

# Realindex Australian Small Companies Fund-Class A



## Monthly Factsheet

31 October 2022

### 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 (AS)	822 million
Benchmark	S&P/ASX Small Ordinaries Accumulation Index
Number of stock holdings	177
Buy / Sell spread	0.05% / 0.05%
Minimum investment (AS)	25,000
Management fees and costs (p.a.)*	0.59%

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

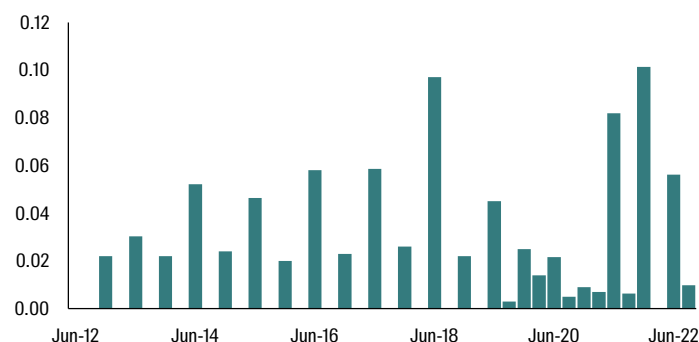
### Performance Summary (%)

Period	1mth	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	4.1	-3.5	-9.3	3.4	5.7	8.6	9.3	10.3
Benchmark return	6.5	-4.9	-18.3	1.5	4.2	7.1	5.1	6.5
Excess net return	-2.3	1.4	9.0	1.9	1.5	1.5	4.2	3.8
Income return	0.0	1.0	13.4	10.3	9.7	9.4	8.9	8.3
Growth return	4.1	-4.5	-22.7	-6.9	-4.1	-0.9	0.4	2.1

Note: Net return is the return after management fee

For Adviser use only

### Distributions



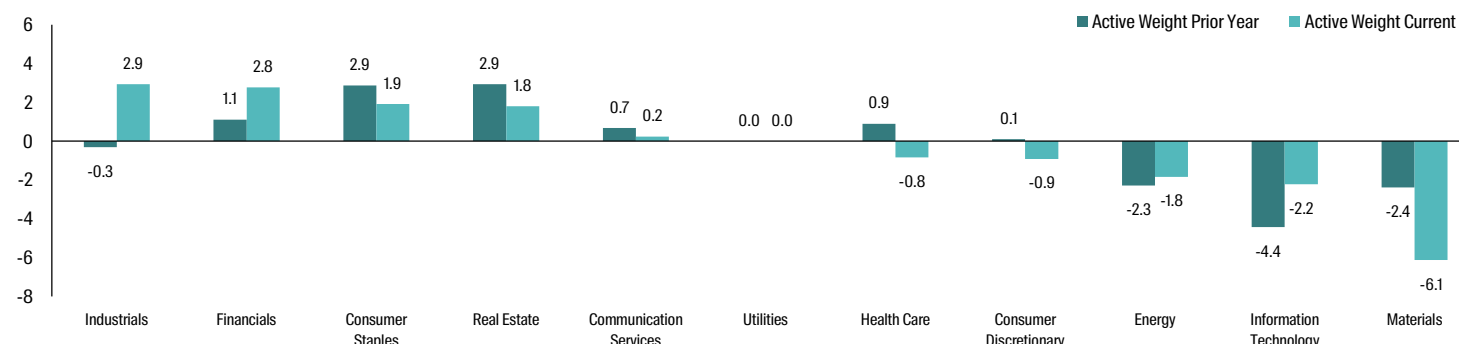
### Top 10 Holdings

Stock	Fund Weight	Benchmark Weight	Active Weight
New Hope	3.08	1.24	1.83
Genworth Mortgage Insurance	2.26	0.39	1.87
NIB	2.09	1.35	0.74
Elders	1.75	0.90	0.85
Myer	1.63	0.00	1.63
Cromwell Property Group	1.62	0.44	1.19
Sigma Healthcare	1.58	0.30	1.28
McMillan Shakespeare	1.55	0.37	1.19
Seven West Media	1.55	0.20	1.35
Inghams	1.52	0.41	1.11

### Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	21.1	23.8	19.3	17.4	16.2	17.2
Benchmark standard deviation (%)	24.6	24.4	20.4	18.3	17.2	17.8
Tracking error (%)	6.8	5.4	5.1	5.0	5.1	5.8
Fund Sharpe ratio	-0.5	0.1	0.2	0.4	0.5	0.4
Information ratio	1.3	0.4	0.3	0.3	0.8	0.7
Beta	0.8	1.0	0.9	0.9	0.9	0.9
Cashflow adjusted turnover (%)	38.7	31.1	28.1	28.7	29.4	

### Fund Active Sector Positions (%)



## Top 5 Contributors To Performance (1 Month)

Stock	Value added
BrainChip Holdings Ltd.	0.19%
Megaport	0.15%
Magellan Financial	0.14%
Calix Ltd.	0.14%
SCA Property Group	0.12%

## Top 5 Detractors From Performance (1 Month)

Stock	Value detracted
Liontown Resources Limited	-0.26%
Telix Pharmaceuticals Ltd.	-0.22%
St. Barbara	-0.20%
Polynovo	-0.19%
Syrah Resources	-0.19%

The Realindex Australian Small Companies Fund returned +4.12% (net of fees) during October, versus the S&P/ASX Small Ordinaries benchmark which returned +6.46%..

Value stocks underperformed Growth stocks by 0.8% over the month (S&P Australia Small Cap Value +5.3% vs. Growth +6.1%). Over the past year, Value has beaten Growth, outperforming by 16.1%, while on a five-year basis Value has beaten growth by 0.8% p.a.

The Australian share market rebounded in October after falling significantly in September, and remains largely flat over a 3 month horizon. Inflation continues to be a problem, with the September quarter headline number at 7.3%. Due to this, the Reserve Bank of Australia continues to tighten policy, albeit at lower 25bps increments. Consumer confidence continues to be muted and the property market remains downbeat due to rate hikes. During the month, we saw strong rebound in performance across all sectors led by Health Care (+12.3%) and REITs (+11.7%).

From a sector perspective, the largest detractor was the underweight to Materials. Stock selection was a headwind in the Materials sector, specifically our underweights to stocks within Diversified Metals & Mining. For example, the exclusion of Liontown Resources and Syrah Resources detracted -26bps and -19bps respectively. On the other hand, the largest contributor was the overweight to Industrials and the largest stock level contributor was the exclusion to BrainChip Holdings Ltd.

The portfolio offers a valuation discount to the market-cap benchmark, as measured by price-to-sales (31.6% discount), price-to-cashflow (11.7% discount), and price-to-book (23.2% discount), as well as a dividend yield higher than the benchmark (39.7% premium).

Note: Percentage figures in parenthesis show total return in Australian dollars for the month ending 31 October 2022 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 2022

Data as at: 31 October 2022

**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.

**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](http://www.realindex.com.au)

#### For further information

Acting Head of Wholesale Ross Crocker	+61 2 9010 5424	Business Development Manager - VIC/TAS Jack Heinz	+61 3 9225 5056
Key Account Manager - NSW Paul Sleiman	+61 2 9010 5393	Key Account Manager - QLD Quin Smith	+61 4 5509 5505
Business Development Manager – NSW Emerson Bloom	+61 2 9010 5547	Business Development Manager - QLD Julie Day	+61 4 6641 3176
Key Account Manager - VIC/TAS Nick Everitt	+61 3 9225 5055	Key Account Manager - WA/SA/NT Nathan Robinson	+61 4 0327 2440

This document has been prepared by First Sentier Investors (Australia) IM Ltd (ABN 89 114 194 311, AFSL 289017) ( **FSI AIM** ) which forms part of First Sentier Investors, a global asset management business. First Sentier Investors is ultimately owned by Mitsubishi UFJ Financial Group, Inc ( **MUFG** ).

