

# Realindex Emerging Markets Fund- Class A

## Monthly Factsheet

30 April 2022

### 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\$)	576 million
Benchmark	MSCI Emerging Markets Net Index
Number of stock holdings	485
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	0.0	-9.8	-3.5	1.8	5.2	4.1	6.2	4.2
Benchmark return	-0.2	-11.2	-11.2	1.9	5.4	4.3	6.9	4.8
Excess net return	0.2	1.4	7.8	-0.1	-0.2	-0.2	-0.7	-0.6
Income return	0.0	0.0	10.2	7.3	8.1	8.1	7.2	6.4
Growth return	0.0	-9.8	-13.6	-5.5	-2.9	-4.0	-1.1	-2.2

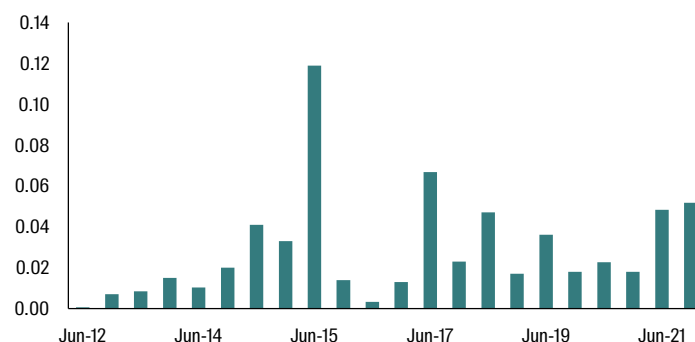
Note: Net return is the return after management fee

### Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	12.0	13.0	12.3	12.6	12.0	12.3
Benchmark standard deviation (%)	11.1	12.1	11.2	11.1	10.5	10.9
Tracking error (%)	6.1	6.6	6.1	6.0	5.5	5.2
Fund Sharpe ratio	-0.3	0.2	0.3	0.2	0.4	0.2
Information ratio	1.3	0.0	0.0	0.0	-0.1	-0.1
Beta	0.9	0.9	1.0	1.0	1.0	1.0
Cashflow adjusted turnover (%)	15.4	20.6	19.5	20.3	19.5	

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### Distributions



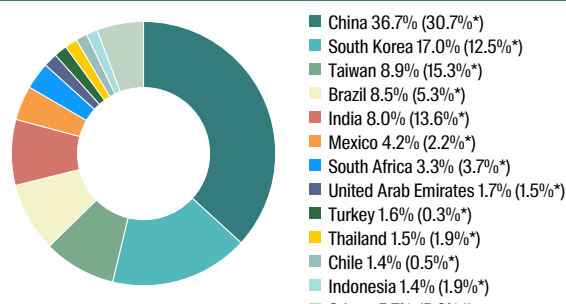
### Top 10 Holdings

Stock	Fund Weight	Benchmark Weight	Active Weight
Samsung Electronics Co., Ltd.	5.27	3.72	1.56
Ping An Insurance (Group) Company of China, Ltd. Class H	2.80	0.60	2.20
Bank of Communications Co., Ltd. Class H	2.10	0.09	2.01
China Construction Bank Corporation Class H	2.03	0.99	1.03
Taiwan Semiconductor Manufacturing Co. Ltd.	1.82	6.52	-4.70
Bank of China Limited Class H	1.50	0.46	1.05
China Merchants Bank Co., Ltd. Class H	1.33	0.35	0.98
Industrial and Commercial Bank of China Limited Class H	1.22	0.49	0.73
America Movil SAB de CV Class L	1.12	0.43	0.69
Vale S.A.	1.11	1.00	0.11

### Sector Breakdown (%)

Sector	Fund Weight	Benchmark Weight	Active Weight
Financials	35.63	22.21	13.42
Information Technology	14.30	20.48	-6.18
Materials	9.62	9.19	0.43
Communication Services	7.68	10.33	-2.65
Consumer Discretionary	7.38	12.72	-5.34
Energy	6.32	4.98	1.35
Industrials	5.18	5.46	-0.28
Consumer Staples	5.17	5.97	-0.79
Real Estate	3.97	2.17	1.79
Utilities	2.80	2.75	0.05
Health Care	0.63	3.76	-3.12
Others	0.04		0.04

### Country Breakdown



The Realindex Emerging Markets Fund returned +0.01% (net of fees) during April, outperforming the MSCI Emerging Markets Net Index which returned -0.21% (in AUD).

Value stocks underperformed Growth stocks by 0.2% over the month (MSCI Emerging Markets Value -0.3% vs. Growth -0.1%, in AUD). Over the past year, Value has outperformed Growth by 15.0% (MSCI Emerging Markets Value -3.3% vs. Growth -18.3%, in AUD). On a five year basis, Value lags Growth by 2.7% p.a. (AUD) providing a significant 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. 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.

China's zero-COVID policy has also weighed heavily on global growth and aggregate demand. Whilst inflation has risen in March to 1.5% pa, there is still room for further monetary stimulus by the PBoC. For the rest of the EM, inflationary pressures and economic fears remain, despite efforts by various central banks to raise rates, due to the rising rates in the US and the impact on food and energy prices.

Emerging markets traded flat with MSCI EM posting -0.2% in AUD terms in April. The sell-off in Chinese equities earlier in Q1 have largely subsided, with MSCI China up 1.4% in AUD terms. Coupled with both inflationary and geopolitical risks as the war in Ukraine rages on, Eastern European markets continued to struggle in April (MSCI Poland -14.5%; MSCI Hungary -7.3% in AUD). With Russian stocks removed from the EM universe, Energy and Utility stocks led the sectors with MSCI EM Energy posting 5.9% in AUD terms and MSCI Utilities posting 6.8% in AUD terms. MSCI EM IT led the largest losses posting -5.7% in AUD terms. While Growth stocks underperformed Value stocks in Q1 2022, in April there were negligible differences between the two styles in emerging markets.

On a country basis, the largest contributor was the underweight to Taiwan and the largest detractor was the underweight to Saudi Arabia. From a sector perspective, the largest contributor was the underweight to Information Technology and the largest detractor was the overweight to Financials. The largest stock level contributor was the underweight to Taiwan Semiconductor Manufacturing Co., Ltd. and the largest stock level detractor was the overweight to China Merchants Bank Co., 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 April 2022 the portfolio reflected a 87.1% dividend yield premium to the MSCI EM index, whilst trading at a 42.4% price to book discount, a 52.9% price to cashflow discount and 55.0% 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 30 April 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: 30 April 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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