

Realindex Australian Small Companies Fund-Class A



Quarterly Factsheet

30 June 2022

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 (AS)	777 million
Benchmark	S&P/ASX Small Ordinaries Accumulation Index
Number of stock holdings	204
Buy / Sell spread	0.05% / 0.05%
Minimum investment (AS)	25,000
Management cost (p.a.)*	0.59%

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

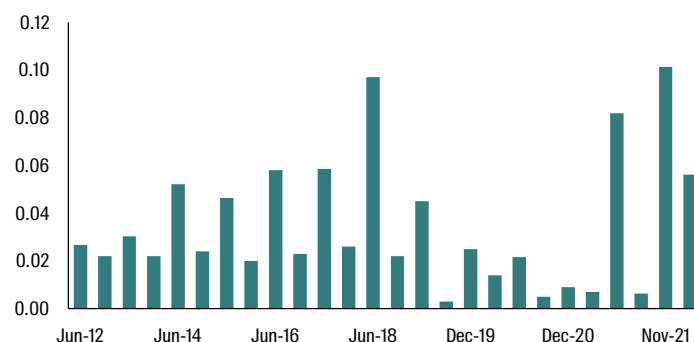
Performance Summary (%)

Period	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	-17.0	-11.1	3.3	6.0	8.9	9.8	10.1
Benchmark return	-20.4	-19.5	0.4	5.1	6.6	5.4	6.2
Excess net return	3.4	8.5	2.9	1.0	2.3	4.4	3.9
Income return	5.0	12.8	10.1	9.6	9.3	8.8	8.4
Growth return	-22.0	-23.8	-6.8	-3.5	-0.4	1.0	1.7

Note: Net return is the return after management fee

For Adviser use only

Distributions



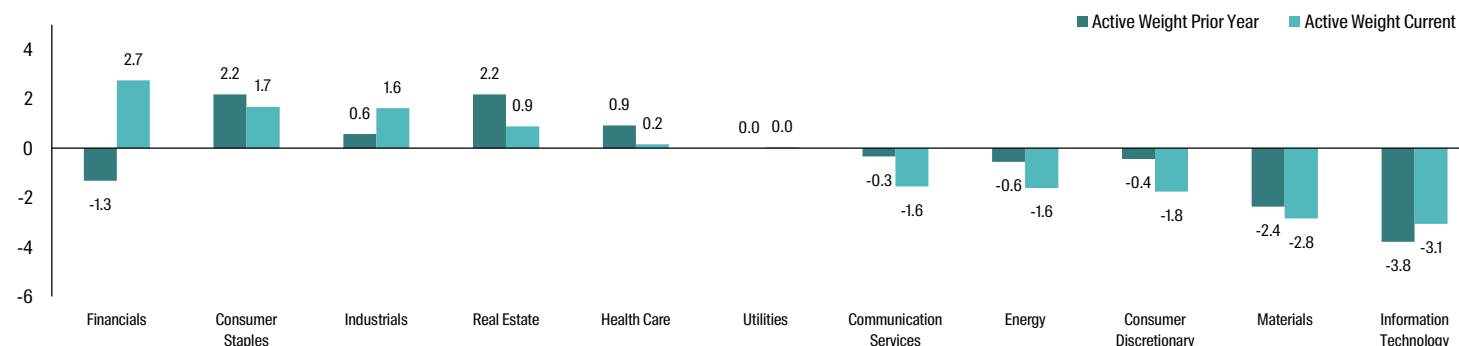
Top 10 Holdings

Stock	Fund Weight	Benchmark Weight	Active Weight
New Hope	2.40	0.82	1.58
NIB	2.28	1.60	0.68
Genworth Mortgage Insurance	1.86	0.43	1.43
SCA Property Group	1.82	1.45	0.37
Elders	1.76	0.93	0.83
Cromwell Property Group	1.58	0.51	1.07
Growthpoint Properties Australia	1.53	0.47	1.06
Grange Resources	1.46	0.00	1.46
Sigma Healthcare	1.45	0.29	1.16
Primary Health Care	1.40	1.01	0.40

Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	16.9	22.8	18.5	17.1	15.8	17.0
Benchmark standard deviation (%)	18.2	22.6	19.1	17.4	16.4	17.4
Tracking error (%)	5.5	4.9	4.9	4.8	5.0	5.8
Fund Sharpe ratio	-0.7	0.1	0.3	0.4	0.5	0.4
Information ratio	1.5	0.6	0.2	0.5	0.9	0.7
Beta	0.9	1.0	0.9	0.9	0.9	0.9
Cashflow adjusted turnover (%)	32.3	29.0	27.1	27.3	29.3	

Fund Active Sector Positions (%)



Top 5 Contributors To Performance (3 Months)

Stock	Value added
New Hope	0.47%
Grange Resources	0.43%
LAKE RESOURCES NPV	0.40%
NOVONIX Ltd	0.32%
Liontown Resources Limited	0.30%

Top 5 Detractors From Performance (3 Months)

Stock	Value detracted
Whitehaven Coal	-0.61%
Seven West Media	-0.30%
Beach Energy	-0.29%
Viva Energy Group	-0.27%
Uniti Group Ltd NPV	-0.26%

The Realindex Australian Small Companies Fund returned -17.01% (net of fees) during the June quarter, outperforming the S&P/ASX Small Ordinaries benchmark which returned -20.39%.

Value stocks outperformed Growth stocks by 6.5% over the quarter (S&P Australia Small Cap Value -16.6% vs. Growth -23.2%). Over the past year, Value has beaten Growth, outperforming by 13.2%, but lagged on a five-year basis by 0.1% p.a., providing a longer-term performance headwind.

The Australian shared market finished the quarter lower due to declining investor confidence along with increasing macro headwinds. Inflation and the reserve bank's policy response remained at the centre of investor concerns. The RBA raised the cash rate by 50bps to 1.35% in July, which followed 50bps in June and 25bps in May. The board argued monetary stimulus was no longer needed due to the strength of the economy and labour market coupled with inflationary pressures. During the quarter, we also saw a Labor Party win in the Australian Federal election, with Anthony Albanese elected into power. However, the market response to this has been negligible. The macro environment globally continued to be concerning with several headwinds. The war in Ukraine sees no viable resolution and the continued surge in energy and commodities prices in the second quarter of this year has hampered sentiment. Moreover, we have not seen China's zero-covid policy change materially over the last couple of months, and this has continued to have an impact on global supply chains. Overall, we saw significant rise of inflation rates in developed markets and consequently aggressive cash rate hikes. Similar to Australia, the US labour market saw strength with low unemployment rates (steady at 3.6%) and strong hiring and wage growth. These factors suggest we are in late cycle.

Overall, Australian small capitalization stocks fared worse than large capitalization names. However, the portfolio's natural tilt towards value has been helpful in alleviating some of that pain during the quarter. Over the quarter, within Small Ordinaries, we saw high book and earnings yield stocks perform well on a relative basis. Similarly, momentum and low volatility also showed strong factor performance, whilst Growth and high beta names underperformed. Materials (-31.7%) and IT (-27.9%) performed poorly over the quarter while Consumer Staples (-4.7%) and Energy (+1.9%) were the best performers. Overall, in a late cycle environment, we are seeing stability, earnings certainty and value being preferred over Growth.

From a sector perspective, the largest contributor was the underweight to Materials and the largest detractor was the underweight to Communication Services. The largest stock level contributor was the overweight to New Hope Corporation Limited and the largest stock level detractor was the underweight to Whitehaven Coal Limited. Moreover, our overall value tilt paid off in April.

The portfolio offers a valuation discount to the market-cap benchmark, as measured by price-to-sales (34.8% discount), price-to-cashflow (15.8% discount), and price-to-book (15.4% discount), as well as a dividend yield higher than the benchmark (40.6% premium).

Note: Percentage figures in parenthesis show total return in Australian dollars for the quarter ending 30 June 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: 30 June 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

Acting Head of Wholesale Ross Crocker	+61 2 9010 5424	Business Development Manager - VIC/TAS Jack Heinz	+61 3 9225 5056
Key Account Manager - NSW Paul Sleiman	+61 2 9010 5393	Key Account Manager - QLD Quin Smith	+61 4 5509 5505
Business Development Manager – NSW Emerson Bloom	+61 2 9010 5547	Business Development Manager - QLD Julie Day	+61 4 6641 3176
Key Account Manager - VIC/TAS Nick Everitt	+61 3 9225 5055	Key Account Manager - WA/SA/NT Nathan Robinson	+61 4 0327 2440

This document has been prepared by First Sentier Investors (Australia) IM Ltd (ABN 89 114 194 311, AFSL 289017) (**FSI AIM**) which forms part of First Sentier Investors, a global asset management business. First Sentier Investors is ultimately owned by Mitsubishi UFJ Financial Group, Inc (**MUFG**).

