

Realindex Emerging Markets Fund-Class A

Quarterly Factsheet

31 December 2020

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\$)	874 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 (%)

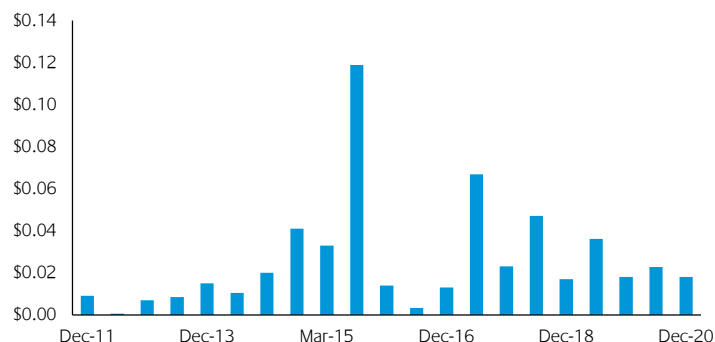
Period	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	15.6	-2.4	4.0	10.5	6.2	-	4.4
Benchmark return	11.2	7.8	6.7	11.5	8.4	-	6.3
Excess net return	4.4	-10.2	-2.7	-1.0	-2.2	-	-1.9
Income return	2.4	4.9	6.2	6.6	8.2	-	6.2
Growth return	13.2	-7.3	-2.2	3.9	-2.0	-	-1.8

Note: Net return is the return after management fee

Sector Breakdown (%)

Sector	Fund weight	Benchmark weight	Active weight
Financials	27.75	17.96	9.79
Information Technology	16.62	20.48	-3.86
Materials	11.87	7.56	4.30
Consumer Discretionary	9.48	18.35	-8.86
Communication Services	8.24	11.63	-3.39
Energy	6.96	5.02	1.94
Industrials	6.16	4.33	1.83
Consumer Staples	4.41	5.86	-1.46
Real Estate	3.92	2.05	1.86
Utilities	3.26	2.02	1.24
Health Care	0.41	4.74	-4.32

Distributions



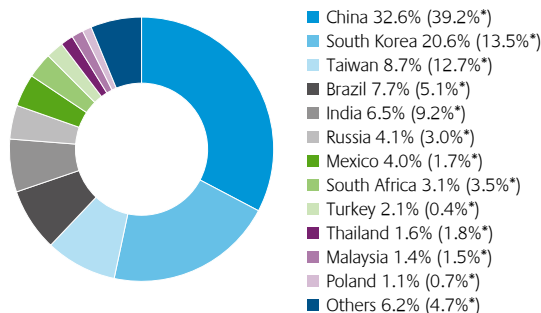
Top 10 Holdings

Stock	Fund Weight	Benchmark Weight	Active Weight
Samsung Electronics Co., Ltd.	6.70	4.52	2.19
Ping An Insurance (Group) Company of China, Ltd. Class H	2.41	0.93	1.48
Taiwan Semiconductor Manufacturing Co. Ltd.	2.08	5.89	-3.81
China Construction Bank Corporation Class H	1.59	0.93	0.67
China Merchants Bank Co., Ltd. Class H	1.46	0.31	1.14
Hyundai Motor Company	1.33	0.34	1.00
Bank of Communications Co., Ltd. Class H	1.21	0.06	1.15
Vale S.A.	1.16	0.79	0.37
LG Electronics Inc.	1.02	0.17	0.85
Hon Hai Precision Industry	1.01	0.52	0.49

Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	16.4	13.4	12.1	12.5		12.4
Benchmark standard deviation (%)	14.0	11.7	10.4	10.6		10.9
Tracking error (%)	6.9	6.0	5.9	5.6		4.9
Fund Sharpe ratio	-0.2	0.3	0.7	0.4		0.2
Information ratio	-1.5	-0.4	-0.2	-0.4		-0.4
Beta	1.1	1.0	1.0	1.1		1.0
Cashflow adjusted turnover (%)	19.9	21.3	20.1	20.2		

Country Breakdown



*Benchmark weight

Realindex Emerging Markets Fund-Class A

The Realindex Emerging Markets Fund returned +15.58% (net of fees) during the December quarter, significantly outperforming the MSCI Emerging Markets Net Index which returned +11.18% (in AUD).

The outperformance was driven by the strategy's long term positioning in Value and being significantly overweight cheap stocks which benefited from mean-reversion and contributed strongly to the strategy's outperformance. Value stocks strongly outperformed Growth stocks by 5.7% over the quarter (MSCI Emerging Markets Value +14.2% vs. Growth +8.5%, in AUD). Over the past year, the magnitude of the Value headwind has been considerable; Value has underperformed Growth by 23.6% (MSCI Emerging Markets Value -3.9% vs. Growth +19.6%, in AUD). On a five year basis, Value lags Growth by 7.0% p.a. (AUD) providing a significant longer-term performance headwind.

The December quarter was characterised by strong rallies across global markets within the MSCI ACWI universe in light of improving prospects of a Covid vaccine and investor confidence following the Biden US Election victor. Fears over lockdowns in Europe and of a no deal Brexit lingered throughout the quarter; however renewed optimism in markets with the advancement of vaccine distributions, the approval of a US economic stimulus package and a Brexit deal helped propel markets forward. The S&P 500 ended higher, gaining 4.2% in AUD terms and 12.0% in local currency terms for the quarter. Gold stabilised following initial losses in the quarter (-0.3% in USD) while Crude Oil (NYM) staged a recovery in the final quarter following significant losses in the earlier part of the year (+20.6%).

Emerging markets were strongly positive, with MSCI EM posting 11.2% in AUD terms and 16.0% in local currency terms. Strong performance was recorded across all regions within EM, though interestingly MSCI China had muted gains for the December quarter (+3.3% in AUD terms) despite it being the strongest performer across MSCI EM countries for the year (+18.0% in AUD terms). MSCI Korea posted strong gains for the December quarter (+28.4%).

On a country basis, the largest contributor was the overweight to Korea and the largest detractor was the underweight to Taiwan. From a sector perspective, the largest contributor was the underweight to Consumer Discretionary and the largest detractor was the overweight to Real Estate. The largest stock level contributor was the underweight to Alibaba Group Holding Ltd. and the largest stock level detractor was the underweight to Pinduoduo, 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 December 2020 the portfolio reflected a 82.5% dividend yield premium to the MSCI EM index, whilst trading at a 55.7% price to book discount, a 58.3% price to cashflow discount and 62.0% 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 quarter ending 31 December 2020. 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 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.

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