

# Fiducian Global Smaller Companies and Emerging Markets Equities Fund



Monthly Report - December 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:** \$143 million (December 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		●			●

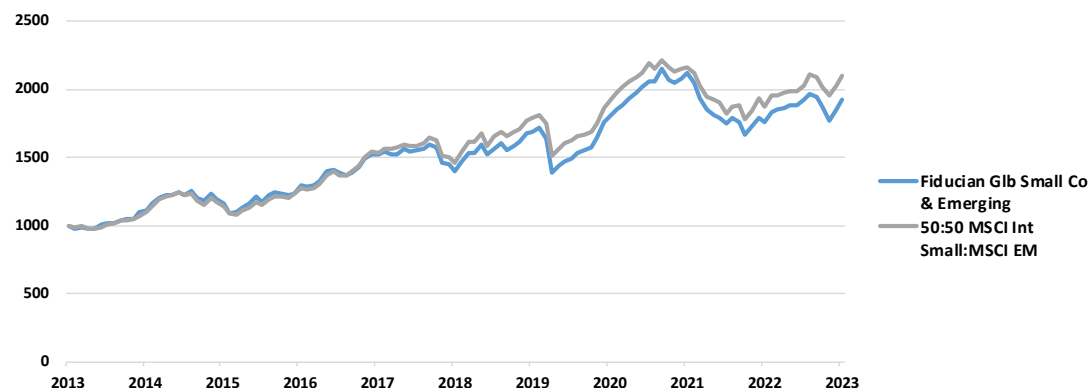
## Performance and Risk

After fee returns as at 31 December 2023

	1 Mth	3 Mth	6 Mth	1 Yr	3 Yrs	5 Yrs	7yrs	10 Yrs
Fund	4.2%	3.0%	-0.1%	9.4%	2.4%	6.5%	5.8%	6.7%
Index	3.7%	4.2%	3.6%	12.4%	3.1%	7.5%	7.4%	7.7%
Excess	0.5%	-1.2%	-3.6%	-3.0%	-0.7%	-1.0%	-1.6%	-1.0%

### Risk Exposure

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Fund Volatility (Std Dev %)	10.0%	10.1%	12.5%	10.9%
Benchmark (Std Dev %)	9.2%	9.9%	11.9%	10.3%
Beta	0.95	0.92	0.99	1.00
Tracking Error (% pa)	3.1%	3.7%	3.3%	3.1%

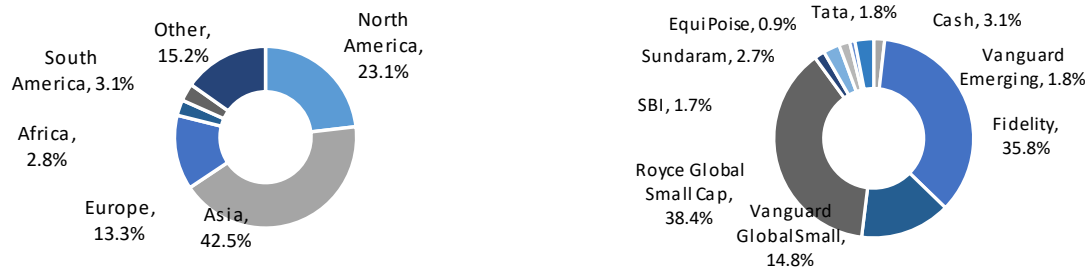


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## Geographic exposures and current manager weights



## Market Commentary and Outlook

Global monetary policy tightening, which commenced in early 2022, slowed the levels of economic growth across most of the world in 2023. In recent months too, it appears that this policy has been proving effective in achieving its aim of lowering inflation, with rates of inflation returning towards the target levels of most central banks. This has increased the likelihood that interest rates will remain on hold in the near term, and may be cut in the later part of 2024 if current trends persist.

Global markets enjoyed a strong finish for the year. The broad US market (S&P 500 index) gained 4.4% in December, and the Australian stock market (ASX 200 index) gained 7.3%. Listed property had another strong month, and falling yields produced positive returns for bonds. For calendar year 2023, all major global equity markets, with the exception of China, generated positive returns.

Looking ahead, less restrictive monetary policy could be positive for markets. However, geopolitical risks, alongside slower economic growth in the coming year represent potential headwinds. The International Monetary Fund (IMF) is forecasting global growth to be 2.9% in 2024, which is below the long-term trend rate of growth. In broad terms, share markets continue to appear more attractive than most other investment opportunities.

## Fund Commentary

The Fund rose by 4.2% in December, which was above the composite benchmark return of 3.7%. For the 12 months to the end of December, the Fund rose by 9.4%, which compared to the 12.4% return of the benchmark.

The MSCI Global Small Cap index gained 6.5% in December (in AUD), which was above the performance of the global large cap index, which gained 4.4% (in AUD). Over the 2023 calendar year, global small caps (+15.4%) have trailed large caps (+23.2%).

The MSCI Emerging Markets Index gained 1.0% 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. For the full year 2023, emerging markets returned 9.1%. Most emerging markets rose strongly for the year, with the exception of the Chinese market which declined.

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 an overweight position in global small caps (53%) relative to emerging markets (46%). 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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