

# Realindex Emerging Markets Fund- Class A

## Quarterly Factsheet

30 September 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\$)	711 million
Benchmark	MSCI Emerging Markets Net Index
Number of stock holdings	409
Buy / Sell spread	0.10% / 0.10%
Minimum investment (A\$)	25,000
Management fees and costs (p.a.)*	0.68%

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

### Performance Summary (%)

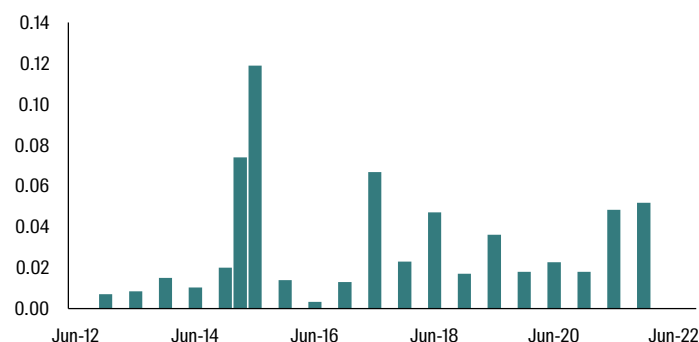
Period	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	-6.1	-17.0	-0.9	2.5	5.7	5.3	3.2
Benchmark return	-5.4	-19.2	-0.5	2.2	5.2	6.0	3.9
Excess net return	-0.7	2.2	-0.4	0.3	0.5	-0.7	-0.7
Income return	0.0	4.8	5.8	6.4	6.4	7.2	6.1
Growth return	-6.1	-21.8	-6.7	-3.9	-0.7	-1.9	-2.9

Note: Net return is the return after management fee

### Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	11.2	12.9	12.5	12.3	12.0	12.3
Benchmark standard deviation (%)	9.5	11.8	11.5	11.0	10.5	11.0
Tracking error (%)	6.0	6.6	6.1	5.9	5.5	5.2
Fund Sharpe ratio	-1.6	-0.1	0.1	0.4	0.3	0.2
Information ratio	0.4	-0.1	0.1	0.1	-0.1	-0.1
Beta	1.0	0.9	1.0	1.0	1.0	1.0
Cashflow adjusted turnover (%)	26.6	23.6	22.7	22.4	20.6	

### Distributions



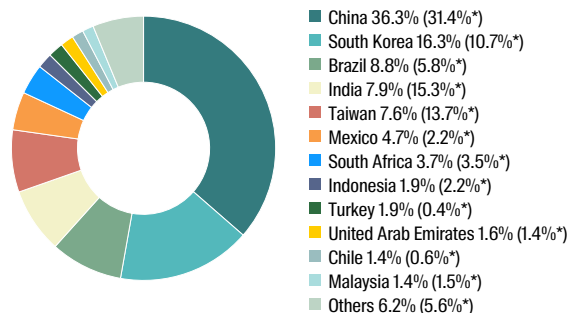
### Top 10 Holdings

Stock	Fund Weight	Benchmark Weight	Active Weight
Samsung Electronics Co., Ltd.	4.67	3.09	1.58
Ping An Insurance (Group) Company of China, Ltd. Class H	2.63	0.55	2.08
Taiwan Semiconductor Manufacturing Co. Ltd.	2.01	5.71	-3.70
China Construction Bank Corporation Class H	1.97	0.97	1.00
Bank of Communications Co., Ltd. Class H	1.94	0.08	1.86
Bank of China Limited Class H	1.72	0.45	1.26
Alibaba Group Holding Ltd. Sponsored ADR	1.42	0.00	1.42
Vale S.A.	1.41	0.93	0.48
China Merchants Bank Co., Ltd. Class H	1.29	0.32	0.97
Petroleo Brasileiro SA Pfd	1.22	0.46	0.76

