

Realindex Australian Small Companies Fund-Class A

Monthly Factsheet

31 July 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\$) | 1,211 million |
| Benchmark | S&P/ASX Small Ordinaries Accumulation Index |
| Number of stock holdings | 212 |
| Buy / Sell spread | 0.05% / 0.05% |
| Minimum investment (A\$) | 25,000 |
| Management cost (p.a.)* | 0.59% |

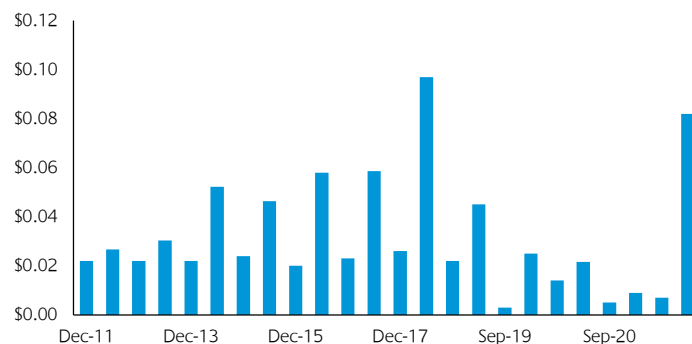
* Information on Management Costs (including estimated indirect costs) is set out in the Fund's PDS.

Performance Summary (%)

| Period | 1mth | 3mth | 1yr | 3yr | 5yr | 7yr | 10yr | SI |
|-------------------|------|------|------|-----|------|------|------|------|
| Net return | 2.0 | 5.2 | 32.8 | 9.7 | 9.4 | 10.6 | 10.7 | 12.1 |
| Benchmark return | 0.7 | 4.1 | 32.3 | 9.2 | 9.6 | 9.4 | 5.9 | 8.6 |
| Excess net return | 1.4 | 1.1 | 0.5 | 0.5 | -0.2 | 1.2 | 4.8 | 3.5 |
| Income return | 0.0 | 6.9 | 11.1 | 7.6 | 8.3 | 8.3 | 7.9 | 7.8 |
| Growth return | 2.0 | -1.7 | 21.7 | 2.1 | 1.1 | 2.3 | 2.8 | 4.2 |

