

Fiducian Global Smaller Companies and Emerging Markets Equities Fund



Monthly Report - May 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: \$146 million (May 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 31 May 2023

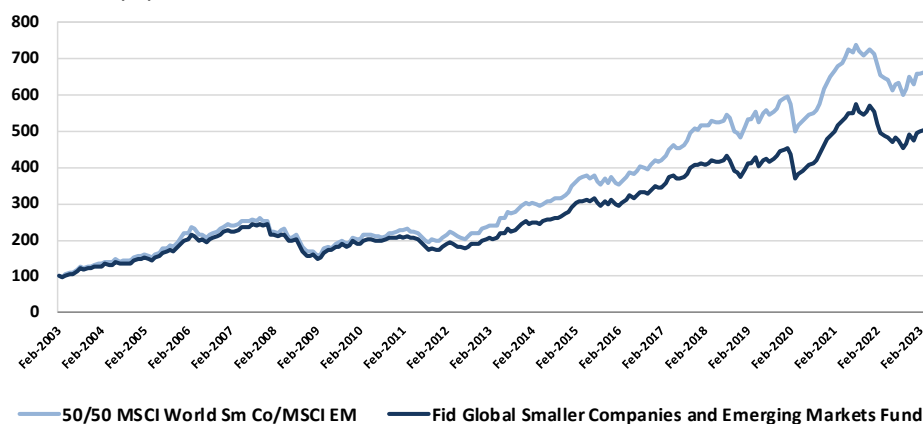
	1 Mth	3 Mth	6 Mth	1 Yr	3 Yrs	5 Yrs	7yrs	10 Yrs
Fund	-0.5%	1.4%	3.1%	4.7%	8.4%	3.9%	6.5%	7.9%
Index	-0.2%	1.5%	2.4%	4.1%	7.4%	4.6%	7.8%	8.8%
Excess	-0.4%	-0.1%	0.8%	0.5%	1.0%	-0.7%	-1.3%	-0.9%

Risk Exposure

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Fund Volatility (Std Dev %)	10.6%	10.5%	13.3%	11.4%

Investment Growth

Time Period 28/02/2003 to latest month end

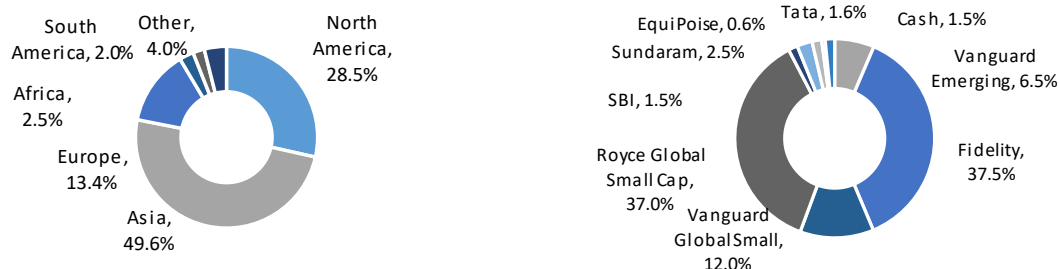


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Geographic exposures and current manager weights



Market Commentary and Outlook

Economic data released during May continued to point to a slowing outlook for the global economy. Whilst measures of activity in service industries continued to improve, manufacturing across most of the world continued to contract. More positive is that headline rates of inflation have continued to decline, partly driven by falling energy and commodity prices. However, the core levels of inflation monitored by central banks have remained elevated. During the month, the Reserve Bank of Australia, along with the US Federal Reserve and European Central bank again increased interest rates.

Equity market performance was mixed in May. The US market (S&P 500 index) gained 0.2%, despite some uncertainty regarding US debt ceiling negotiations. The Australian market (ASX 200 index) declined by 2.5%, and most European stock markets had negative returns. Bonds and listed property were also weaker during the month, and some key commodity prices also recorded declines due to a moderating economic outlook.

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. However, in broad terms, share markets continue to appear more attractive than most other investment opportunities.

Fund Commentary

The Fund declined by 0.5% in May, which was below the composite benchmark return of -0.2%. For the 12 months to the end of May, the Fund rose by 4.7%, which compared to the 4.1% return of the benchmark.

The MSCI Global Small Cap index (in US dollars) declined by 1.8% in May, which was below the performance of global large cap stocks. During May, large cap stocks outperformed small cap stocks in most markets.

The MSCI Emerging Markets Index (in US dollars) declined by 1.7% over the month but India outperformed, with the Indian stock market (BSE 100 index) gaining 3.2%. The Chinese stock market underperformed, amid signs that the Chinese economy was slowing.

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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The information has been compiled from sources considered reliable, but is not guaranteed. Past performance is not indicative of future performance and we do not guarantee the performance of the Fund or any specific rate of return. Potential investors should also obtain and consider the relevant Target Market Determination (TMD) and Product Disclosure Statement (PDS) (available from your financial adviser and via fiducian.com.au) before making a decision about whether to acquire or continue to hold any financial product.