It is directed at persons who are institutional clients and financial advisers only and has not been prepared for and is not intended for persons who are retail clients. A copy of the Financial Services Guide for FSI AIM is available from First Sentier Investors on its website. This material contains general information only. It is not intended to provide you with financial product advice and does not take into account your objectives, financial situation or needs. Before making an investment decision, you should consider, with a financial adviser, whether this information is appropriate in light of your investment needs, objectives and financial situation.

First Sentier Investors Realindex Pty Ltd ( **Realindex** ) ABN 24 133 312 017 AFS Licence 335381 forms part of First Sentier Investors and is the investment manager of the Realindex Funds (as defined below).

Investors should read the Product Disclosure Statement ( **"PDS"** ) for the Realindex funds and talk to a financial adviser before making an investment decision. The Realindex funds are issued by Colonial First State Investments Limited ( **"CFSIL"** ) ABN 98 002 348 352 AFS Licence 232468 under the following registered names: Realindex Australian Share Fund – Class A ( ARSN 132 950 433 ); Realindex Australian Small Companies Fund – Class A ( ARSN 132 950 175 ); Realindex Global Share Fund – Class A ( ARSN 132 951 083 ); Realindex Global Share Hedged Fund – Class A ( ARSN 132 951 467 ); Realindex Enhanced Equal Weighted Global Share Fund – Class A ( ARSN 149 308 976 ); Realindex Emerging Markets Fund – Class A ( ARSN 140 973 075 ) ( **Realindex Funds** ). PDSs for the Realindex Funds are from First Sentier Investors on its website. The target market determination ( **TMD** ) for the Fund is available from First Sentier Investors on its website and should be considered by prospective investors before any investment decision to ensure that investors form part of the target market.

Total returns shown for the Realindex Funds or any Portfolio have been calculated using exit prices after taking into account all ongoing fees and assuming reinvestment of distributions. Past performance should not be taken as an indication of future performance.

CFSIL is a subsidiary of the Commonwealth Bank of Australia ( **Bank** ). MUFG, the Bank and their respective affiliates do not guarantee the performance of the Realindex Funds or the repayment of capital by the Realindex Funds. Investments in the Realindex Funds are not deposits or other liabilities of MUFG, the Bank nor their respective affiliates, and investment-type products are subject to investment risk including loss of income and capital invested. First Sentier Investors was acquired by MUFG on 2 August 2019 and is now financially and legally independent from the Bank.

To the extent permitted by law, no liability is accepted by MUFG, FSI AIM, the Bank, CFSIL nor their respective affiliates for any loss or damage as a result of any reliance on this information. This information is, or is based upon, information that we believe to be accurate and reliable, however neither MUFG, FSI AIM, the Bank, CFSIL nor their respective affiliates offer any warranty that it contains no factual errors. Any opinions expressed in this material are the opinions of FSI AIM at the time of publication only. Such opinions are subject to change without notice. No part of this material may be reproduced or transmitted in any form or by any means without the prior written consent of FSI AIM.

© First Sentier Investors (Australia) Services Pty Limited 2022

All rights reserved.

The indexes referred to in this document ( **"Index"** ) are products of S&P Dow Jones Indices LLC and/or its affiliates and has been licensed for use by FSI AIM. Copyright © 2022 S&P Dow Jones Indices LLC, a division of S&P Global, Inc., and/or its affiliates. All rights reserved. Redistribution or reproduction in whole or in part are prohibited without written permission of S&P Dow Jones Indices LLC. For more information on any of S&P Dow Jones Indices LLC's indices please visit [www.spdji.com](http://www.spdji.com). S&P® is a registered trademark of S&P Global and Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC. Neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors make any representation or warranty, express or implied, as to the ability of any index to accurately represent the asset class or market sector that it purports to represent and neither S&P Dow Jones Indices LLC, Dow Jones Trademark LLC, their affiliates nor their third party licensors shall have any liability for any errors, omissions, or interruptions of any index or the data included therein.