

Realindex Australian Share Fund-Class A

Quarterly Factsheet

31 December 2020

Portfolio Description

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

Investment Strategy

Realindex forms a universe of 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 Australian shares and outperforming the S&P/ASX 200 Accumulation Index over rolling five year periods before fees and taxes.

Product Overview

APIR code	FSF0976AU
Inception date	17 November 2008
Fund Size (A\$)	6,148 million
Benchmark	S&P/ASX 200 Accumulation Index
Number of stock holdings	201
Buy / Sell spread	0.05% / 0.05%
Minimum investment (A\$)	25,000
Management cost (p.a.)*	0.36%

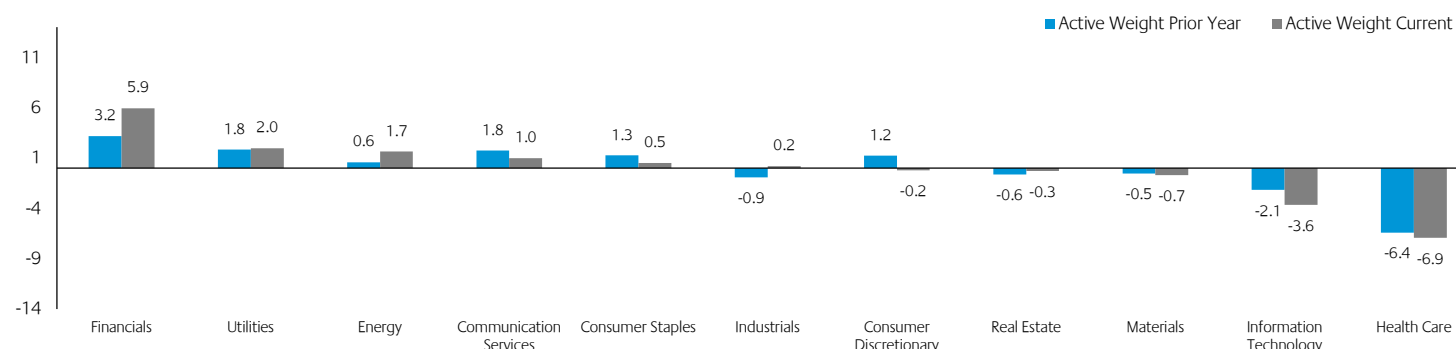
* Information on Management Costs (including estimated indirect costs) is set out in the Fund's PDS.

Performance Summary (%)

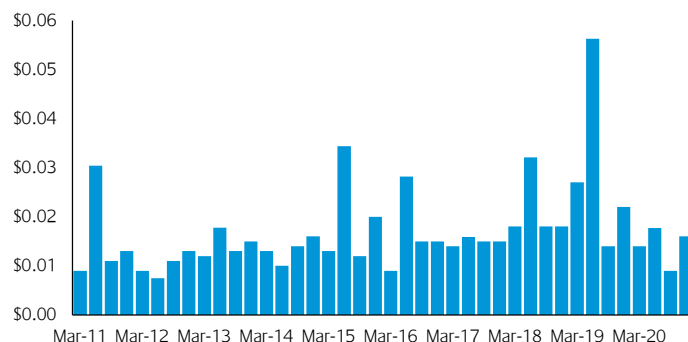
Period	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	17.9	1.2	5.8	9.0	7.0	8.0	9.9
Benchmark return	13.7	1.4	6.7	8.7	7.4	7.8	9.6
Excess net return	4.2	-0.2	-0.9	0.3	-0.4	0.1	0.3
Income return	1.4	5.0	7.1	6.6	6.3	6.1	5.7
Growth return	16.4	-3.8	-1.3	2.4	0.7	1.9	4.1

Note: Net return is the return after management fee

Fund Active Sector Positions (%)



