

Fiducian Global Smaller Companies and Emerging Markets Equities Fund



Monthly Report - June 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 nine 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: \$149 million (June 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 June 2023

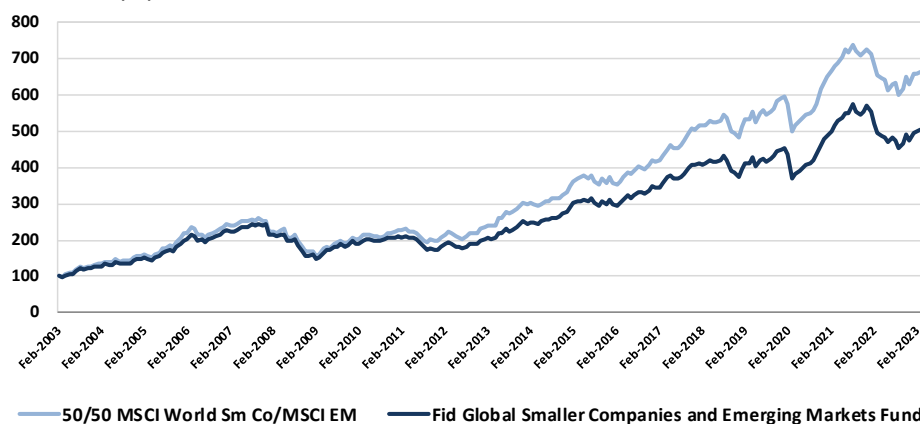
	1 Mth	3 Mth	6 Mth	1 Yr	3 Yrs	5 Yrs	7yrs	10 Yrs
Fund	2.5%	2.6%	9.5%	10.6%	8.9%	4.4%	7.2%	8.2%
Index	2.2%	2.7%	8.5%	11.3%	7.7%	5.0%	8.4%	9.0%
Excess	0.3%	-0.1%	1.0%	-0.7%	1.2%	-0.6%	-1.2%	-0.8%

Risk Exposure

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Fund Volatility (Std Dev %)	10.3%	10.5%	13.3%	11.4%

Investment Growth

Time Period 28/02/2003 to latest month end

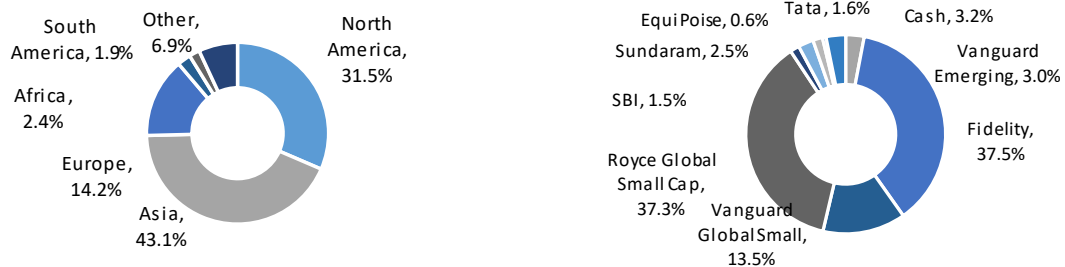


Fiducian Global Smaller Companies and Emerging Markets Equities Fund



Monthly Report - June 2023

Geographic exposures and current manager weights



Market Commentary and Outlook

Global economic growth slowed during the first half of 2023, as monetary tightening policies enacted by central banks to reduce high rates of inflation began to take effect. Manufacturing output has been contracting in most advanced economies, while retail sales have been weak, as have consumer and business confidence levels. On the other hand, employment data has been too strong.

The Reserve Bank of Australia increased interest rates by a further 0.25% in June, bringing the 'cash rate' to 4.1% and the cumulative increase this year to 1.0%, in line with actions taken by the US Federal Reserve. In Australia, the rate of inflation has moderated from a peak of 8.4% in December 2022 to the most recent measure of 5.6% in May.

Global equity markets had a strong month in June. The broad US market (S&P 500 index) gained 6.5% amid optimism that interest rates may be approaching a peak. Economic data, whilst indicating a slowing economy, has also been slightly better than forecast. The Australian market (ASX 200 index) rose 1.8% for the month. Year to date, developed market equities have performed well, with a 15.9% gain for the US market, a 4.5% rise for the Australian market and strong gains across most of Europe as well as Japan. Property stocks rose by 3.9% for the first half of the year, and bonds have been relatively flat.

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 rose by 2.5% in June, which was above the composite benchmark return of 2.3%. For the 12 months to the end of June, the Fund rose by 10.6%, which compared to the 11.1% return of the benchmark.

The MSCI Global Small Cap index gained 3.4% in June, which was in line with the performance of large cap stocks. Over the last 12 months, global small caps (+13.4%) have trailed large caps (+18.5%).

The MSCI Emerging Markets Index rose by 0.9% over the month. Gains were seen in China, India, Taiwan and South Korea. Over the last 12 months, emerging markets have risen 1.7%, significantly underperforming developed markets.

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).

Fiducian Investment Management Services Limited

Issued by Fiducian Investment Management Services Limited ABN 28 602 441 814 AFS Licence number 468211. This document provides general information only. It does not have regard to your objectives, financial situation or needs. We recommend that you seek financial planning advice, and consider whether this investment is appropriate to your objectives, financial situation and needs before making any investment decision. 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.