

Fiducian Global Smaller Companies and Emerging Markets Equities Fund



Monthly Report - July 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: \$150 million (July 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 July 2023

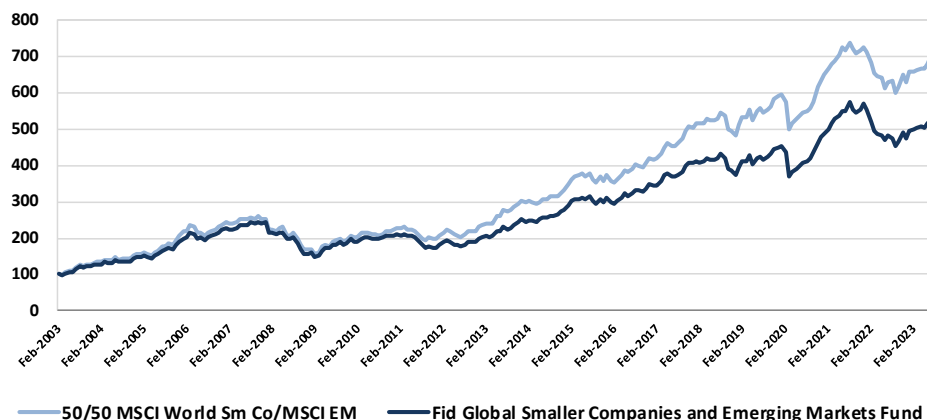
	1 Mth	3 Mth	6 Mth	1 Yr	3 Yrs	5 Yrs	7yrs	10 Yrs
Fund	2.0%	4.1%	6.6%	9.5%	8.6%	4.6%	7.0%	7.9%
Index	4.3%	6.4%	8.3%	12.7%	8.5%	5.7%	8.6%	8.8%
Excess	-2.2%	-2.3%	-1.7%	-3.2%	0.1%	-1.1%	-1.5%	-0.9%

Risk Exposure

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Fund Volatility (Std Dev %)	10.3%	10.3%	13.3%	11.3%

Investment Growth

Time Period 28/02/2003 to latest month end

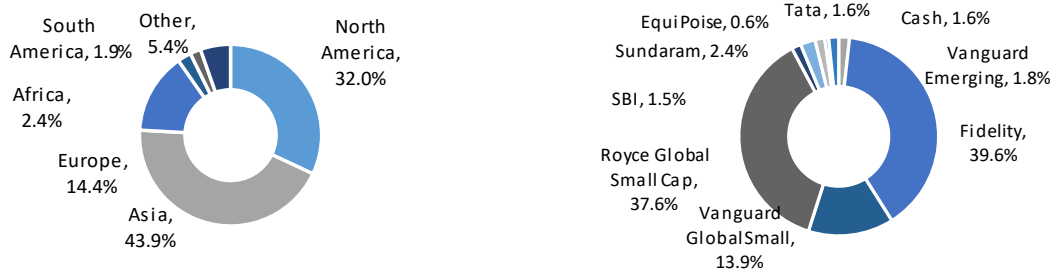


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Geographic exposures and current manager weights



Market Commentary and Outlook

Economic data was largely positive in July, as inflation measures in both the US and Australia showed larger than expected declines, although current inflation rates remain above central bank targets. Additionally, US economic growth over the June quarter was better than market expectations, raising hopes of a so-called 'soft landing' for the US economy.

However, the global economy continues to face challenges. Manufacturing activity is still contracting in most advanced economies, consumer confidence remains low and employment data has been too strong (adding upwards pressure on inflation).

Overall, this backdrop was positive for markets. The broad US market (S&P 500 index) gained 3.1% and the Australian market (ASX 200 index) rose 2.9% for the month. The listed property sector gained 3.8%, and bonds also recorded a small positive return. Most commodity prices increased during the month, with the oil price rising by 16%.

Looking ahead, geopolitical risks, alongside elevated interest rates and slower economic growth this year, represent potential headwinds for markets. The International Monetary Fund (IMF) recently made a minor upgrade to its economic forecasts, with global growth now expected 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 rose by 2.0% in July, which was below the composite benchmark return of 4.3%. For the 12 months to the end of July, the Fund rose by 9.5%, which compared to the 12.7% return of the benchmark.

The MSCI Global Small Cap index gained 3.6% in July, which was above the performance of large cap stocks, which gained 2.1%. Over the last 12 months, global small caps (+12.7%) have trailed large caps (+17.6%).

The MSCI Emerging Markets Index rose by 4.9% over the month. Gains were seen in China, India, Taiwan and South Korea. The China stock market was particularly strong following the announcement of economic stimulus measures. Over the last 12 months, emerging markets have risen 12.2%, 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 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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