

Realindex Australian Small Companies Fund-Class A

Monthly Factsheet

31 August 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\$)	1,310 million
Benchmark	S&P/ASX Small Ordinaries Accumulation Index
Number of stock holdings	210
Buy / Sell spread	0.05% / 0.05%
Minimum investment (A\$)	25,000
Management cost (p.a.)*	0.59%

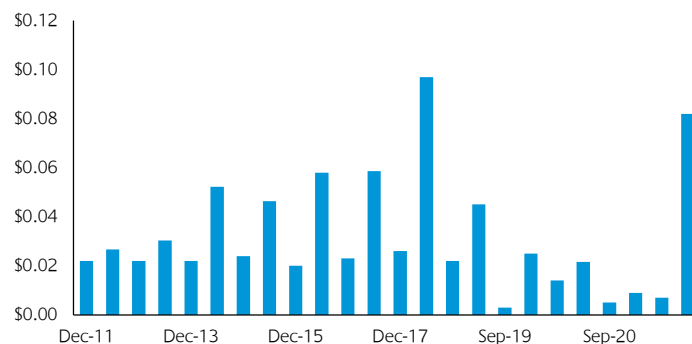
* Information on Management Costs (including estimated indirect costs) is set out in the Fund's PDS.

Performance Summary (%)

Period	1mth	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	3.2	8.1	29.2	10.0	10.1	10.9	11.3	12.3
Benchmark return	5.0	8.9	29.5	10.1	11.0	9.8	6.7	8.9
Excess net return	-1.8	-0.9	-0.3	-0.1	-0.9	1.0	4.6	3.4
Income return	0.0	7.1	10.8	7.6	8.3	8.3	7.9	7.8
Growth return	3.2	1.0	18.4	2.4	1.7	2.5	3.4	4.5

Note: Net return is the return after management fee

Distributions



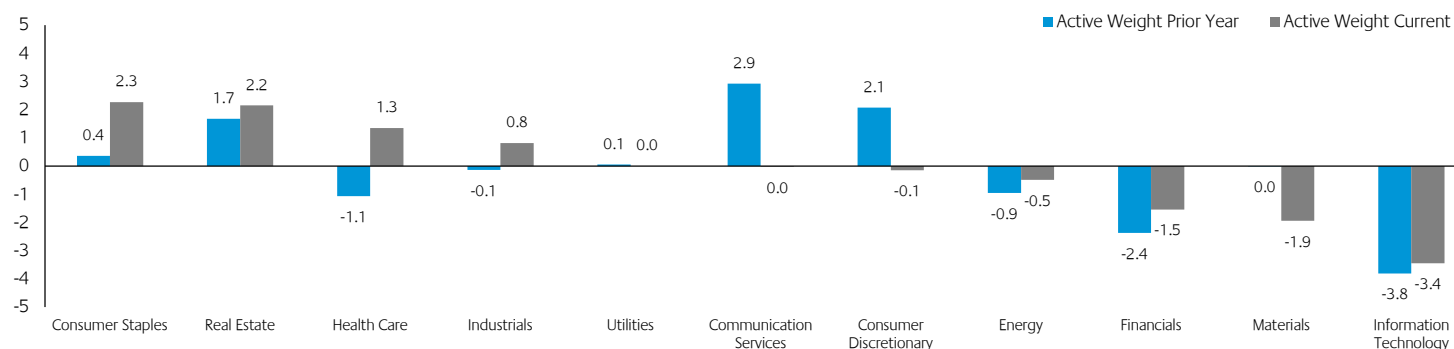
Top 10 Holdings

Stock	Fund Weight	Benchmark Weight	Active Weight
New Hope	1.93	0.31	1.62
Super Retail Group	1.75	0.72	1.03
Primary Health Care	1.67	0.93	0.73
Growthpoint Properties Australia	1.66	0.46	1.21
Australian Pharmaceutical Industries	1.59	0.20	1.39
Pendal Group	1.54	0.99	0.55
Inghams	1.44	0.56	0.88
Pact Group	1.39	0.28	1.11
Premier Investments	1.37	1.04	0.33
Brickworks	1.35	0.75	0.60

Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	9.3	21.2	17.0	16.3	15.5	16.8
Benchmark standard deviation (%)	11.2	21.3	17.3	16.6	16.6	17.1
Tracking error (%)	3.3	4.9	4.5	4.6	5.2	5.8
Fund Sharpe ratio	3.1	0.5	0.5	0.6	0.6	0.6
Information ratio	-0.1	0.0	-0.2	0.2	0.9	0.6
Beta	0.8	1.0	0.9	0.9	0.9	0.9
Cashflow adjusted turnover (%)	30.2	25.1	25.0	26.8	27.4	

Fund Active Sector Positions (%)



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Top 5 Contributors To Performance (1 Month)

Stock	Value added
Seven Group	0.19%
Ardent Leisure	0.16%
Sims Metal Management	0.13%
Moelis Australia	0.10%
DETERRA ROYALTIES LTD	0.09%

Top 5 Detractors From Performance (1 Month)

Stock	Value detracted
Grange Resources	-0.41%
Pilbara Minerals	-0.29%
Uniti Group Ltd NPV	-0.16%
Champion Iron	-0.16%
Australian Pharmaceutical Industries	-0.15%

The Realindex Australian Small Companies Fund returned +3.19% (net of fees) during August, versus the S&P/ASX Small Ordinaries benchmark which returned +4.98%.

Value stocks performed in line with Growth stocks over the month (S&P Australia SmallCap Value +4.3% vs. Growth +4.3%). Over the past year, Value has outperformed Growth by 6.7%, but on a five year basis, underperformed by 2.6% p.a., providing a longer-term performance headwind.

The largest detractor was stock selection in Materials. This largely came from the portfolio's positioning in lithium companies (large underweight) and iron ore stocks (large overweight, the base commodity slumped 31.7%), which combined accounted for almost two thirds of the portfolio's underperformance. The continued strong momentum of lithium stocks can be seen in the market cap benchmark as the two largest companies in the Small Ordinaries are miners in this industry (Orocobre and Pilbara Mines).

Stock selection within the Healthcare sector also detracted. This was driven by an underweight to strong performing growth stocks including Clinuval (+37.7%) and Nanosonics (+24.9%), in addition to an overweight to Australian Pharmaceutical (-4.6%) which was fell after rejecting the takeover proposal made by Wesfarmers in July.

Positive contributors were limited to specific stocks including overweights to Ardent Leisure (+52.6%) and MA Financial (+46.2%) which were stronger after reporting their full year financial numbers. Also benefitting were positions in two non-benchmark stocks: Huon Aquaculture (+34.2%, the recipient of a takeover offer) and Redcape Hotel Group (+17.2%) which announced the intention to become a private company.

The portfolio offers a valuation discount to the market-cap benchmark, as measured by price-to-sales (29.4% discount), price-to-cashflow (28.2% discount), and price-to-book (15.6% discount), as well as a dividend yield higher than the benchmark (40.8% premium).

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