

Realindex Australian Small Companies Fund-Class A

Monthly Factsheet

31 January 2022

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\$)	837 million
Benchmark	S&P/ASX Small Ordinaries Accumulation Index
Number of stock holdings	201
Buy / Sell spread	0.05% / 0.05%
Minimum investment (A\$)	25,000
Management cost (p.a.)*	0.59%

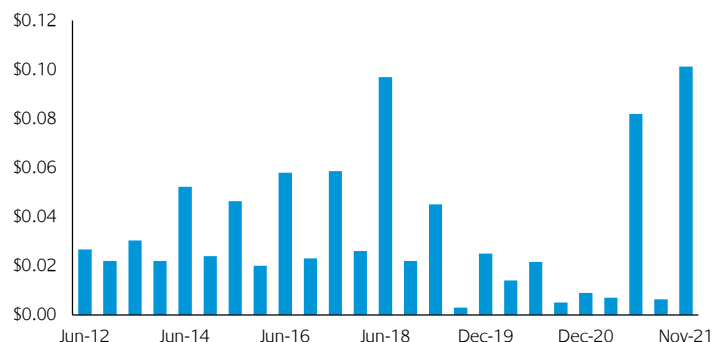
* Information on Management Costs (including estimated indirect costs) is set out in the Fund's PDS.

Performance Summary (%)

Period	1mth	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	-6.8	-4.3	9.8	10.4	8.5	11.1	10.9	11.4
Benchmark return	-9.0	-8.0	6.7	10.1	9.6	9.7	6.2	7.9
Excess net return	2.2	3.7	3.1	0.2	-1.1	1.4	4.8	3.5
Income return	0.0	8.1	16.9	10.1	9.7	9.3	8.6	8.2
Growth return	-6.8	-12.4	-7.1	0.3	-1.1	1.8	2.3	3.2

Note: Net return is the return after management fee

Distributions



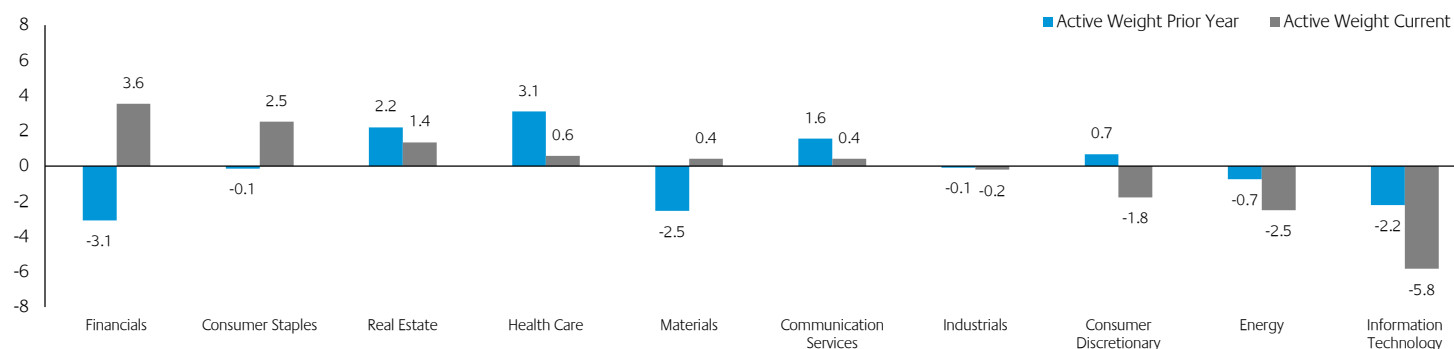
Top 10 Holdings

Stock	Fund Weight	Benchmark Weight	Active Weight
New Hope	1.95	0.44	1.51
Iluka Resources	1.94	1.71	0.23
Seven West Media	1.69	0.00	1.69
Australian Pharmaceutical Industries	1.65	0.24	1.41
Genworth Mortgage Insurance	1.65	0.39	1.25
Champion Iron	1.58	0.95	0.63
Growthpoint Properties Australia	1.55	0.45	1.10
Primary Health Care	1.49	0.91	0.58
NIB	1.49	1.12	0.37
IOOF	1.44	0.89	0.55

Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	10.6	21.3	17.4	16.5	15.4	16.8
Benchmark standard deviation (%)	12.1	20.9	17.7	16.8	16.1	17.1
Tracking error (%)	4.7	4.6	4.6	4.8	5.1	5.8
Fund Sharpe ratio	0.9	0.6	0.4	0.6	0.6	0.5
Information ratio	0.7	0.1	-0.2	0.3	0.9	0.6
Beta	0.8	1.0	0.9	0.9	0.9	0.9
Cashflow adjusted turnover (%)	31.4	25.7	25.4	27.2	28.0	

Fund Active Sector Positions (%)



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Top 5 Contributors To Performance (1 Month)

Stock	Value added
Megaport	0.18%
Pro Medicus	0.16%
Genworth Mortgage Insurance	0.15%
New Hope	0.15%
Champion Iron	0.14%

Top 5 Detractors From Performance (1 Month)

Stock	Value detracted
BrainChip Holdings Ltd.	-0.37%
Beach Energy	-0.19%
Seven Group	-0.11%
Whitehaven Coal	-0.11%
TPG	-0.07%

The Realindex Australian Small Companies Fund returned -6.79% (net of fees) during January, outperforming the S&P/ASX Small Ordinaries benchmark which returned -9.00%.

Value stocks outperformed Growth stocks by 4.1% over the month (S&P Australia SmallCap Value -7.3% vs. Growth -11.5%). Over the past year, Value has beaten Growth, outperforming by 2.0%, but lagged on a five-year basis by 3.5% p.a., providing a significant longer-term performance headwind.

Global equity markets braced for a volatile start in 2022 driven by concerns around tighter Central Bank policy in the US. The growing tensions between Russia and Ukraine and disappointing earnings calls from major US firms also added to global market uncertainty. The result was a large sell off in equity markets that the Australian market was not immune from. Resource rich economies befitted from the prevailing environment; Australian resources were one of the few pockets of the market which performed during this period. The S&P Australia Small Cap Energy index 1.6% while IT, Health Care and the consumer sectors all significantly underperformed. Small Caps also underperformed larger companies as investors sought refuge in lower risk, value oriented names; the ASX 100 posting a 6.1% loss for the month versus the ASX Small Ordinaries with posted a 9.0% loss for the month.

Stock selection within Materials was the largest sector level contributor. This largely came from stocks not held in Metals and Mining segments including Chalice (-19.6%), Liontown Resources (-14.5%) and Australian Strategic Materials (-21.6%). Positioning within the Financials sector was also positive for performance led by underweights to Asset Managers Australian Ethical (-32.7%) and Pinnacle (-27.7%). The underweight to the outperforming Energy sector was the most meaningful detractor to performance along with stock selection in Communication Services and the significant underweight to TPG (+0.2%). From a style perspective, relative value was rewarded in the market, but so too, low risk stocks as measured by their historical price volatility. Most other styles including momentum and other dimensions of firm quality were shunned by investors in small caps.

The portfolio offers a valuation discount to the market-cap benchmark, as measured by price-to-sales (31.2% discount), price-to-cashflow (19.2% discount), and price-to-book (16.3% discount), as well as a dividend yield higher than the benchmark (42.6% premium).

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

www.realindex.com.au

For further information

Head of Business Development Australia and New Zealand

Harry Moore +61 3 8669 5640

Head of Investment Sales and Key Accounts

Chris King +61 2 9010 5249

Key Account Manager - NSW

Angela Vincent +61 2 9010 5230

Paul Sleiman +61 2 9010 5393

Key Account Manager - VIC/TAS

Nicholas Everitt +61 3 9225 5055

Business Development Manager - VIC/TAS

Jack Heinz +61 3 9225 5056

Key Account Manager - QLD

Quin Smith +61 4 5509 5505

Key Account Manager - WA/SA/NT

Nathan Robinson +61 4 0327 2440

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