Note: Net return is the return after management fee

Distributions



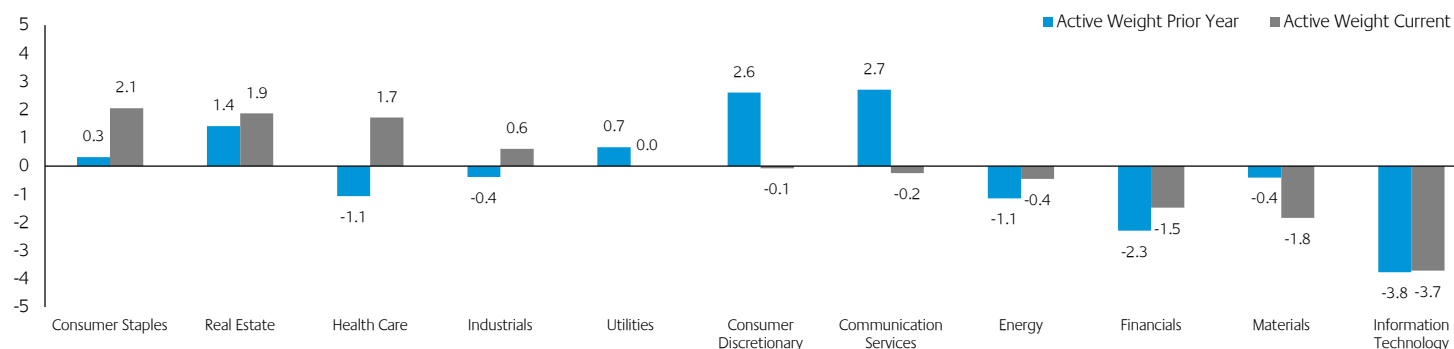
Top 10 Holdings

| Stock | Fund Weight | Benchmark Weight | Active Weight |
|--------------------------------------|-------------|------------------|---------------|
| New Hope | 1.98 | 0.32 | 1.67 |
| Super Retail Group | 1.92 | 0.81 | 1.11 |
| Australian Pharmaceutical Industries | 1.76 | 0.22 | 1.55 |
| Primary Health Care | 1.76 | 0.98 | 0.78 |
| Growthpoint Properties Australia | 1.63 | 0.44 | 1.18 |
| Champion Iron | 1.56 | 0.99 | 0.57 |
| Pendal Group | 1.52 | 0.97 | 0.55 |
| Inghams | 1.40 | 0.54 | 0.86 |
| Brickworks | 1.40 | 0.79 | 0.61 |
| Premier Investments | 1.37 | 1.03 | 0.34 |

Risk Characteristics

| Period | 1yr | 3yr | 5yr | 7yr | 10yr | SI |
|----------------------------------|------|------|------|------|------|------|
| Fund standard deviation (%) | 10.0 | 21.2 | 17.0 | 16.3 | 15.5 | 16.9 |
| Benchmark standard deviation (%) | 11.9 | 21.2 | 17.3 | 16.6 | 16.6 | 17.1 |
| Tracking error (%) | 3.0 | 4.8 | 4.5 | 4.6 | 5.2 | 5.8 |
| Fund Sharpe ratio | 3.3 | 0.5 | 0.5 | 0.6 | 0.6 | 0.5 |
| Information ratio | 0.2 | 0.1 | 0.0 | 0.3 | 0.9 | 0.6 |
| Beta | 0.8 | 1.0 | 1.0 | 0.9 | 0.9 | 0.9 |
| Cashflow adjusted turnover (%) | 31.2 | 25.1 | 25.0 | 27.9 | 27.4 | |

Fund Active Sector Positions (%)



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Top 5 Attributors To Performance (1 Month)

| Stock | Value added |
|--------------------------------------|-------------|
| Grange Resources | 0.37% |
| Australian Pharmaceutical Industries | 0.32% |
| New Hope | 0.21% |
| Independence Group | 0.18% |
| Piedmont Lithium Ltd | 0.17% |

Top 5 Detractors From Performance (1 Month)

| Stock | Value detracted |
|---------------------------|-----------------|
| Pilbara Minerals | -0.24% |
| Seven Group | -0.17% |
| Platinum Asset Management | -0.15% |
| Galaxy Resources | -0.11% |
| Whitehaven Coal | -0.09% |

The Realindex Australian Small Companies Fund returned +2.05% (net of fees) during July, outperforming the S&P/ASX Small Ordinaries benchmark which returned +0.68%.

Value stocks underperformed Growth stocks by 0.5% over the month (S&P Australia SmallCap Value +1.6% vs. Growth +2.2%). Despite this headwind the portfolio outperformed driven by stock specifics and differences between the portfolio and its value benchmark.

Stock selection within Healthcare was the largest contributor mostly driven by Australian Pharmaceutical Industries (+26.5%), one of the largest overweight positions, which was the recipient of a takeover offer. Also adding value were not holding growth stocks Polynovo (-18.8%) or Clinuvel (-9.3%).

Iron ore stocks continued to perform strongly despite the base commodity falling from all time highs in the second half of the month. Grange Resources (+42.0%) was the largest stock level contributor – the portfolio holds a sizeable position whilst it is not in the Small Ordinaries benchmark. An overweight to Champion Iron (+19.1%) also added value.

Mining stocks with Lithium exposure continued to soar. Underweights to Pilbara Mine (+22.1%, the largest stock level detractor), Galaxy Resources (+27.0%) and Orocobre (+27.5%) detracted from performance. The portfolio did benefit from positions in IGO Group (+22.0%) and Lynas (+28.6%), both of which have been promoted to the S&P/ASX 100 this year.

The portfolio offers a valuation discount to the market-cap benchmark, as measured by price-to-sales (31.5% discount), price-to-cashflow (24.2% discount), and price-to-book (19.4% discount), as well as a dividend yield higher than the benchmark (40.4% premium).

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