

Fiducian Global Smaller Companies and Emerging Markets Equities Fund



Monthly Report - December 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: \$161 million (December 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 31 December 2021

	1 Mth	3 Mth	6 Mth	1 Yr	3 Yrs	5 Yrs	7yrs	10 Yrs
Fund	1.7%	2.2%	3.1%	18.2%	14.7%	10.3%	9.6%	11.9%
Index	0.2%	-0.3%	-1.4%	12.8%	13.9%	11.1%	10.2%	12.8%
Excess	1.5%	2.5%	4.5%	5.4%	0.8%	-0.9%	-0.5%	-0.9%

Risk Exposure

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Fund Volatility (Std Dev %)	7.1%	13.9%	12.2%	11.2%

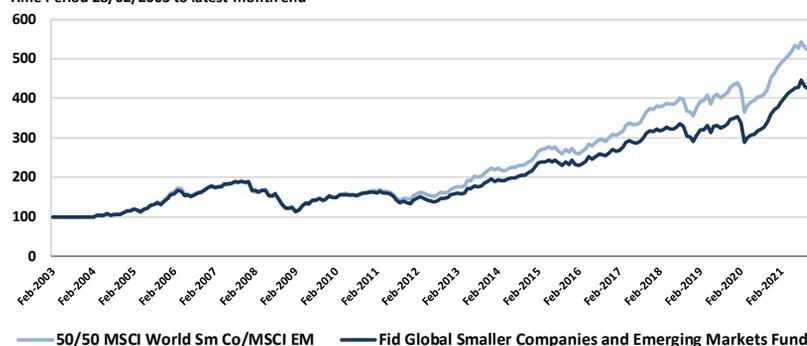
Overall Morningstar Rating™

★★

As at 31 December 2021

Investment Growth

Time Period 28/02/2003 to latest month end

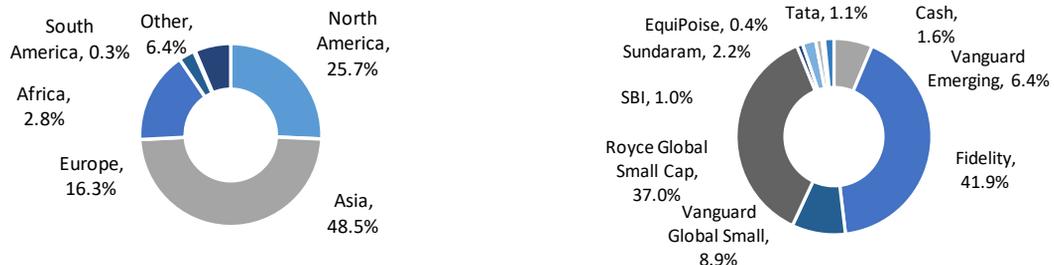


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Geographic exposures and current manager weights



Market Commentary and Outlook

The rapid spread through the month and into 2022 of the latest variant of the COVID-19 coronavirus (Omicron) has the potential to slow global economic growth for a time. So far, however, indications are that despite being highly contagious, this strain is less virulent or deadly than previous versions of the virus. Combined with high vaccination rates in most developed nations, the need for restrictive lockdowns is largely being avoided. Against this backdrop, the positive economic momentum seen across most of the world in 2021 is likely to be sustained in 2022.

Global equity markets ended 2021 on a positive note, with most indices recording gains for the month. For the year, the US market (S&P 500) finished 28.7% higher. European markets (MSCI Europe ex UK) were 24.4% higher for the year and the Australian market (ASX 200) gained 17.2%. Emerging markets (-2.2%) trailed developed markets (+22.3%), and property stocks outperformed the broader market. Government bond yields also moved higher over the year, as the scaling down of emergency stimulus programmes and recent higher than expected inflation data has brought forward the timeline for interest rate increases.

Looking ahead, leading indicators remain supportive of a continued economic recovery through 2022, with the IMF forecasting global GDP growth of around 5% for the year. 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 1.7% in December, ahead of the benchmark return of 0.2%. For the 12 months to the end of December, the Fund generated a return of 18.2%, 5.4% ahead of the benchmark.

The MSCI Global Small Cap index (in US dollars) finished the month 3.4% higher, and recorded a gain of 18.5% for the calendar year 2021. Emerging markets were also higher, with the index up 1.9% for the month, but ending the year 2.5% lower.

Global small caps finished the year broadly in line with global large caps (+21.8%), whereas emerging markets trailed developed markets. This underperformance by the sector was largely due to a weak Chinese market, which has a large weight in the emerging market index. A number of sector specific challenges, notably in IT and property, constrained returns during the year. Most of the countries in the emerging market index recorded modest gains for 2021, with the Indian market being a standout, rising by 25.0%.

Currently, the Fund has a modest overweight position in emerging markets (52%) versus global small caps (47%). 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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