

Realindex Australian Small Companies Fund-Class A

Monthly Factsheet

28 February 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\$)	864 million
Benchmark	S&P/ASX Small Ordinaries Accumulation Index
Number of stock holdings	200
Buy / Sell spread	0.05% / 0.05%
Minimum investment (A\$)	25,000
Management cost (p.a.)*	0.59%

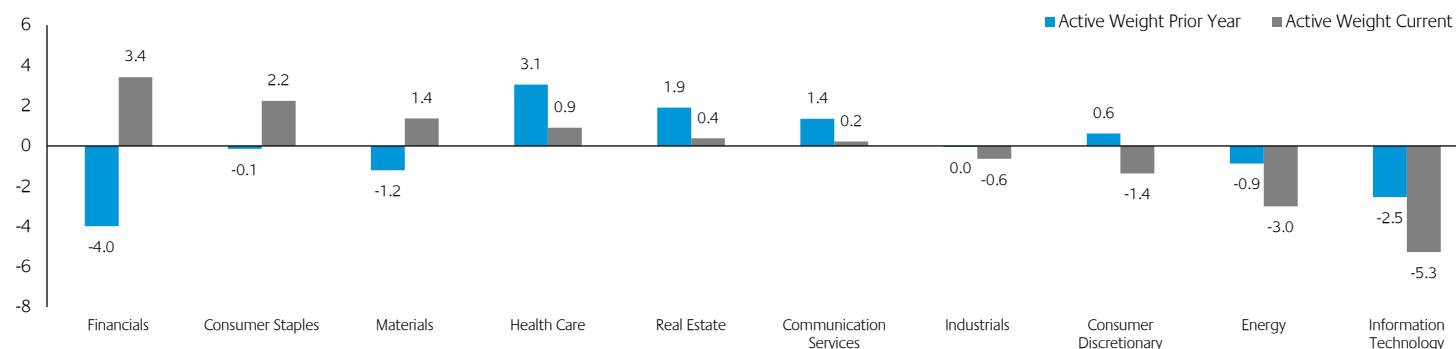
* Information on Management Costs (including estimated indirect costs) is set out in the Fund's PDS.

Performance Summary (%)

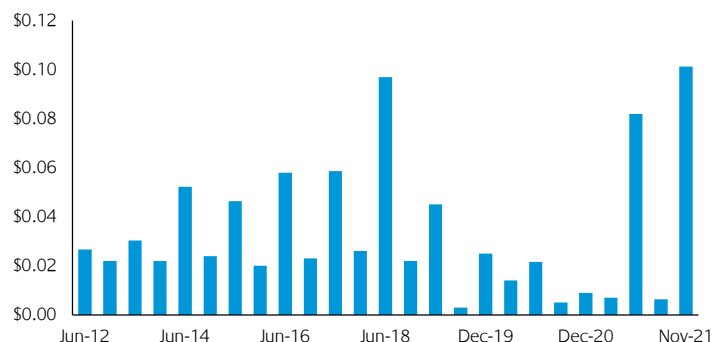
Period	1mth	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	3.2	0.5	12.5	9.6	9.0	10.8	10.7	11.6
Benchmark return	0.0	-7.7	5.0	7.7	9.4	8.4	5.5	7.8
Excess net return	3.2	8.2	7.5	1.8	-0.4	2.4	5.2	3.8
Income return	0.0	0.0	17.3	10.0	9.7	9.3	8.6	8.2
Growth return	3.2	0.5	-4.9	-0.4	-0.7	1.5	2.1	3.4

Note: Net return is the return after management fee

Fund Active Sector Positions (%)



Distributions



Top 10 Holdings

Stock	Fund Weight	Benchmark Weight	Active Weight
New Hope	2.12	0.51	1.60
Genworth Mortgage Insurance	1.97	0.50	1.47
Iluka Resources	1.95	0.00	1.95
Seven West Media	1.63	0.00	1.63
Australian Pharmaceutical Industries	1.61	0.25	1.36
Growthpoint Properties Australia	1.60	0.50	1.11
Adelaide Brighton	1.57	0.50	1.07
Champion Iron	1.53	0.98	0.55
IOOF	1.52	1.01	0.51
NIB	1.51	1.21	0.30

Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	10.8	21.2	17.4	16.4	15.3	16.7
Benchmark standard deviation (%)	12.1	20.6	17.7	16.6	16.0	17.0
Tracking error (%)	5.3	4.9	4.8	4.8	5.2	5.8
Fund Sharpe ratio	1.1	0.5	0.5	0.6	0.6	0.5
Information ratio	1.4	0.4	-0.1	0.5	1.0	0.6
Beta	0.8	1.0	0.9	0.9	0.9	0.9
Cashflow adjusted turnover (%)	31.7	25.6	25.5	26.3	27.9	

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Top 5 Attributors To Performance (1 Month)

Stock	Value added
NOVONIX Ltd	0.32%
Genworth Mortgage Insurance	0.29%
Grange Resources	0.24%
Uniti Group Ltd NPV	0.20%
Zip Co	0.19%

Top 5 Detractors From Performance (1 Month)

Stock	Value detracted
Sims Metal Management	-0.27%
Whitehaven Coal	-0.24%
CIMIC	-0.15%
Nufarm	-0.13%
A.P. Eagers	-0.09%

The Realindex Australian Small Companies Fund returned +3.19% (net of fees) during February, outperforming the S&P/ASX Small Ordinaries benchmark which returned -0.01%.

Value stocks outperformed Growth stocks by 6.6% over the month (S&P Australia SmallCap Value +3.2% vs. Growth -3.4%). Over the past year, Value has beaten Growth, outperforming by 6.4%, but lagged on a five-year basis by 1.9% p.a., providing a significant longer-term performance headwind.

Multiple themes affected markets and investors in February and the year more broadly. With inflationary pressures continuing, there was a clear shift by central banks positioning themselves towards controlling inflation and away from economic stimulus. The direction of future policy however has been made more uncertain by Russia's recent invasion of Ukraine. The economic sanctions governments around the world have imposed on Russia, including a freeze of the global payments system into and out of Russia, has increased the risk of an economic downturn. A flattening yield curve and an emerging crisis over oil and gas supplies has heightened fears of a global recession. The result of these events was a sell-off in global equities and a spike in equity volatility.

The Australian equity market was one of the few markets to post positive returns, when global markets (MSCI ACWI) sold off over 5% in AUD terms. As fears of an economic downturn gave way to managing the risks of a spike in energy and commodity prices more broadly, the cyclically oriented Value sectors outperformed Growth oriented sectors. The resources sector was the main leader in the market with Energy posting over 9.8% (S&P Australia Small Cap Energy) and Materials (S&P Australia Small Cap Materials +5.7%) also a strong performer. The Information Technology (-11.8%) and Health Care (-10.2%) sectors were the main underperformers.

Information Technology was the largest contributor for the month driven by the portfolio's underweight to that sector and stock selection in IT services. The underweight to Novonix (-32.9%) was a key contributor. All sectors except Energy contributed to performance mainly driven by stock selection effects. The underweight to Energy was a key detractor. An underweight to Whitehaven Coal (+22.8%) was one of the largest stock detractors to the portfolio. From a style perspective, relative value as well as momentum were rewarded in the market; Growth and Quality were shunned by investors.

The portfolio offers a valuation discount to the market-cap benchmark, as measured by price-to-sales (29.3% discount), price-to-cashflow (17.3% discount), and price-to-book (20.4% discount), as well as a dividend yield higher than the benchmark (31.7% premium).

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

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