

# Realindex Emerging Markets Fund-Class A

## Monthly Factsheet

31 January 2022

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\$)	646 million
Benchmark	MSCI Emerging Markets Net Index
Number of stock holdings	486
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 (%)

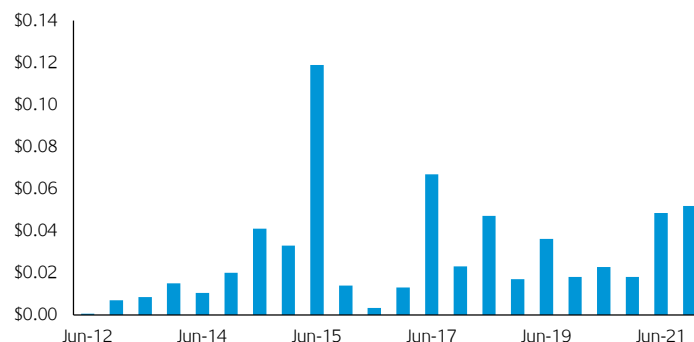
Period	1mth	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	4.6	6.6	14.1	6.5	8.5	7.3	7.5	5.3
Benchmark return	1.2	2.2	1.0	8.4	9.9	7.3	8.5	6.1
Excess net return	3.3	4.4	13.0	-2.0	-1.4	0.1	-1.0	-0.8
Income return	0.0	6.2	12.0	7.6	8.3	9.4	7.3	6.6
Growth return	4.6	0.4	2.0	-1.1	0.2	-2.0	0.2	-1.3

Note: Net return is the return after management fee

### Sector Breakdown (%)

Sector	Fund weight	Benchmark weight	Active weight
Financials	31.88	20.82	11.07
Information Technology	13.83	21.78	-7.95
Materials	10.77	8.71	2.06
Communication Services	9.73	10.87	-1.14
Energy	8.08	5.81	2.27
Consumer Discretionary	7.29	13.10	-5.81
Industrials	4.85	4.91	-0.06
Consumer Staples	4.78	5.73	-0.95
Real Estate	3.18	2.11	1.07
Utilities	3.11	2.38	0.72
Health Care	0.49	3.78	-3.29
Others	0.01	0.01	0.01

### Distributions



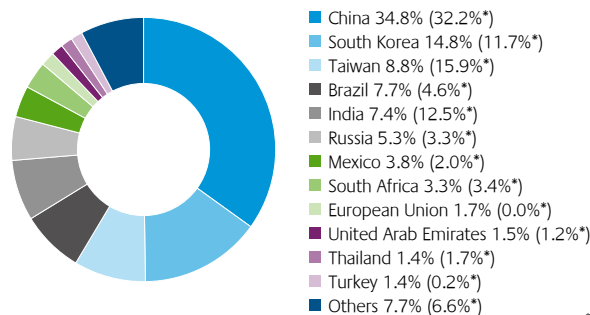
### Top 10 Holdings

Stock	Fund Weight	Benchmark Weight	Active Weight
Samsung Electronics Co., Ltd.	4.93	3.77	1.16
Ping An Insurance (Group) Company of China, Ltd. Class H	2.46	0.64	1.82
Taiwan Semiconductor Manufacturing Co. Ltd.	1.99	7.31	-5.33
China Construction Bank Corporation Class H	1.93	0.95	0.98
Bank of Communications Co., Ltd. Class H	1.72	0.08	1.65
China Merchants Bank Co., Ltd. Class H	1.48	0.42	1.06
Bank of China Limited Class H	1.23	0.40	0.83
China Mobile Limited	1.07	0.00	1.07
America Movil SAB de CV Class L	1.06	0.42	0.64
Industrial and Commercial Bank of China Limited Class H	1.01	0.44	0.56

### Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	9.5	12.3	11.7	12.6	11.8	12.2
Benchmark standard deviation (%)	8.4	11.1	10.6	10.7	10.2	10.7
Tracking error (%)	6.4	6.5	6.1	6.1	5.5	5.2
Fund Sharpe ratio	1.5	0.5	0.6	0.5	0.5	0.3
Information ratio	2.0	-0.3	-0.2	0.0	-0.2	-0.1
Beta	0.8	0.9	0.9	1.0	1.0	1.0
Cashflow adjusted turnover (%)	14.0	18.8	18.6	19.9	18.5	

### Country Breakdown



\*Benchmark weight

## Realindex Emerging Markets Fund-Class A

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The Realindex Emerging Markets Fund returned +4.56% (net of fees) during January, outperforming the MSCI Emerging Markets Net Index which returned +1.24% (in AUD).

Value stocks outperformed Growth stocks by 2.3% over the month (MSCI Emerging Markets Value +2.4% vs. Growth +0.1%, in AUD). Over the past year, Value has outperformed Growth by 19.6% (MSCI Emerging Markets Value +11.6% vs. Growth -8.1%, in AUD). On a five year basis, Value lags Growth by 4.6% p.a. (AUD) providing a significant longer-term performance headwind.

Global equity markets braced for a volatile start in 2022 driven by concerns around tighter Central Bank policy in the US. The growing tensions between Russia and Ukraine and disappointing earnings calls from major US firms also added to global market uncertainty. The result was a large sell off in equity markets; Developed markets suffered; the S&P 500 fell almost 10% with a late stage recovery to end the month approximately 5% down. Emerging markets also declined, but to a lesser extent.

The beneficiaries were low duration value oriented cyclical sectors that are favourably exposed to the reflation trade and less sensitive to future rate rises. Growth, and in particular stocks, commonly seen as defensive plays, have become increasingly viewed as risky in this inflationary environment, and in turn led the losses in January.

In emerging markets, the sell-off was muted in local currency terms (MSCI EM: -1.8%) with Korea having the most significant falls (MSCI Korea -8.9%), while resource heavy LATAM posted strong performance for the month (MSCI LATAM: +4.1%). In sector performance, Health Care (-12.5%), IT (-5.1%) and Consumer Discretionary (-5.2%) posted the most significant losses. From a style perspective, investors sought refuge in low risk, value oriented names; with those styles outperforming all others at the expense of high growth names.

On a country basis, the largest contributor was the overweight to United Arab Emirates and the largest detractor was the overweight to Brazil. From a sector perspective, the largest contributor was the overweight to Financials and the largest detractor was the overweight to Utilities. The largest stock level contributor was the overweight to Bank of Communications Co., Ltd. and the largest stock level detractor was the underweight to Tencent Holdings Ltd.

Driven by the methodology of rebalancing further into cheap value companies, the portfolio continues to sit on deep valuation discounts. At the end of January 2022 the portfolio reflected a 85.2% dividend yield premium to the MSCI EM index, whilst trading at a 44.2% price to book discount, a 53.0% price to cashflow discount and 57.5% 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 31 January 2022. 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 2022

Data as at: 31 January 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.

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