

Realindex Australian Small Companies Fund-Class A

Monthly Factsheet

31 May 2021

For Adviser use only

Portfolio Description

The portfolio invests in smaller Australian companies by selecting and weighting companies based on fundamental measures of company size.

Investment Strategy

Realindex forms a universe of smaller Australian companies based on accounting measures. Factors such as quality, near-term value and momentum are applied to form a final portfolio of companies. The resulting portfolio has a value tilt relative to the benchmark and provides the benefits of being lower in cost, lower turnover and highly diversified compared to traditional active investment strategies.

Investment Objective

To provide capital and income growth by investing in smaller Australian companies and outperforming the S&P/ASX Small Ordinaries Accumulation Index over rolling five-year periods before fees and taxes.

Product Overview

APIR code	FSF0978AU
Inception date	17 November 2008
Fund Size (A\$)	1,278 million
Benchmark	S&P/ASX Small Ordinaries Accumulation Index
Number of stock holdings	219
Buy / Sell spread	0.05% / 0.05%
Minimum investment (A\$)	25,000
Management cost (p.a.)*	0.59%

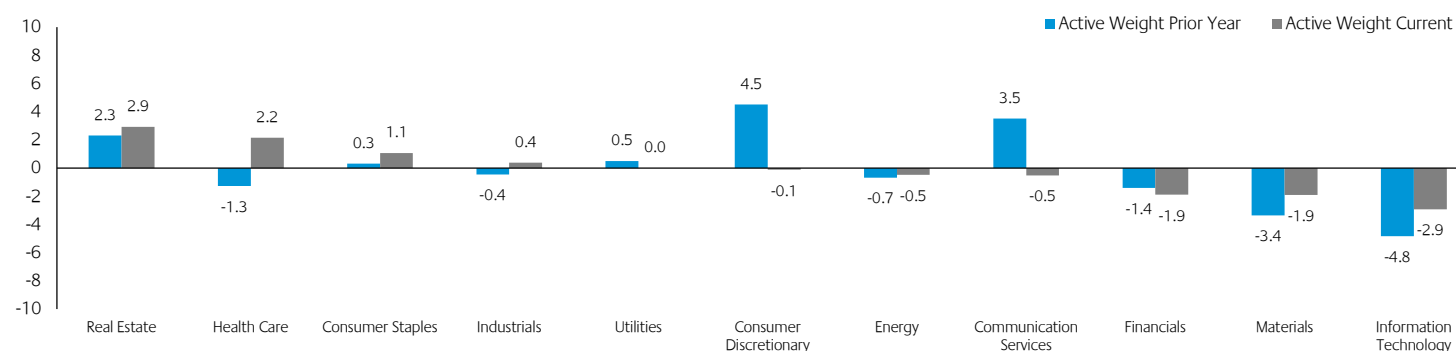
* Information on Management Costs (including estimated indirect costs) is set out in the Fund's PDS.

Performance Summary (%)

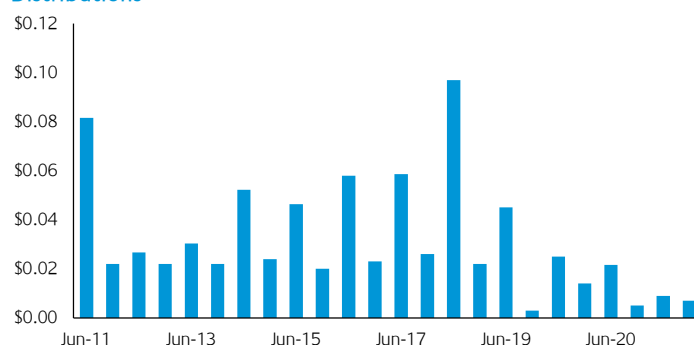
Period	1mth	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	0.4	6.6	29.7	7.8	10.6	10.5	9.6	11.9
Benchmark return	0.3	6.1	26.7	7.9	10.3	9.4	5.1	8.4
Excess net return	0.2	0.6	3.0	-0.1	0.4	1.1	4.5	3.5
Income return	0.0	0.6	5.2	7.9	8.1	8.1	8.0	7.4
Growth return	0.4	6.0	24.5	-0.1	2.5	2.4	1.6	4.5