### Sector Breakdown (%)

Sector	Fund Weight	Benchmark Weight	Active Weight
Financials	34.32	22.60	11.73
Information Technology	13.56	18.27	-4.71
Consumer Discretionary	9.72	13.97	-4.24
Communication Services	7.81	9.69	-1.88
Materials	7.68	8.73	-1.05
Energy	6.64	5.29	1.35
Industrials	6.04	5.78	0.25
Consumer Staples	5.55	6.60	-1.06
Real Estate	3.37	2.02	1.36
Utilities	3.00	3.16	-0.16
Health Care	0.70	3.89	-3.19
Others	0.00		0.00

### Country Breakdown



\*Benchmark weight

The Realindex Emerging Markets Fund returned -6.14% (net of fees) during the September quarter, versus the MSCI Emerging Markets Net Index which returned -5.42% (in AUD).

Value stocks outperformed Growth stocks by 1.3% over the quarter (MSCI Emerging Markets Value -4.8% vs. Growth -6.0%, in AUD). Over the past year, Value has outperformed Growth by 9.5% (MSCI Emerging Markets Value -14.2% vs. Growth -23.7%, in AUD). On a five year basis, Value lags Growth by 0.5% p.a. (AUD) providing a significant longer-term performance headwind.

Central banks around the world continued to signal their commitment to tighter monetary policy by combatting inflation with further rate rises. The European Central Bank indicated rates will likely be raised over several meetings following its 75bps rise in September, with further policy tightening in the US also expected following its own series of increases. In the US, the core PCE price index rose 0.6% month-over-month in August after being flat in July. In the Eurozone, preliminary data showed headline consumer price inflation reached 10% in September, an increase from 9.1% in August. Concerns over the UK's fiscal policy stance also added further volatility to markets in September, which led to the Pound/Dollar exchange rate collapsing to an all-time low, with the 30-year yield on gilts rising above 5% for the first time since 2008. It was not long before the Bank of England intervened and bought gilts, restoring market order. Geopolitical risks also remained, with the recent declaration of the annexation of four Ukrainian provinces only adding to the escalation in tensions and overall market volatility and downside risks for economic growth. The stronger US dollar, higher inflation, and tighter financial conditions also weighed on Emerging Markets equities, and relations between the United States and China came under greater strain as both countries tried to secure their supply chains and worries over Taiwan intensified.

Consequently, over the first three quarters of 2022, the S&P 500 posted its 3rd worst performance since the 1950s, while the US Dollar Index (DXY) has had its strongest year on record and US treasury yields have sharply risen, reaching a high of 4.0%. Commodities have also reversed their gains from the first half of the year due to the sign of global economic slowdown; with crude oil and gas falling by more than 11% and 25% respectively, in September alone.

Global equity markets sold off in September, offsetting gains observed in July, with the MSCI World index posting 0.35% in AUD terms. In Emerging Markets, the sell-off was more severe, with the MSCI EM falling 5.42% for the quarter in AUD terms. Real Estate, and Communication services were the largest detractors, each posting -13.7% for the quarter, while Energy posted the strongest gains in Emerging Markets during the period (+4.2%).

On a country basis, the largest detractor by far was the underweight to India and the largest contributor was the overweight to China. From a sector perspective, the largest detractor was the overweight to Financials and the largest contributor was the underweight to Consumer Discretionary. The largest stock level detractor was the overweight to Ping An Insurance (Group) Company of China, Ltd. and the largest stock level contributor 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 September 2022 the portfolio reflected a 87.6% dividend yield premium to the MSCI EM index, whilst trading at a 38.7% price to book discount, a 52.4% price to cashflow discount and 57.1% 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 quarter ending 30 September 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 September 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.

**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](http://www.realindex.com.au)

#### For further information

Acting Head of Wholesale Ross Crocker	+61 2 9010 5424	Business Development Manager - VIC/TAS Jack Heinz	+61 3 9225 5056
Key Account Manager - NSW Paul Sleiman	+61 2 9010 5393	Key Account Manager - QLD Quin Smith	+61 4 5509 5505
Business Development Manager - NSW Emerson Bloom	+61 2 9010 5547	Business Development Manager - QLD Julie Day	+61 4 6641 3176
Key Account Manager - VIC/TAS Nick Everitt	+61 3 9225 5055	Key Account Manager - WA/SA/NT Nathan Robinson	+61 4 0327 2440

This document has been prepared by First Sentier Investors (Australia) IM Ltd (ABN 89 114 194 311, AFSL 289017) ( **FSI AIM** ) which forms part of First Sentier Investors, a global asset management business. First Sentier Investors is ultimately owned by Mitsubishi UFJ Financial Group, Inc ( **MUFG** ).

