

# Realindex Emerging Markets Fund-Class A

## Monthly Factsheet

28 February 2021

For Adviser use only

### Portfolio Description

The portfolio invests in global shares predominantly in emerging markets by selecting and weighting companies based on fundamental measures of company size.

### Investment Strategy

Realindex forms a universe of emerging market 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. This fund does not hedge currency exposure.

### Investment Objective

To provide capital and income growth by investing in global shares predominantly in emerging markets and outperforming the MSCI Emerging Markets Index, over rolling five year periods before fees and taxes.

### Product Overview

APIR code	FSF1101AU
Inception date	20 January 2011
Fund Size (A\$)	907 million
Benchmark	MSCI Emerging Markets Net Index
Number of stock holdings	474
Buy / Sell spread	0.10% / 0.10%
Minimum investment (A\$)	25,000
Management cost (p.a.)*	0.68%

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

### Performance Summary (%)

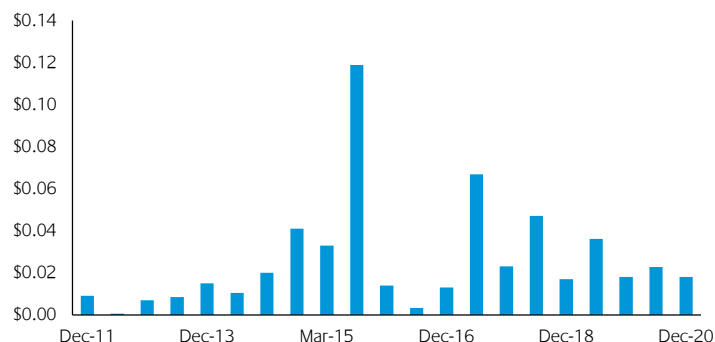
Period	1mth	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	2.6	7.4	7.4	3.3	12.4	7.9	5.4	4.7
Benchmark return	-0.1	6.1	13.3	6.6	13.4	9.5	7.3	6.5
Excess net return	2.7	1.3	-5.9	-3.3	-1.0	-1.6	-1.9	-1.8
Income return	0.0	2.3	5.4	6.1	6.7	8.3	6.2	6.1
Growth return	2.6	5.1	2.0	-2.8	5.7	-0.4	-0.8	-1.4

Note: Net return is the return after management fee

### Sector Breakdown (%)

Sector	Fund weight	Benchmark weight	Active weight
Financials	26.70	17.52	9.17
Information Technology	16.93	21.00	-4.07
Materials	12.47	7.75	4.73
Consumer Discretionary	9.95	18.63	-8.68
Communication Services	8.34	12.27	-3.93
Energy	7.06	4.72	2.33
Industrials	6.27	4.19	2.08
Consumer Staples	4.03	5.46	-1.43
Real Estate	3.96	2.10	1.86
Utilities	3.02	1.93	1.09
Health Care	0.40	4.44	-4.04

### Distributions



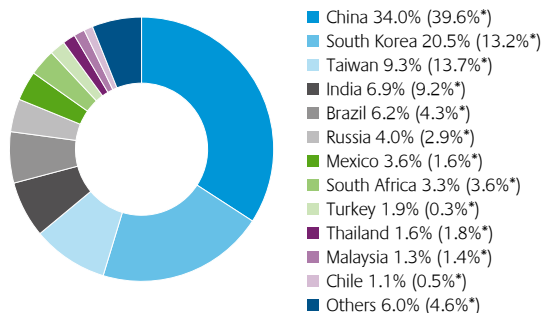
### Top 10 Holdings

Stock	Fund Weight	Benchmark Weight	Active Weight
Samsung Electronics Co., Ltd.	6.34	4.33	2.02
Ping An Insurance (Group) Company of China, Ltd. Class H	2.32	0.90	1.42
Taiwan Semiconductor Manufacturing Co. Ltd.	2.30	6.61	-4.31
China Merchants Bank Co., Ltd. Class H	1.70	0.37	1.33
China Construction Bank Corporation Class H	1.62	0.95	0.67
Hyundai Motor Company	1.53	0.39	1.14
Bank of Communications Co., Ltd. Class H	1.24	0.06	1.18
Hon Hai Precision Industry	1.19	0.62	0.57
Vale S.A.	1.12	0.77	0.35
SK hynix Incorporated	1.09	0.85	0.24

### Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	16.0	12.6	11.8	12.3	12.4	12.4
Benchmark standard deviation (%)	14.1	11.6	10.3	10.5	10.9	10.9
Tracking error (%)	7.5	6.0	6.1	5.7	5.1	5.0
Fund Sharpe ratio	0.4	0.2	0.9	0.5	0.2	0.3
Information ratio	-0.8	-0.5	-0.2	-0.3	-0.4	-0.4
Beta	1.0	1.0	1.0	1.0	1.0	1.0
Cashflow adjusted turnover (%)	19.4	21.2	20.0	19.7	18.8	

### Country Breakdown



\*Benchmark weight

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The Realindex Emerging Markets Fund returned +2.58% (net of fees) during February, outperforming the MSCI Emerging Markets Net Index which returned -0.14% (in AUD).

Value stocks outperformed Growth stocks by 3.8% over the month (MSCI Emerging Markets Value +1.9% vs. Growth -1.9%, in AUD). Over the past year, the magnitude of the Value headwind has been considerable; Value has underperformed Growth by 18.0% (MSCI Emerging Markets Value +4.2% vs. Growth +22.2%, in AUD). On a five year basis, Value lags Growth by 7.5% p.a. (AUD) providing a significant longer-term performance headwind.

The month saw continued volatility as the vaccine-led global recovery pushed global equity markets higher in the early part of the month. However markets led by global technology stocks experienced a sharp sell off in late February following a spike in global bond yields as oil prices continued to surge and markets began to form expectations of a rise in inflation and future interest rate hikes. In the midst of this activity, growth and defensive stocks struggled while low duration, value stocks surged led by the cyclical sectors. The continued rotation around value names saw muted performance overall in emerging markets with MSCI EM posting -0.1% in AUD terms; Real Estate and Materials led the sectors (MSCI EM Real Estate +7.7%, MSCI EM Materials +5.0%) while Health Care and Staples underperformed (MSCI EM Health Care -5.2%, MSCI EM Consumer Staples -4.3%).

On a country basis, the largest contributor was the underweight to China and the largest detractor was the underweight to Taiwan. From a sector perspective, the largest contributor was the overweight to Materials and the largest detractor was the overweight to Utilities. The largest stock level contributor was the underweight to Alibaba Group Holding Ltd. and the largest stock level detractor was the underweight to Baidu, Inc.

Driven by the methodology of rebalancing further into cheap value companies, the portfolio continues to sit on deep valuation discounts. At the end of February 2021 the portfolio reflected a 88.3% dividend yield premium to the MSCI EM index, whilst trading at a 55.0% price to book discount, a 58.6% price to cashflow discount and 63.9% price to sales discount, indicating that the portfolio remains well positioned for mean reversion in Value.

Note: Returns in parenthesis show the total return for the month ending 28 February 2021. All returns are given in local currency terms unless otherwise stated.

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 2021

Data as at: 28 February 2021

**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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