Note: Net return is the return after management fee

Fund Active Sector Positions (%)



Distributions



Top 10 Holdings

Stock	Fund Weight	Benchmark Weight	Active Weight
Super Retail Group	2.10	0.80	1.30
Primary Health Care	1.67	0.85	0.82
Growthpoint Properties Australia	1.65	0.44	1.21
Pendal Group	1.54	0.87	0.67
New Hope	1.51	0.23	1.28
Premier Investments	1.49	1.03	0.46
Australian Pharmaceutical Industries	1.48	0.18	1.29
Pact Group	1.40	0.27	1.13
Platinum Asset Management	1.38	0.53	0.85
Inghams	1.36	0.51	0.86

Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	10.3	21.3	17.6	16.3	15.6	17.0
Benchmark standard deviation (%)	12.5	21.2	17.6	16.6	16.7	17.2
Tracking error (%)	3.3	4.8	4.6	4.6	5.2	5.8
Fund Sharpe ratio	2.9	0.4	0.5	0.5	0.5	0.5
Information ratio	0.9	0.0	0.1	0.2	0.9	0.6
Beta	0.8	1.0	1.0	0.9	0.9	0.9
Cashflow adjusted turnover (%)	28.1	24.4	24.0	27.1	26.6	

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Top 5 Contributors To Performance (1 Month)

Stock	Value added
EML Payments	0.30%
New Hope	0.25%
Zip Co	0.16%
Seven Group	0.09%
Flight Centre	0.09%

Top 5 Detractors From Performance (1 Month)

Stock	Value detracted
Chalice Gold Mines Limited	-0.22%
Ausdrill	-0.21%
Fisher & Paykel Healthcare	-0.21%
OM Holdings	-0.14%
Grange Resources	-0.12%

The Realindex Australian Small Companies Fund returned +0.43% (net of fees) during May, outperforming the S&P/ASX Small Ordinaries benchmark which returned +0.27%.

Value stocks outperformed Growth stocks by 0.4% over the month (S&P Australia SmallCap Value +0.7% vs. Growth +0.3%). Over the past year, Value has outperformed Growth by 4.3%, and on a five year basis underperformed by 1.0% p.a..

The portfolio's underweight allocation to the weak Information Technology sector was by far the largest contributor to performance. This came largely from stocks the portfolio is very underweight including EML Payments (-41.9%) and Nuix (-33.1%).

The portfolio benefitted from not holding several companies that are in the Small Ordinaries benchmark but are considered a 'large' company according to their accounting measures that define our portfolio construction. This includes Flight Centre (-9.1%), Nufarm (-7.3%) and Seven Group (-7.0%).

Stock selection within Materials was the biggest sector detractor driven largely by the net underweight exposure to gold stocks (after the commodity gained over 8% over the month). Overweights to poor performing mining services companies, including Perenti (-38.5%) and OM Holdings (-18.9%) also detracted from relative performance.

At the stock level an overweight to New Hope (+24.9%) was one of the largest contributors and more than able to offset not holding fellow coal company Whitehaven (+23.1%, unheld as similar to the names above it is also a large company under our methodology).

The portfolio offers a valuation discount to the market-cap benchmark, as measured by price-to-sales (24.0% discount), price-to-cashflow (18.4% discount), and price-to-book (16.0% discount), as well as a dividend yield higher than the benchmark (35.3% premium).

Note: Percentage figures in parenthesis show total return in Australian dollars for the month ending 31 May 2021 unless otherwise noted.

Performance returns are calculated net of management fees and transaction costs. Performance returns for periods greater than one year are annualised. Past performance is not a reliable indicator of future performance.

Data source: First Sentier Investors 2021

Data as at: 31 May 2021

Portfolio Beta measures the portfolio's sensitivity to benchmark movements. Mathematically, it is the covariance of the portfolio vs the benchmark divided by the variance of the benchmark. The covariance and variance are ex ante calculations based on current weights and historic patterns of return over the past five years.

Turnover is the average of sales and purchases divided by the average portfolio size. **Cashflow Adjusted Turnover** is the same as above, except that the lesser of sales and purchases is used in place of the average of the two. This is to adjust for turnover that is related to investing inflows or selling stocks to meet outflows rather than related to active management of the portfolio.

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