

Realindex Australian Small Companies Fund-Class A

Monthly Factsheet

28 February 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\$)	1,216 million
Benchmark	S&P/ASX Small Ordinaries Accumulation Index
Number of stock holdings	192
Buy / Sell spread	0.05% / 0.05%
Minimum investment (A\$)	25,000
Management cost (p.a.)*	0.59%

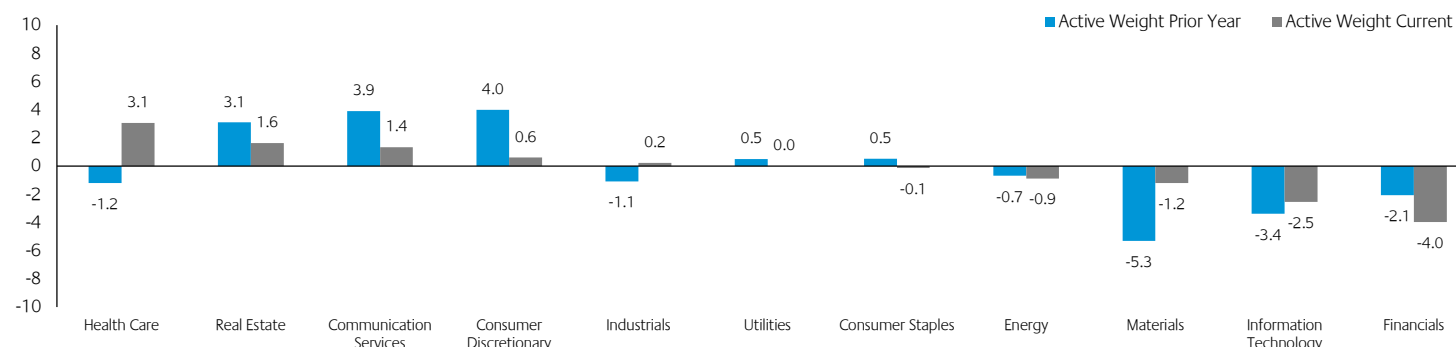
* Information on Management Costs (including estimated indirect costs) is set out in the Fund's PDS.

Performance Summary (%)

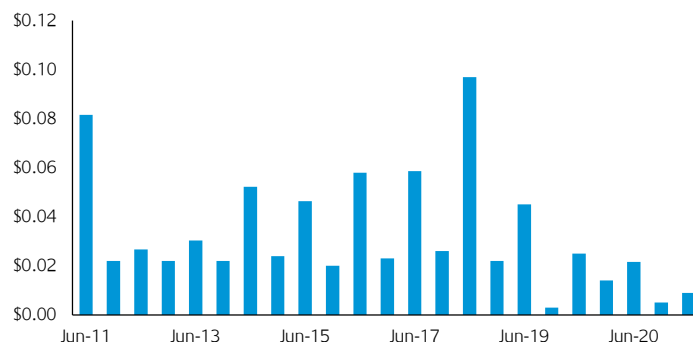
Period	1mth	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	0.7	4.2	13.2	6.7	12.1	9.3	8.6	11.5
Benchmark return	1.5	4.1	17.2	7.2	11.7	8.1	4.0	8.0
Excess net return	-0.8	0.1	-4.0	-0.5	0.4	1.2	4.6	3.5
Income return	0.0	0.8	6.0	7.6	8.1	7.9	7.9	7.4
Growth return	0.7	3.4	7.2	-0.9	4.0	1.4	0.8	4.1

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	2.17	0.74	1.43
Primary Health Care	1.71	0.88	0.83
Independence Group	1.47	0.00	1.47
Platinum Asset Management	1.42	0.58	0.84
Sigma Healthcare	1.41	0.29	1.11
Australian Pharmaceutical Industries	1.38	0.19	1.20
Mineral Resources	1.34	0.00	1.34
SKYCITY Entertainment	1.33	0.41	0.92
Inghams	1.32	0.55	0.77
Growthpoint Properties Australia	1.31	0.38	0.92

Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	33.1	21.2	17.7	16.3	15.6	17.1
Benchmark standard deviation (%)	31.0	21.2	17.7	16.6	16.7	17.3
Tracking error (%)	5.0	4.9	4.6	4.6	5.3	5.8
Fund Sharpe ratio	0.4	0.4	0.6	0.5	0.4	0.5
Information ratio	-0.8	-0.1	0.1	0.3	0.9	0.6
Beta	1.1	1.0	1.0	0.9	0.9	0.9
Cashflow adjusted turnover (%)	24.3	23.5	24.8	26.5	29.4	

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Top 5 Contributors To Performance (1 Month)

Stock	Value added
Grange Resources	0.34%
Pact Group	0.26%
Independence Group	0.16%
Mineral Resources	0.14%
Sandfire Resources	0.12%

Top 5 Detractors From Performance (1 Month)

Stock	Value detracted
Zip Co	-0.48%
CYBG	-0.34%
Fisher & Paykel Healthcare	-0.26%
OceanaGold	-0.24%
Lynas	-0.23%

The Realindex Australian Small Companies Fund returned +0.72% (net of fees) during February, versus the S&P/ASX Small Ordinaries benchmark which returned +1.55%.

Value stocks significantly outperformed Growth stocks by 2.6% over the month (S&P Australia SmallCap Value +3.0% vs. Growth +0.4%), however over the past year Value still lags Growth by 5.8%.

Financials was the largest sector level detractor to relative performance however this was almost entirely driven by two stocks not held by the portfolio: Afterpay competitor Zip (+43.1%) and Virgin Money (+39.5%). They were the two best performers in the S&P/ASX 300 and the two largest detractors at the portfolio level.

Despite the Information Technology sector being sold off globally the sector outperformed within small caps. This detracted from performance although it was driven by stock selection rather than the portfolio's underweight position. This included not holding EML Payments (+29.6%) or Tyro Payments (+19.4%) and overweights to Data#3 (-10.8%) and Dicker Data (-8.4%).

The portfolio was also hurt by 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 (+18.0%), Iluka (+15.0%) and Sims Metal (+10.1%).

February was reporting season in the Australian market and whilst some portfolio performance was more affected by global equity market moves there were many stock specific influences. An overweight to the long suffering Pact Group (+38.3%) was a large contributor at the stock level whilst overweights to mining services firms Macmahon (-17.0%) and Perenti (-12.3%) detracted.

The portfolio offers a valuation discount to the market-cap benchmark, as measured by price-to-sales (34.9% discount), price-to-cashflow (12.0% discount), and price-to-book (17.0% discount), as well as a dividend yield higher than the benchmark (31.1% premium).

Note: Percentage figures in parenthesis show total return in Australian dollars for the month ending 28 February 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: 28 February 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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