

# Fiducian Global Smaller Companies and Emerging Markets Equities Fund



Monthly Report - November 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:** \$140 million (November 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		●			●

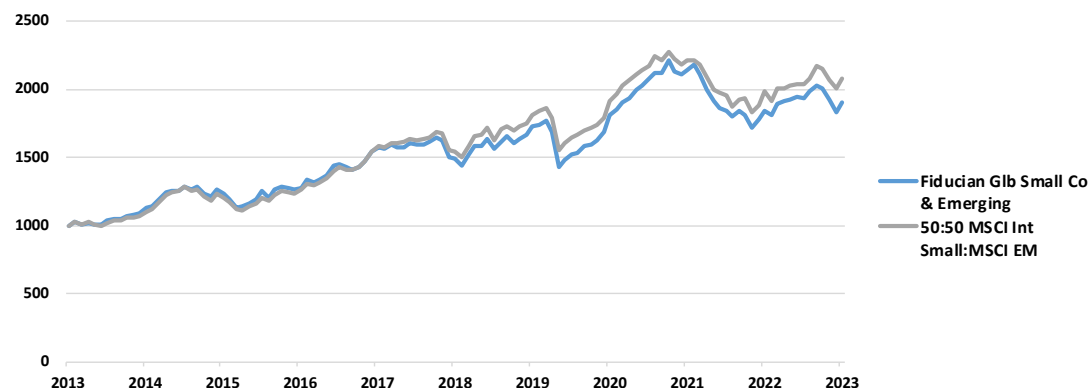
## Performance and Risk

After fee returns as at 30 November 2023

	1 Mth	3 Mth	6 Mth	1 Yr	3 Yrs	5 Yrs	7yrs	10 Yrs
Fund	3.8%	-5.0%	-1.7%	1.4%	2.1%	4.9%	5.7%	6.6%
Index	3.7%	-3.2%	2.0%	4.4%	2.7%	6.2%	7.4%	7.6%
Excess	0.1%	-1.8%	-3.7%	-3.0%	-0.6%	-1.2%	-1.7%	-1.0%

Risk Exposure

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Fund Volatility (Std Dev %)	9.7%	10.0%	12.5%	10.9%
Benchmark (Std Dev %)	9.7%	9.8%	11.9%	10.3%
Beta	0.85	0.92	0.99	1.01
Tracking Error (% pa)	3.6%	3.7%	3.3%	3.1%

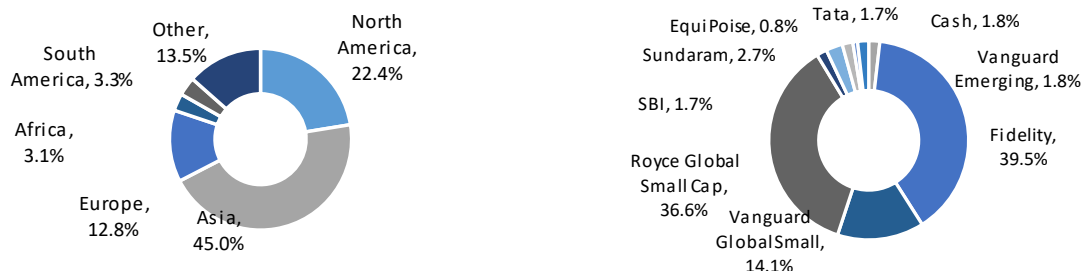


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## Geographic exposures and current manager weights



## Market Commentary and Outlook

There have been continued signs of economic activity moderating across most of the world, due to actions taken by global central banks to reduce inflation. In many regions, inflation rates are moving back towards target levels, and in some instances, have turned negative over the short term. This has caused the market to reassess the future path of interest rates, with expectations that rates may be on hold in the near term, and possibly reduced later in 2024.

The prospect of lower interest rates was positive for global markets, as the key US 10-year government bond yield fell from recent highs of 5.0% to finish the month at 4.4%. The broad US market (S&P 500 index) gained 8.9%, and the Australian stock market (ASX 200 index) gained 5.0%. Interest rate sensitive sectors were the best performers, and the Australian dollar rose by 4.4% 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 2023 and 2.9% in 2024, which is below the long-term trend rate of growth. However, in broad terms, share markets continue to appear more attractive than most other investment opportunities.

## Fund Commentary

The Fund rose by 3.8% in November, which was broadly in line with the composite benchmark return of 3.7%. For the 12 months to the end of November, the Fund rose by 1.4%, which compared to the 4.4% return of the benchmark.

The MSCI Global Small Cap index gained 4.3% in November (in AUD), which was in-line with the performance of global large cap stocks, which gained 4.4% (in AUD). Over the last 12 months, global small caps (+3.3%) have trailed large caps (+14.4%).

The MSCI Emerging Markets Index gained 3.1% during the month. A number of markets, including South Korea and India recorded strong gains for the month, whilst the Chinese market was relatively flat.

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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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.