It is directed at persons who are institutional clients and financial advisers only and has not been prepared for and is not intended for persons who are retail clients. A copy of the Financial Services Guide for FSI AIM is available from First Sentier Investors on its website. This material contains general information only. It is not intended to provide you with financial product advice and does not take into account your objectives, financial situation or needs. Before making an investment decision, you should consider, with a financial adviser, whether this information is appropriate in light of your investment needs, objectives and financial situation.

Realindex Investments Pty Ltd ("**Realindex**") ABN 24 133 312 017 AFS Licence 335381 forms part of First Sentier Investors and is the investment manager of the Realindex Funds (as defined below).

Investors should read the Product Disclosure Statement ("**PDS**") for the Realindex funds and talk to a financial adviser before making an investment decision. The Realindex funds are issued by Colonial First State Investments Limited ("**CFSIL**") ABN 98 002 348 352 AFS Licence 232468 under the following registered names: Realindex Australian Share Fund – Class A (ARSN 132 950 433); Realindex Australian Small Companies Fund – Class A (ARSN 132 950 175); Realindex Global Share Fund – Class A (ARSN 132 951 083); Realindex Global Share Hedged Fund – Class A (ARSN 132 951 467); Realindex Enhanced Equal Weighted Global Share Fund – Class A (ARSN 149 308 976); Realindex Emerging Markets Fund – Class A (ARSN 140 973 075) ("**Realindex Funds**"). PDSs for the Realindex Funds are from First Sentier Investors on its website. The target market determination (**TMD**) for the Fund is available from First Sentier Investors on its website and should be considered by prospective investors before any investment decision to ensure that investors form part of the target market.

Total returns shown for the Realindex Funds or any Portfolio have been calculated using exit prices after taking into account all ongoing fees and assuming reinvestment of distributions. Past performance should not be taken as an indication of future performance.

CFSIL is a subsidiary of the Commonwealth Bank of Australia (**Bank**). MUFG, the Bank and their respective affiliates do not guarantee the performance of the Realindex Funds or the repayment of capital by the Realindex Funds. Investments in the Realindex Funds are not deposits or other liabilities of MUFG, the Bank nor their respective affiliates, and investment-type products are subject to investment risk including loss of income and capital invested. First Sentier Investors was acquired by MUFG on 2 August 2019 and is now financially and legally independent from the Bank.

To the extent permitted by law, no liability is accepted by MUFG, FSI AIM, the Bank, CFSIL nor their respective affiliates for any loss or damage as a result of any reliance on this information. This information is, or is based upon, information that we believe to be accurate and reliable, however neither MUFG, FSI AIM, the Bank, CFSIL nor their respective affiliates offer any warranty that it contains no factual errors. Any opinions expressed in this material are the opinions of FSI AIM at the time of publication only. Such opinions are subject to change without notice. No part of this material may be reproduced or transmitted in any form or by any means without the prior written consent of FSI AIM.

© First Sentier Investors (Australia) Services Pty Limited 2022

All rights reserved.

The indexes referred to in this document ("**Index**") are products of S&P Dow Jones Indices LLC and/or its affiliates and has been licensed for use by FSI AIM. Copyright © 2022 S&P Dow Jones Indices LLC, a division of S&P Global, Inc., and/or its affiliates. All rights reserved. Redistribution or reproduction in whole or in part are prohibited without written permission of S&P Dow Jones Indices LLC. For more information on any of S&P Dow Jones Indices LLC's indices please visit www.spdji.com. S&P® is a registered trademark of S&P Global and Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC. Neither S&P Dow Jones Indices LLC, Dow Jones Trademark Holdings LLC, their affiliates nor their third party licensors make any representation or warranty, express or implied, as to the ability of any index to accurately represent the asset class or market sector that it purports to represent and neither S&P Dow Jones Indices LLC, Dow Jones Trademark LLC, their affiliates nor their third party licensors shall have any liability for any errors, omissions, or interruptions of any index or the data included therein.