

# Fiducian Global Smaller Companies and Emerging Markets Equities Fund



Monthly Report - April 2023

## 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:** \$147 million (April 2023)  
**Management cost:** 1.28%  
**Total management costs:** 1.33%  
**Application/Exit fee:** Nil  
**Inception Date:** February 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 2023

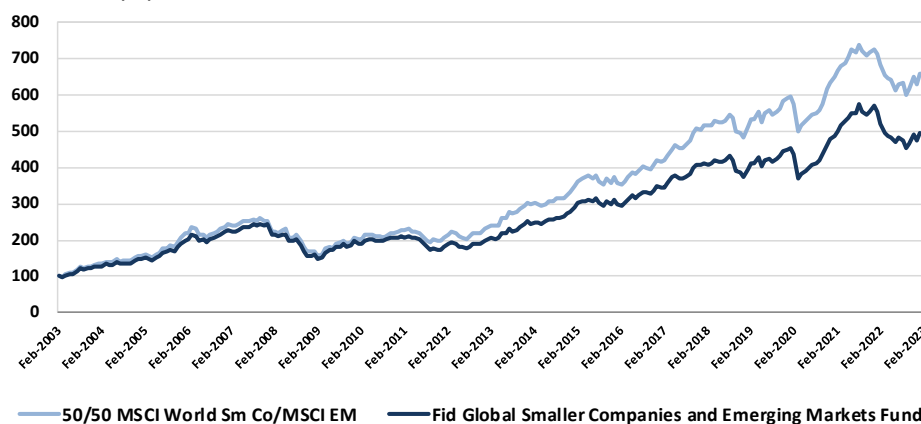
	1 Mth	3 Mth	6 Mth	1 Yr	3 Yrs	5 Yrs	7yrs	10 Yrs
Fund	0.6%	2.4%	9.4%	3.9%	9.4%	3.8%	7.2%	8.6%
Index	0.7%	1.8%	8.1%	3.5%	8.3%	4.5%	8.4%	9.6%
Excess	-0.1%	0.6%	1.3%	0.4%	1.2%	-0.7%	-1.3%	-0.9%

Risk Exposure

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Fund Volatility (Std Dev %)	12.0%	14.7%	13.3%	11.6%

Investment Growth

Time Period 28/02/2003 to latest month end

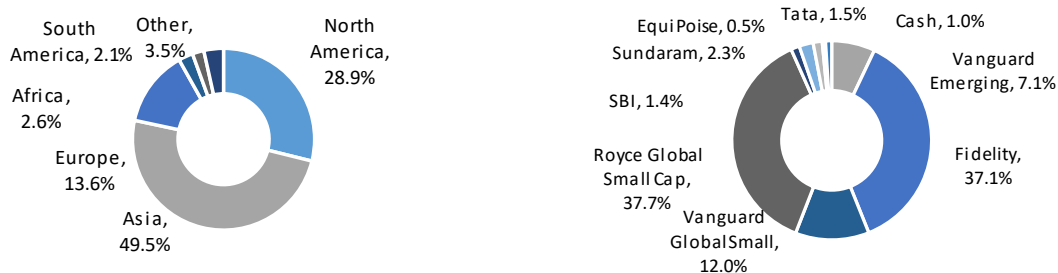


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## Geographic exposures and current manager weights



## Market Commentary and Outlook

The global economy has continued to slow, with manufacturing output contracting in most major economies in recent months. However, measures of activity in April for service industries continue to expand. Headline inflation numbers were lower during the month due to a decline in energy prices, but core measures of inflation generally remain well above central bank target ranges.

The Reserve Bank of Australia (RBA) elected to hold interest rates steady in April following ten consecutive increases. However, this pause was short-lived, with the RBA, along with the US Federal Reserve and European Central Bank increasing rates in early May.

Global equity markets recorded gains for the month. In the absence of any material surprises in economic data, the focus was on quarterly profit results from large US companies, which were generally above expectations. The US market (S&P 500 index) gained 1.5% for the month, and the Australian market (ASX 200 index) was 1.8% higher. Listed property stocks rebounded (+5.3%), but some key commodity prices declined over the month.

Looking ahead, elevated geopolitical risks, alongside higher interest rates and slower economic growth this year, represent potential headwinds for markets. The International Monetary Fund (IMF) recently made a small downgrade to its economic forecasts, with global growth now expected to be 2.8% in 2023. The IMF expects growth rates to remain slightly below long-term trend levels for some time. In broad terms, share markets continue to appear more attractive than most other investment opportunities.

## Fund Commentary

The Fund rose by 0.6% in April, ahead of the composite benchmark return of 0.7%. For the 12 months to the end of April, the Fund rose by 3.9%, which compared to the 3.5% return of the benchmark.

The MSCI Global Small Cap index (in US dollars) declined by 0.1%, which was below the performance of global large cap stocks. During April, large cap stocks outperformed small cap stocks in most global markets.

The MSCI Emerging Markets Index (in US dollars) declined by 1.1% over the month. The Indian stock market (BSE 100 index) had a strong month, gaining 4.1% while the Chinese stock market underperformed.

Despite a rebound in recent months, global small cap indices have seen broad market valuations (notably 1 year forward price to earnings ratios) decline to levels that are now low in historical terms and appear attractive relative to other investment opportunities.

Currently, the Fund has equal weightings in global small caps (49%) and emerging markets (49%). Global small caps have now outperformed 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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