

Fiducian Global Smaller Companies and Emerging Markets Equities Fund



Monthly Report - August 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: \$148 million (August 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 August 2023

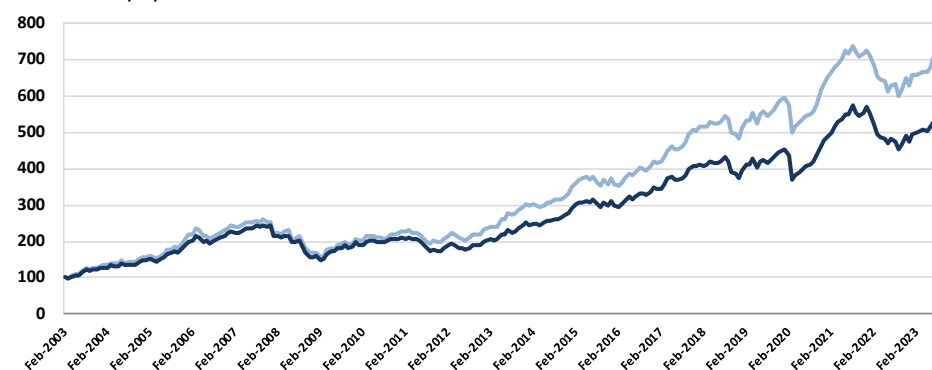
| | 1 Mth | 3 Mth | 6 Mth | 1 Yr | 3 Yrs | 5 Yrs | 7yrs | 10 Yrs |
|--------|-------|-------|-------|-------|-------|-------|-------|--------|
| Fund | -1.1% | 3.5% | 4.9% | 10.5% | 7.8% | 3.8% | 6.5% | 8.0% |
| Index | -1.1% | 5.3% | 6.9% | 11.2% | 7.8% | 4.9% | 8.0% | 8.8% |
| Excess | 0.1% | -1.8% | -2.0% | -0.7% | 0.0% | -1.1% | -1.5% | -0.8% |

Risk Exposure

| | 1 Yr | 3 Yrs | 5 Yrs | 10 Yrs |
|-----------------------------|-------|-------|-------|--------|
| Fund Volatility (Std Dev %) | 8.8% | 9.9% | 12.5% | 10.7% |
| Benchmark (Std Dev %) | 10.7% | 10.0% | 12.1% | 10.2% |
| Beta | 0.72 | 0.90 | 0.98 | 0.99 |
| Tracking Error (% pa) | 3.4% | 3.6% | 3.2% | 3.1% |

Investment Growth

Time Period 28/02/2003 to latest month end



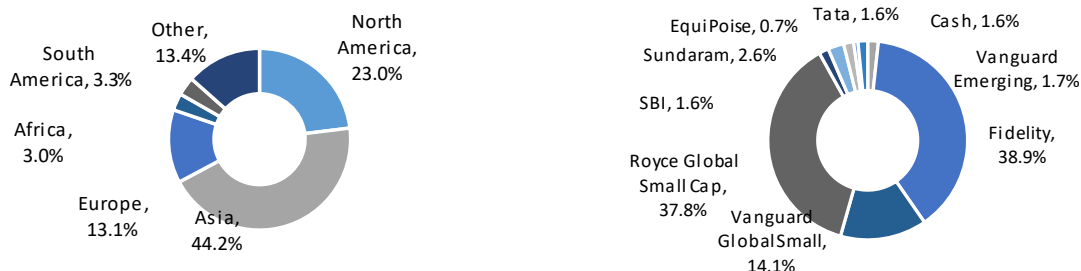
— 50/50 MSCI World Sm Co/MSCI EM — Fid Global Smaller Companies and Emerging Markets Fund

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Geographic exposures and current manager weights



Market Commentary and Outlook

Economic data across most developed countries continues to highlight sluggish growth at best in response to tight monetary policy being implemented in most jurisdictions. However, higher interest rates have been steadily pushing inflation lower, while unemployment rates have begun to rise modestly.

Overall, this combination of news was modestly negative for most asset class returns in August. The broad US market (S&P 500 index) declined by 1.7%, and the Australian stock market (ASX 200 index) declined by 0.7%. Australian listed property sector recorded gains during the month (+2.3%), and bulk commodity prices, including coal and iron ore, were also higher. The Australian dollar was weaker during the month, declining by 3.6% against the US dollar.

Looking ahead, geopolitical risks, alongside elevated interest rates and slower economic growth this year, represent potential headwinds for markets. The International Monetary Fund (IMF) is forecasting global growth to be 3.0% in both 2023 and 2024. 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 1.1% in August, which was in line with the composite benchmark return of -1.1%. For the 12 months to the end of August, the Fund rose by 10.5%, which compared to the 11.2% return of the benchmark.

The MSCI Global Small Cap index gained 0.1% in August (in AUD), which was below the performance of large cap stocks, which gained 1.6% (in AUD). Over the last 12 months, global small caps (+14.8%) have trailed large caps (+22.6%).

The MSCI Emerging Markets Index declined by 3.2% during the month. This was led by declines in the Chinese stock market (-5.2%), with most stock markets in the region also recording falls for the month. Concerns about economic growth in China, and particularly the negative outlook for the property sector have weighed on performance.

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 a modest overweight in global small caps (51%) and emerging markets (47%). Global small caps have underperformed 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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