

Fiducian Global Smaller Companies and Emerging Markets Equities Fund



Monthly Report - March 2022

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 five to seven 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: \$144 million (March 2022)
Management cost: 1.28%
Total management costs: 1.33%
Application/Exit fee: Nil
Inception Date: January 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 March 2022

| | 1 Mth | 3 Mth | 6 Mth | 1 Yr | 3 Yrs | 5 Yrs | 7yrs | 10 Yrs |
|--------|-------|--------|--------|-------|-------|-------|-------|--------|
| Fund | -4.9% | -13.0% | -11.0% | -4.6% | 6.2% | 6.7% | 6.0% | 9.1% |
| Index | -4.2% | -9.8% | -10.0% | -5.2% | 6.3% | 8.3% | 7.0% | 10.3% |
| Excess | -0.8% | -3.2% | -1.0% | 0.6% | -0.1% | -1.6% | -1.0% | -1.2% |

Risk Exposure

| | 1 Yr | 3 Yrs | 5 Yrs | 10 Yrs |
|-----------------------------|-------|-------|-------|--------|
| Fund Volatility (Std Dev %) | 10.6% | 14.5% | 12.8% | 11.4% |

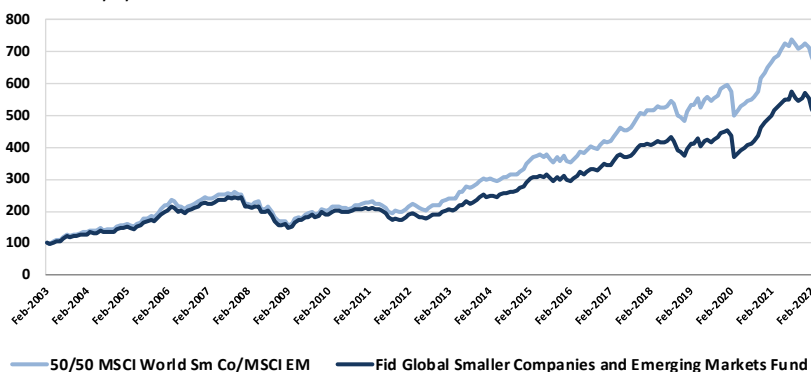
Overall Morningstar Rating™

★★

As at 31 March 2022

Investment Growth

Time Period 28/02/2003 to latest month end



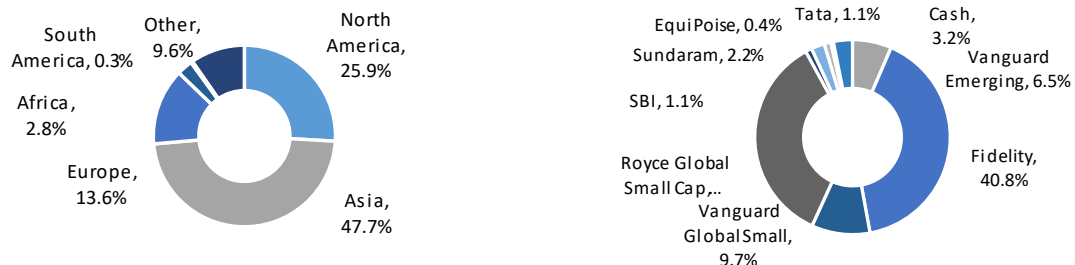
— 50/50 MSCI World Sm Co/MSCI EM — Fid Global Smaller Companies and Emerging Markets Fund

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Geographic exposures and current manager weights



Market Commentary and Outlook

The global economy continued to expand in the March quarter this year, following its strong rebound last year from the global recession of 2020. However, looking ahead, according to the International Monetary Fund, growth could be lower than previously forecast due to the Russian invasion of Ukraine. This has already led to significantly higher prices for energy, metals and grains, which has fed into higher inflationary pressures more generally. While unemployment has continued to trend lower and wages growth to trend higher, consumer and business sentiment has recently been dented.

Key equity markets around the world finished the month higher, including the broad US market (S&P500 index), which rose by 3.6%, Japan (up 4.9%), the UK (up 1%) and Australia (up 6.9%), with gains in commodity and energy prices supporting the domestic market. In fixed income markets, the US central bank increased interest rates by 0.25%, signaling the start of a tightening cycle. This followed recent moves in the UK and Canada to increase rates from record low levels. The Reserve Bank of Australia is also expected to increase rates in coming months.

Looking ahead, elevated geopolitical risks, alongside the likelihood of higher interest rates this year represent potential headwinds to markets. However, in broad terms, share markets continue to appear more attractive than most other investment opportunities, including bonds and cash.

Fund Commentary

The Fund declined by 4.9% in March, behind the composite benchmark return of -4.2%. For the 12 months to the end of March, the Fund declined by 4.6%, which was 0.6% ahead of the benchmark.

The MSCI Global Small Cap index (in US dollars) finished the month 1.4% higher, while the MSCI Emerging Markets Index (in US dollars) was down by 2.3%.

Global small caps slightly underperformed large company shares over the month, in contrast to the previous month's out-performance by the small cap sector.

Emerging markets were weaker for the month, largely due to a decline in the Chinese market, an index heavyweight. After having previously apparently controlled the spread of the COVID-19 coronavirus (which originated in the central Chinese city of Wuhan), the country is now experiencing a new severe outbreak of the pandemic and it has resorted to strict lockdowns in a number of major cities to prevent its spread. The Chinese market declined by 6.1%, in contrast to a number of other Asian markets, including Korea, Singapore and Taiwan, which recorded gains for the month.

Currently, the Fund has a modest overweight position in emerging markets (52%) versus global small caps (46%). Both sectors should perform strongly as the global economy continues to recover over the coming year. Regionally, the largest exposures are Asia (largely emerging markets) followed by North America and Europe (predominantly global small caps).

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