

# Realindex Australian Small Companies Fund-Class A

## Monthly Factsheet

30 November 2020

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\$)	1,178 million
Benchmark	S&P/ASX Small Ordinaries Accumulation Index
Number of stock holdings	195
Buy / Sell spread	0.05% / 0.05%
Minimum investment (A\$)	25,000
Management cost (p.a.)*	0.59%

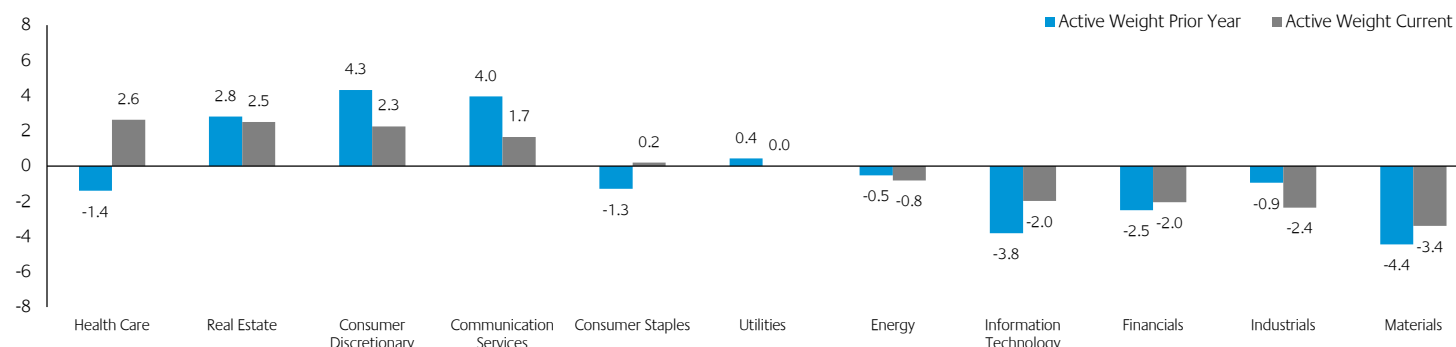
\* Information on Management Costs (including estimated indirect costs) is set out in the Fund's PDS.

### Performance Summary (%)

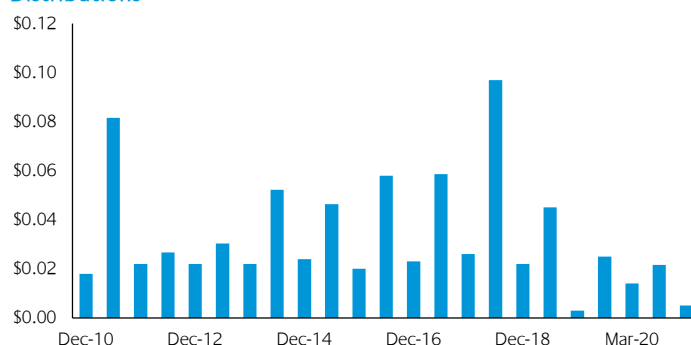
Period	1mth	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	9.0	7.6	2.4	5.9	11.1	9.3	8.8	11.4
Benchmark return	10.3	7.7	6.0	6.7	10.7	8.2	4.2	7.9
Excess net return	-1.2	-0.1	-3.6	-0.8	0.4	1.1	4.6	3.5
Income return	0.0	0.5	6.7	8.0	8.3	8.1	8.0	7.5
Growth return	9.0	7.0	-4.3	-2.1	2.8	1.2	0.9	3.9

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	2.06	0.67	1.39
Fisher & Paykel Healthcare	1.64	0.00	1.64
Chorus Limited	1.57	1.45	0.12
Australian Pharmaceutical Industries	1.53	0.20	1.33
Growthpoint Properties Australia	1.51	0.45	1.06
Premier Investments	1.45	0.96	0.49
SKYCITY Entertainment	1.41	0.40	1.01
Platinum Asset Management	1.35	0.53	0.82
Primary Health Care	1.30	0.81	0.49
Event Hospitality & Entertainment	1.25	0.47	0.78

### Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	34.4	21.2	17.9	16.3	15.6	17.3
Benchmark standard deviation (%)	32.6	21.2	17.9	16.7	16.8	17.5
Tracking error (%)	5.2	4.9	4.6	4.7	5.4	5.9
Fund Sharpe ratio	0.1	0.3	0.5	0.5	0.4	0.5
Information ratio	-0.7	-0.2	0.1	0.2	0.9	0.6
Beta	1.0	1.0	1.0	0.9	0.9	0.9
Cashflow adjusted turnover (%)	24.1	23.8	24.4	26.8	29.0	

## Realindex Australian Small Companies Fund-Class A

### Top 5 Attributors To Performance (1 Month)

Stock	Value added
Regis Healthcare	0.26%
Reece	0.21%
IVE Group	0.18%
Platinum Asset Management	0.17%
Japara Healthcare	0.17%

### Top 5 Detractors From Performance (1 Month)

Stock	Value detracted
Super Retail Group	-0.38%
Saracen Mineral	-0.23%
Adairs	-0.23%
Webjet	-0.21%
CYBG	-0.20%

The Realindex Australian Small Companies Fund returned +9.03% (net of fees) during November, versus the S&P/ASX Small Ordinaries benchmark which returned +10.27%.

The broader Australian market delivered its best month in over 30 years with a prominent rotation into value and domestic cyclical stocks. As a result Value significantly outperformed Growth by 4.4% over the month (S&P Australia SmallCap Value +11.6% vs. Growth +7.2%) however this was far less than the broader market where value beat growth by 8.3%.

Given the value bias of accounting weighted portfolios it seems unusual that the fund underperformed. However this instance can be attributed to the portfolio's construction versus the benchmark index. Specifically the fund doesn't hold benchmark stocks that are considered a 'large' company according to their accounting measures and most of these Value stocks bounced strongly including Unibail (+75.1%), Fletcher Building (+39.5%), IOOF (+27.4%) and Cimic (+18.9%).

Materials was the largest sector detractor, which came from large rises in smaller metal explorers which was consistent with the risk-on market conditions. Given their speculative nature and low/lack of reported earnings and cashflow the portfolio is very underweight these names including not holding Pilbara Mines (+60.1%) or Loneer (+54.3%) and large underweights to Orocobre (+61.3%) and Galaxy Resources (+56.4%).

Also detracting was Consumer Discretionary which was especially sensitive to the vaccine news. Performance was lost from overweights to 'stay at home' retail stocks including Super Retail (-11.7%) and Adairs (-16.1%) – the two biggest stock level detractors. In addition large underweights to travel related stocks Webjet (+65.3%) and Corporate Travel (+37.0%) also detracted.

On the positive side the portfolio benefited from a large bounce in beaten up value stocks in the aged care industry: Japara (+94.8%), Regis (+69.4%) and Estia (+27.8%).

The portfolio offers a valuation discount to the market-cap benchmark, as measured by price-to-sales (26.0% discount), price-to-cashflow (8.5% discount), and price-to-book (17.1% discount), as well as a dividend yield higher than the benchmark (36.2% premium).

Note: Percentage figures in parenthesis show total return in Australian dollars for the month ending 30 November 2020 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 2020

Data as at: 30 November 2020

**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](http://www.realindex.com.au)

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