Distributions



Top 10 Holdings

Stock	Fund Weight	Benchmark Weight	Active Weight
Commonwealth Bank	7.29	7.93	-0.64
BHP Group	6.11	6.80	-0.69
ANZ Bank	6.03	3.51	2.52
Westpac Bank	5.84	3.81	2.04
National Australia Bank	5.47	4.05	1.43
Telstra	3.09	1.93	1.16
Fortescue Metals	2.90	2.12	0.78
Woolworths	2.73	2.71	0.02
Wesfarmers	2.70	3.11	-0.41
Rio Tinto	2.17	2.30	-0.13

Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	28.9	18.3	15.4	14.7	13.8	14.4
Benchmark standard deviation (%)	27.2	17.5	14.9	14.3	13.5	13.8
Tracking error (%)	3.5	2.4	2.5	2.2	2.1	2.3
Fund Sharpe ratio	0.0	0.3	0.5	0.4	0.4	0.5
Information ratio	-0.1	-0.4	0.1	-0.2	0.1	0.1
Beta	1.1	1.0	1.0	1.0	1.0	1.0
Cashflow adjusted turnover (%)	15.0	14.6	14.6	14.3	13.9	

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Top 5 Attributors To Performance (3 Months)

Stock	Value added
CSL	0.99%
ANZ Bank	0.48%
Fortescue Metals	0.25%
Transurban	0.25%
Newcrest Mining	0.24%

Top 5 Detractors From Performance (3 Months)

Stock	Value detracted
Afterpay Touch	-0.40%
Xero	-0.21%
AGL	-0.14%
Telstra	-0.08%
Coles Group	-0.07%

The Realindex Australian Shares Fund returned +17.88% (net of fees) during the December quarter, outperforming the S&P/ASX 200 benchmark which returned +13.70%.

Whilst the market returns were positive in each of the three months nearly all the return came in November when the Australian market delivered its best month in over 30 years (S&P/ASX 200 +10.2%). Within this strong market was a prominent rotation into Value and domestic cyclical stocks. As a result Value stocks strongly outperformed Growth stocks by 8.3% over the quarter (S&P Australia BMI Value +18.8% vs. Growth +10.4%).

The portfolio has been positioned in value companies with solid fundamentals that have been neglected or lagged in the strong growth-oriented market of recent times. Whilst uncomfortable, we have often said that it is prudent to be patient as there is typically very little warning when thematics reverse - the rotation into value mid-quarter was one of these moments.

After detracting over recent times, the underweight to Healthcare was the standout performer at the sector level. This was largely driven by the portfolio's large underweight to CSL (-1.3%) and was supplemented by a large bounce in beaten up value stocks in the aged care industry including Japara (+59.0%), Regis Healthcare (+81.7%) and Estia (+21.7%).

The portfolio's overweight allocation to the Financials sector was also a large contributor to relative performance. This largely came from the portfolio's net overweight to banks, specifically overweights to ANZ (+34.2%) and NAB (+29.1%).

Materials also added value with the portfolio's large underweight to gold stocks adding to performance (although gold was only down -0.4% for the quarter), including Newcrest Mining (-17.5%) and St Barbara (-20.8%). The large overweight to Fortescue (+43.7%) was a large contributor as the stock continued to set all time price highs as the Iron Ore price surged (+28.6% over the quarter).

The only significant sector level detractor was the portfolio's underweight to Information Technology. This mostly came from not holding Afterpay (+47.5%) which again reached an all time high, becoming the 14th largest company in the Australian market (bigger than established names such as Coles, Woodside and Brambles). On valuations these numbers seem extreme for a company that is not expecting to make a profit for at least the next 3 years.

The portfolio offers a valuation discount to the market-cap benchmark, as measured by price-to-sales (30.8% discount), price-to-cashflow (19.5% discount), and price-to-book (11.8% discount), as well as a dividend yield higher than the benchmark (12.5% premium).

Note: Percentage figures in parenthesis show total return in Australian dollars for the quarter ending 31 December 2020 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 2020

Data as at: 31 December 2020

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.

www.realindex.com.au

For further information

Personal investors

Speak with your Financial Adviser whether our products are appropriate, in light of your investment needs, objectives and financial situation.

Download Product Disclosure Statements from below website link.

www.firstsentierinvestors.com.au/individual-pds

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