

Realindex Australian Small Companies Fund-Class A

Monthly Factsheet

31 January 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\$)	1,208 million
Benchmark	S&P/ASX Small Ordinaries Accumulation Index
Number of stock holdings	191
Buy / Sell spread	0.05% / 0.05%
Minimum investment (A\$)	25,000
Management cost (p.a.)*	0.59%

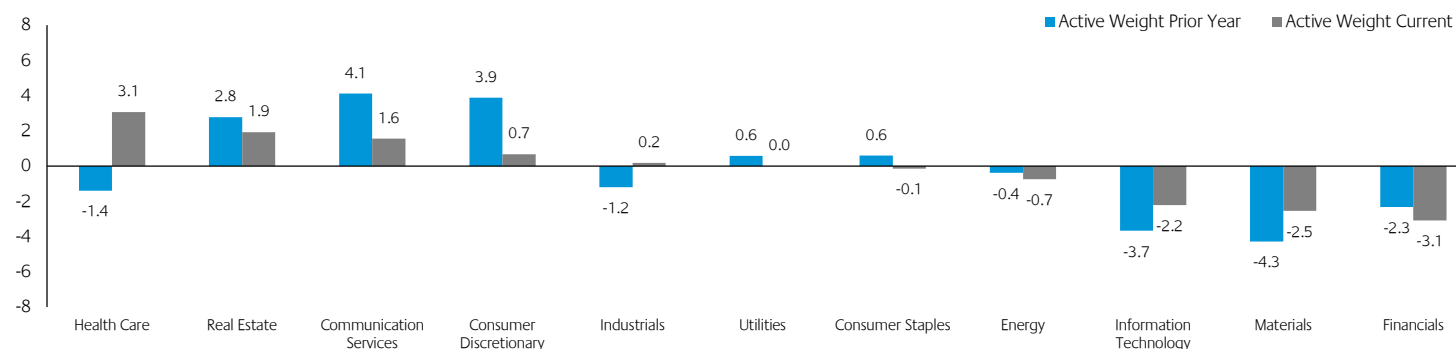
* Information on Management Costs (including estimated indirect costs) is set out in the Fund's PDS.

Performance Summary (%)

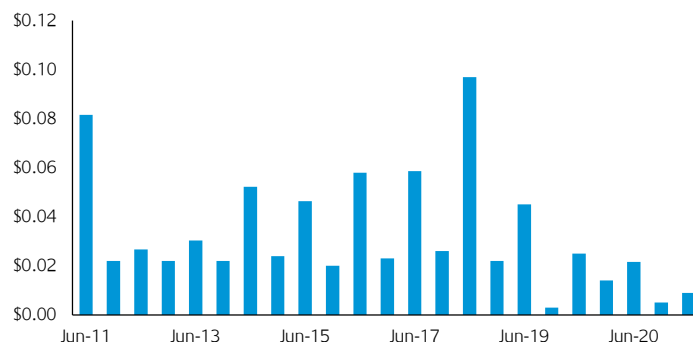
Period	1mth	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	-0.3	12.8	2.7	6.2	12.4	9.6	8.7	11.5
Benchmark return	-0.3	13.0	5.4	6.7	11.6	8.6	4.0	8.0
Excess net return	0.0	-0.2	-2.7	-0.5	0.9	0.9	4.7	3.6
Income return	0.0	0.9	5.4	7.6	8.1	7.9	7.9	7.5
Growth return	-0.3	11.9	-2.7	-1.4	4.3	1.7	0.8	4.1

Note: Net return is the return after management fee

Fund Active Sector Positions (%)



Distributions



Top 10 Holdings

Stock	Fund Weight	Benchmark Weight	Active Weight
Super Retail Group	2.24	0.75	1.49
Primary Health Care	1.66	0.85	0.82
Australian Pharmaceutical Industries	1.59	0.21	1.38
Fisher & Paykel Healthcare	1.44	0.00	1.44
Chorus Limited	1.39	1.47	-0.08
Premier Investments	1.36	0.94	0.42
Independence Group	1.35	1.80	-0.45
Growthpoint Properties Australia	1.35	0.39	0.95
SKYCITY Entertainment	1.33	0.41	0.92
New Hope	1.31	0.23	1.08

Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	34.5	21.2	17.7	16.3	15.6	17.2
Benchmark standard deviation (%)	32.6	21.2	17.7	16.7	16.7	17.4
Tracking error (%)	4.9	4.9	4.6	4.7	5.3	5.9
Fund Sharpe ratio	0.1	0.3	0.6	0.5	0.4	0.5
Information ratio	-0.6	-0.1	0.2	0.2	0.9	0.6
Beta	1.1	1.0	1.0	0.9	0.9	0.9
Cashflow adjusted turnover (%)	24.2	23.5	25.1	27.2	29.5	

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Top 5 Contributors To Performance (1 Month)

Stock	Value added
Polynovo	0.34%
OM Holdings	0.19%
Nanosonics	0.13%
Flight Centre	0.11%
IOOF	0.10%

Top 5 Detractors From Performance (1 Month)

Stock	Value detracted
Zip Co	-0.31%
POINTSBET HOLDINGS NPV	-0.25%
Harvey Norman	-0.19%
Pro Medicus	-0.17%
Lynas	-0.16%

The Realindex Australian Small Companies Fund returned -0.25% (net of fees) during January, versus the S&P/ASX Small Ordinaries benchmark which returned -0.25%.

Smalls lagged S&P/ASX 200's gain of 0.31%. After a recent strong period the Small Resources Index closed the month down 1.9% while the Small Industrials Index was up 0.2%.

From a sector perspective, stock selection within Healthcare was a significant value add to relative performance. This largely came from not holding growth stocks PolyNovo (-32.2%) and Nanosonics (-14.8%). In addition overweights to value names Sigma (+7.3%), Japara (+20.2%) and Virtus (+7.9%) added to performance. Similarly the IT sector was also positive driven by not holding Tyro Payment (-21.0%), Audinate (-9.3%) or Megaport (-5.4%).

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 IOOF (-11.4%), Flight Centre (-11.2%) and Sims Metal (-9.1%).

By far the largest detractor came from not holding Afterpay rival ZipPay (+37.4%). On valuations on the stocks in this 'buy now, pay later' space continue to look more extreme as these companies are not expected to make a profit for at least the next 3 years.

Other detractors included not holding Australian Ethical (+39.2%, the best performer in the S&P/ASX 300), Points Bet (+31.5%, given an extra boost by its promotion to the S&P/ASX 200) and an underweight to Bingo (+32.4%, surging after receiving a takeover offer).

The portfolio offers a valuation discount to the market-cap benchmark, as measured by price-to-sales (26.1% discount), price-to-cashflow (6.0% discount), and price-to-book (16.7% discount), as well as a dividend yield higher than the benchmark (32.7% premium).

Note: Percentage figures in parenthesis show total return in Australian dollars for the month ending 31 January 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 January 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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