It is directed at persons who are institutional clients and financial advisers only and has not been prepared for and is not intended for persons who are retail clients. A copy of the Financial Services Guide for FSI AIM is available from First Sentier Investors on its website. This material contains general information only. It is not intended to provide you with financial product advice and does not take into account your objectives, financial situation or needs. Before making an investment decision, you should consider, with a financial adviser, whether this information is appropriate in light of your investment needs, objectives and financial situation.

First Sentier Investors Realindex Pty Ltd ( **Realindex** ) ABN 24 133 312 017 AFS Licence 335381 forms part of First Sentier Investors and is the investment manager of the Realindex Funds (as defined below).

Investors should read the Product Disclosure Statement ( **PDS** ) for the Realindex funds and talk to a financial adviser before making an investment decision. The Realindex funds are issued by Colonial First State Investments Limited ( **CFSIL** ) ABN 98 002 348 352 AFS Licence 232468 under the following registered names: Realindex Australian Share Fund - Class A ( ARSN 132 950 433 ); Realindex Australian Small Companies Fund - Class A ( ARSN 132 950 175 ); Realindex Global Share Fund - Class A ( ARSN 132 951 083 ); Realindex Global Share Hedged Fund - Class A ( ARSN 132 951 467 ); Realindex Enhanced Equal Weighted Global Share Fund - Class A ( ARSN 149 308 976 ); Realindex Emerging Markets Fund - Class A ( ARSN 140 973 075 ) ( **Realindex Funds** ). PDSs for the Realindex Funds are from First Sentier Investors on its website. The target market determination ( **TMD** ) for the Fund is available from First Sentier Investors on its website and should be considered by prospective investors before any investment decision to ensure that investors form part of the target market.

Total returns shown for the Realindex Funds or any Portfolio have been calculated using exit prices after taking into account all ongoing fees and assuming reinvestment of distributions. Past performance should not be taken as an indication of future performance.

CFSIL is a subsidiary of the Commonwealth Bank of Australia ( **Bank** ). MUFG, the Bank and their respective affiliates do not guarantee the performance of the Realindex Funds or the repayment of capital by the Realindex Funds. Investments in the Realindex Funds are not deposits or other liabilities of MUFG, the Bank nor their respective affiliates, and investment-type products are subject to investment risk including loss of income and capital invested. First Sentier Investors was acquired by MUFG on 2 August 2019 and is now financially and legally independent from the Bank.

To the extent permitted by law, no liability is accepted by MUFG, FSI AIM, the Bank, CFSIL nor their respective affiliates for any loss or damage as a result of any reliance on this information. This information is, or is based upon, information that we believe to be accurate and reliable, however neither MUFG, FSI AIM, the Bank, CFSIL nor their respective affiliates offer any warranty that it contains no factual errors. Any opinions expressed in this material are the opinions of FSI AIM at the time of publication only. Such opinions are subject to change without notice. No part of this material may be reproduced or transmitted in any form or by any means without the prior written consent of FSI AIM.

© First Sentier Investors (Australia) Services Pty Limited 2022

All rights reserved.

Source: MSCI. The MSCI data is comprised of a custom index calculated by MSCI for, and as requested by, FSI AIM. The MSCI data is for internal use only and may not be redistributed or used in connection with creating or offering any securities, financial products or indices. Neither MSCI nor any other third party involved in or related to compiling, computing or creating the MSCI data (the "MSCI Parties") makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and the MSCI Parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to such data. Without limiting any of the foregoing, in no event shall any of the MSCI Parties have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.