Realindex Australian Small Companies Fund-Class A

Quarterly Factsheet

31 December 2020

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$)	1,211 million
Benchmark	S&P/ASX Small Ordinaries Accumulation Index
Number of stock holdings	193
Buy / Sell spread	0.05% / 0.05%
Minimum investment (A$)	25,000
Management cost (p.a.)*	0.59%

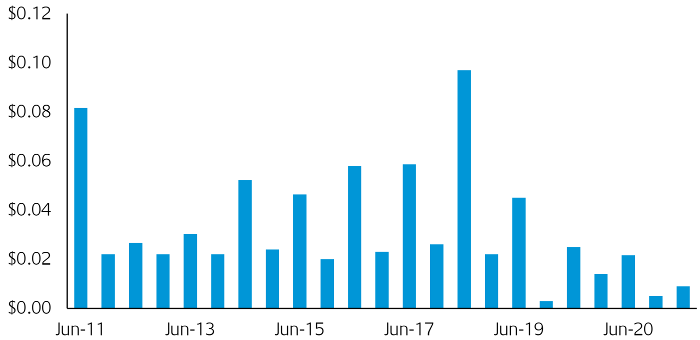
* Information on Management Costs (including estimated indirect costs) is set out in the Fund's PDS.

Performance Summary (%)

Period	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	13.2	5.0	6.0	11.3	9.4	8.8	11.6
Benchmark return	13.8	9.2	6.6	10.5	8.3	3.8	8.0
Excess net return	-0.6	-4.2	-0.6	0.9	1.2	5.0	3.6
Income return	0.9	5.5	7.6	8.0	7.9	7.9	7.5
Growth return	12.3	-0.5	-1.6	3.3	1.5	0.9	4.1

Note: Net return is the return after management fee

Distributions



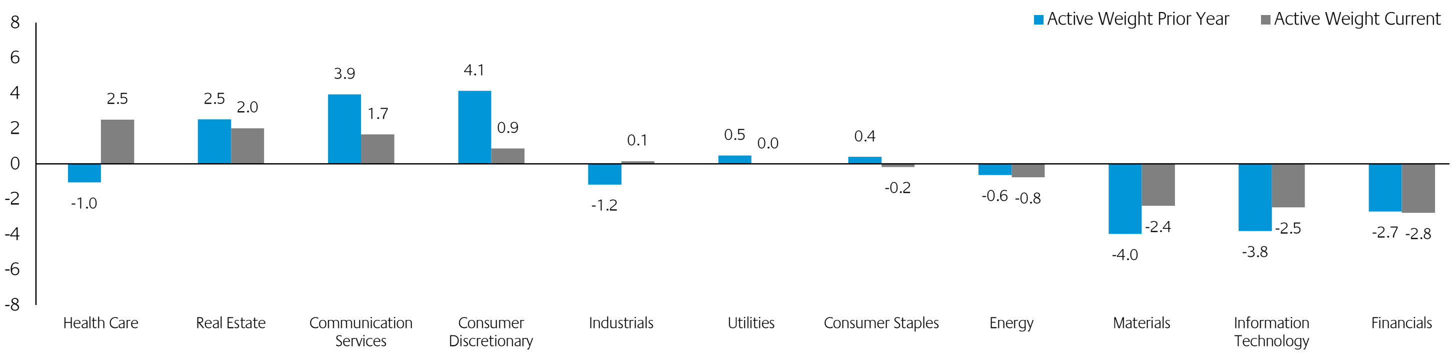
Top 10 Holdings

Stock	Fund Weight	Benchmark Weight	Active Weight
Super Retail Group	2.09	0.70	1.39
Primary Health Care	1.60	0.81	0.78
Australian Pharmaceutical Industries	1.54	0.20	1.34
Growthpoint Properties Australia	1.47	0.43	1.04
Premier Investments	1.42	0.98	0.44
SKYCITY Entertainment	1.40	0.43	0.98
New Hope	1.38	0.24	1.13
Fisher & Paykel Healthcare	1.38	0.00	1.38
Independence Group	1.34	1.79	-0.45
Mineral Resources	1.34	0.00	1.34

Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	34.6	21.2	17.9	16.3	15.6	17.2
Benchmark standard deviation (%)	32.6	21.2	17.9	16.7	16.7	17.5
Tracking error (%)	5.0	4.9	4.6	4.7	5.3	5.9
Fund Sharpe ratio	0.1	0.3	0.5	0.5	0.4	0.5
Information ratio	-0.8	-0.1	0.2	0.2	0.9	0.6
Beta	1.0	1.0	1.0	0.9	0.9	0.9
Cashflow adjusted turnover (%)	24.5	24.1	25.1	27.2	29.4	

Fund Active Sector Positions (%)



Top 5 Attributors To Performance (3 Months)

Stock	Value added
Mesoblast	0.71%
WPP AUNZ Ltd	0.34%
Regis Healthcare	0.30%
Zip Co	0.29%
Megaport	0.27%

Top 5 Detractors From Performance (3 Months)

Stock	Value detracted
Pilbara Minerals	-0.47%
Polynovo	-0.42%
Sims Metal Management	-0.38%
CYBG	-0.36%
Mcpherson'S Limited	-0.28%

The Realindex Australian Small Companies Fund returned +13.20% (net of fees) during the December quarter, versus the S&P/ASX Small Ordinaries benchmark which returned +13.83%.

Whilst the market returns were positive in each of the three months nearly all the return came in November. Within this strong market was a prominent rotation into Value and domestic cyclical stocks. As a result Value stocks strongly outperformed Growth stocks by 8.3% over the quarter (S&P Australia BMI Value +18.8% vs. Growth +10.4%).

Given the value bias of accounting weighted portfolios it seems unusual that the portfolio has underperformed. However this instance can be attributed to the portfolio's construction versus the benchmark index. Specifically the portfolio does not hold benchmark stocks that are considered 'large' companies according to their accounting measures and most of these Value stocks bounced strongly including Unibail (+110.7%), Fletcher Building (+52.8%), Whitehaven Coal (+57.4%) and Seven Group (+30.3%). Whilst not holding these names hurt performance over the quarter, the absence of these names in the portfolio has seen the portfolio hold up relatively well during the prior strong growth market.

Materials was the largest sector detractor, which came from large rises in smaller metal explorers, consistent with the risk-on market conditions. Given their speculative nature and poor quality of these companies (low/lack of reported earnings and cashflow), the portfolio is very underweight these names including not holding Pilbara Mines (+187.4%) or ioneer (+133.3%) and large underweights to Orocobre (+80.2%) and Galaxy Resources (+98.5%) and Lynas (+71.6%).

On the positive side, the portfolio benefited from a large bounce in beaten up value stocks in the aged care industry: Japara (+59.0%), Regis Healthcare (+81.7%) and Estia (+21.7%). Also within healthcare a large underweight to Mesoblast (-55.7%) also contributed to relative performance.

Additionally, also benefitting the portfolio were WPP (+98.6%) and Asaleo Care (+34.3%) after both companies experienced takeover offers. Neither stock is in the Small Ordinaries benchmark thus increasing the magnitude of the value add.

The portfolio offers a valuation discount to the market-cap benchmark, as measured by price-to-sales (27.7% discount), price-to-cashflow (13.0% discount), and price-to-book (18.2% discount), as well as a dividend yield higher than the benchmark (33.2% premium).

Note: Percentage figures in parenthesis show total return in Australian dollars for the quarter ending 31 December 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: 31 December 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

For further information

Personal investors

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Download Product Disclosure Statements from below website link.

www.firstsentierinvestors.com.au/individual-pds