

Fiducian Global Smaller Companies and Emerging Markets Equities Fund



Monthly Report - February 2024

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 (February 2024)

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		●			●

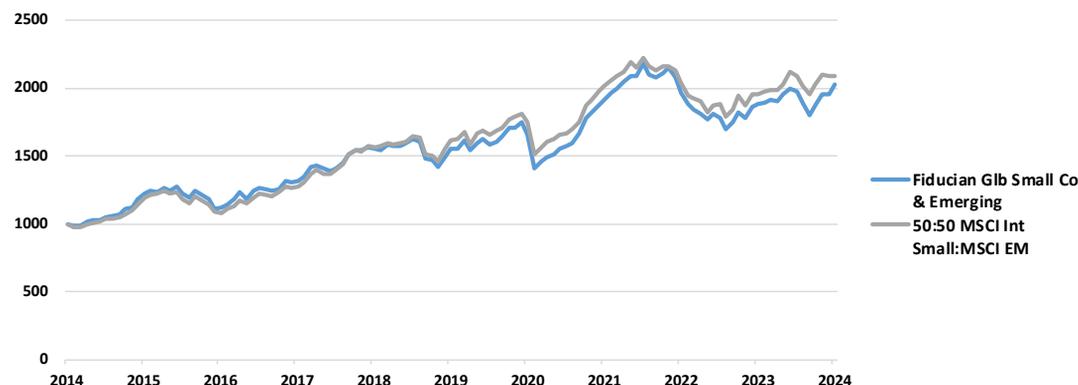
Performance and Risk

After fee returns as at 29 February 2024

	1 Mth	3 Mth	6 Mth	1 Yr	3 Yrs	5 Yrs	7yrs	10 Yrs
Fund	5.0%	8.2%	2.8%	7.9%	2.0%	5.3%	6.4%	7.2%
Index	5.7%	8.9%	5.5%	12.7%	3.0%	6.4%	8.1%	8.2%
Excess	-0.7%	-0.7%	-2.6%	-4.9%	-1.0%	-1.1%	-1.7%	-1.0%

Risk Exposure

	1 Yr	3 Yrs	5 Yrs	10 Yrs
Fund Volatility (Std Dev %)	9.8%	10.2%	12.3%	10.9%
Benchmark (Std Dev %)	8.5%	9.8%	11.6%	10.3%
Beta	0.92	0.92	0.99	1.00
Tracking Error (% pa)	4.9%	4.4%	3.7%	3.4%

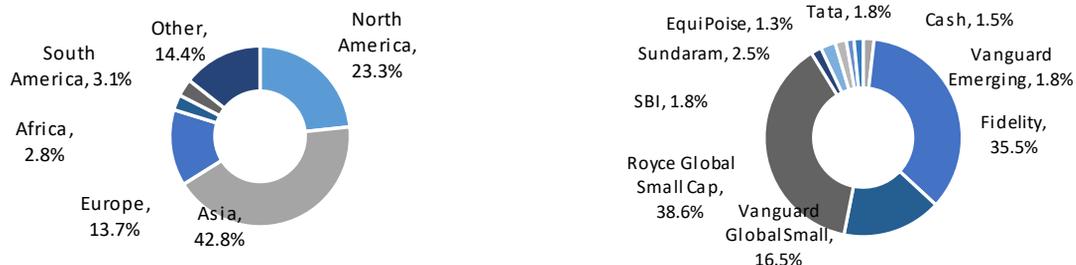


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Geographic exposures and current manager weights



Market Commentary and Outlook

Measures of global economic growth have generally been better than expected in recent months. There have been some signs of improvement in manufacturing activity, and consumer spending has remained robust. The downside to this is that inflation has also been slightly higher, and interest rates are likely to stay 'higher for longer' than previously anticipated.

Global equity market performance was strong in February. In the US, the broad market (S&P 500 index) gained 5.2%, bolstered by a number of positive earnings announcements, and the Australian stock market (ASX 200 index) gained 0.8%. Emerging markets rebounded, led by gains in China (+8.1%) following the announcement of government measures to support the stock market. Fixed income returns were negative as longer term bond yields increased.

Looking ahead, monetary policy could become less restrictive this year, which may be positive for markets. However, geopolitical risks, alongside slower economic growth in the coming year represent potential headwinds. The International Monetary Fund (IMF) recently updated its economic outlook, and is now forecasting global growth to be 3.1% in 2024. This is above previous estimates, but still 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 5.0% in February, which was below the composite benchmark return of 5.7%. For the 12 months to the end of February, the Fund rose by 7.9%, which compared to the 12.7% return of the benchmark.

The MSCI Global Small Cap index gained 5.0% in February (in AUD), which was below the performance of the global large cap index, which gained 5.9% (in AUD).

The MSCI Emerging Markets Index gained 6.3% during the month. Gains were led by the Chinese market (+8.3%) following government announcements to support the stock market. South Korea (+5.8%) and India (+2.2%) also recorded gains in February.

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 (55%) relative to emerging markets (44%). 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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