markets Index finished the month 4.1% lower in US dollar terms and the MSCI Global Small Companies Index fell by 4.8% as equity markets globally had a weaker month in November. A depreciating Australian dollar resulted in the composite index (in AUD terms) rising by 1.2%.

The weakness in Emerging Markets was broad-based, with China the only major component of the index to record a gain. In the Global Small Companies Index, the US market component had a difficult month (-4.5%), with Europe performing better (-2.5%).

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 and Europe (predominantly global small caps).

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