

Realindex Australian Small Companies Fund-Class A



Monthly Factsheet

31 May 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)	822 million
Benchmark	S&P/ASX Small Ordinaries Accumulation Index
Number of stock holdings	218
Buy / Sell spread	0.05% / 0.05%
Minimum investment (AS)	25,000
Management cost (p.a.)*	0.59%

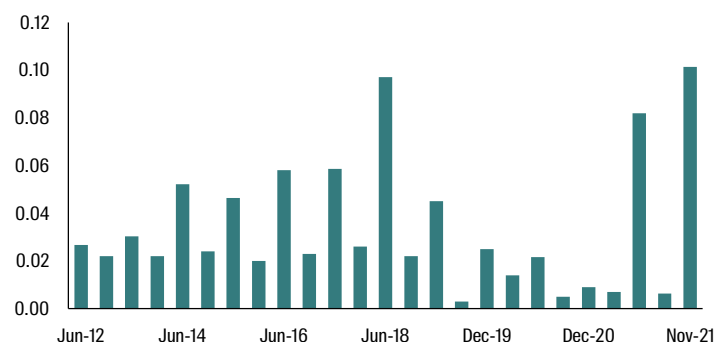
* Information on Management Costs (including estimated indirect costs) is set out in the Fund's PDS.

Performance Summary (%)

Period	1mth	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	-5.1	-1.3	4.1	8.1	9.3	9.8	11.1	11.3
Benchmark return	-7.0	-3.6	-4.6	5.5	8.5	7.5	6.3	7.4
Excess net return	1.9	2.3	8.7	2.6	0.8	2.3	4.7	3.9
Income return	0.0	0.0	15.5	9.8	9.7	9.2	8.6	8.0
Growth return	-5.1	-1.3	-11.4	-1.8	-0.4	0.6	2.5	3.2

Note: Net return is the return after management fee

Distributions



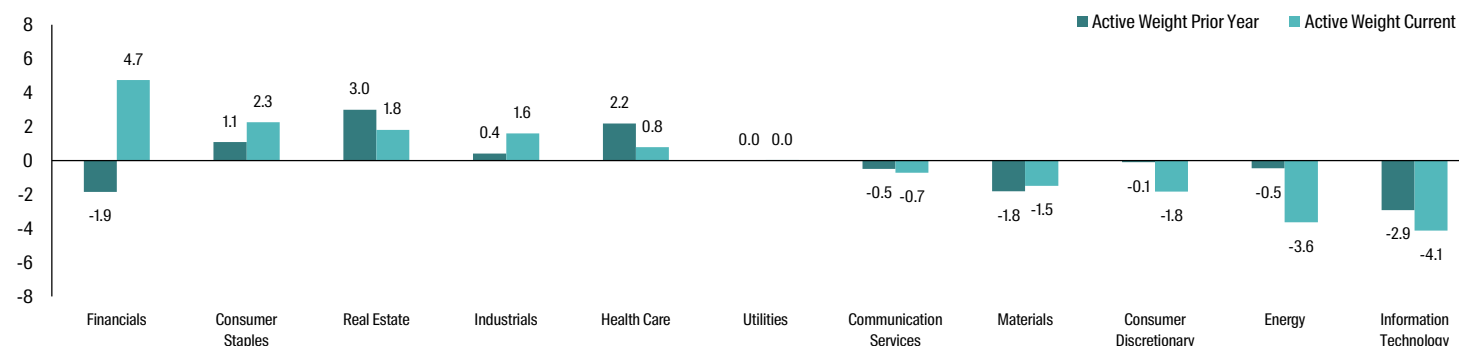
Top 10 Holdings

Stock	Fund Weight	Benchmark Weight	Active Weight
New Hope	2.63	0.75	1.88
Grange Resources	1.99	0.00	1.99
Genworth Mortgage Insurance	1.96	0.49	1.47
Champion Iron	1.89	1.15	0.74
NIB	1.85	1.36	0.48
Growthpoint Properties Australia	1.60	0.46	1.13
Iluka Resources	1.59	0.00	1.59
SCA Property Group	1.51	1.34	0.18
Primary Health Care	1.46	0.90	0.56
Adelaide Brighton	1.46	0.42	1.04

Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	12.1	21.6	17.6	16.6	15.2	16.7
Benchmark standard deviation (%)	14.2	21.2	18.1	16.9	15.9	17.0
Tracking error (%)	5.6	4.9	4.9	4.8	5.1	5.8
Fund Sharpe ratio	0.3	0.5	0.5	0.5	0.6	0.5
Information ratio	1.5	0.5	0.2	0.5	0.9	0.7
Beta	0.8	1.0	0.9	0.9	0.9	0.9
Cashflow adjusted turnover (%)	30.2	27.1	25.8	26.1	28.6	

Fund Active Sector Positions (%)



Top 5 Contributors To Performance (1 Month)

Stock	Value added
Grange Resources	0.44%
New Hope	0.22%
Sayona Mining Ltd.	0.17%
AVZ Minerals	0.16%
CSR	0.16%

Top 5 Detractors From Performance (1 Month)

Stock	Value detracted
Seven West Media	-0.35%
Whitehaven Coal	-0.26%
Beach Energy	-0.13%
BrainChip Holdings Ltd.	-0.11%
Polynovo	-0.09%

The Realindex Australian Small Companies Fund returned -5.10% (net of fees) during May, outperforming the S&P/ASX Small Ordinaries benchmark which returned -7.01%.

Value stocks outperformed Growth stocks by 4.7% over the month (S&P Australia Small Cap Value +1.2% vs. Growth -3.5%). Over the past year, Value has beaten Growth, outperforming by 11.9%, but lagged on a five-year basis by 0.6% p.a., providing a longer-term performance headwind.

April saw the continuation of major themes exhibited in March. Overall, global markets traded lower on the back of greater uncertainty. The Australian market followed suit, trading lower over the month. Key themes driving market uncertainty were: i) persistent inflationary pressures, particularly in the US and Europe; ii) subsequent central bank monetary tightening along with market expectations of an aggressive rate hike trajectory; and iii) supply chain disruptions from both the Ukraine War and Chinese lockdowns.

Australian CPI rose 2.1% quarter on quarter (QoQ) and 5.1% year on year (YoY) in Q1. Whilst this was lower than inflation prints in the US, it still surprised the local market being well above expectations. Price increases for non-discretionary items such as food and petrol contributed to unexpected inflation, as did new dwelling purchases prices and childcare costs. The RBA rate hike at the May Board meeting was largely anticipated by investors in April, with expectations of further hikes later this year. There are some concerns that rates hikes will have an outsized effect versus history given higher household debt levels.

In small caps, the inflation trade dominated markets with Energy stocks continuing to outperform. The S&P Australian Small Cap Energy posted 8.0% for the month while S&P Australian Small Cap Consumer Staples also strongly performed posting 6.7% for the month. Technology stocks led the losses (S&P Australian Small Cap IT: -10.7%) along with Communication Services (S&P Australian Small Cap Comm Services: -2.7%) further highlighting the weakness of growth stocks in the market.

From a sector perspective, the largest contributor was the overweight to Information Technology and the largest detractor was the overweight to Consumer Discretionary. The largest stock level contributor was the overweight to Grange Resources Limited and the largest stock level detractor was the overweight 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 (32.2% discount), price-to-cashflow (19.3% discount), and price-to-book (19.8% discount), as well as a dividend yield higher than the benchmark (52.7% premium).

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

Personal investors

Speak with your Financial Adviser whether our products are appropriate, in light of your investment needs, objectives and financial situation.

Download Product Disclosure Statements from below website link.

www.firstsentierinvestors.com.au/individual-pds

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