

# Realindex Emerging Markets Fund- Class A

## Monthly Factsheet

31 May 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 (AS)	586 million
Benchmark	MSCI Emerging Markets Net Index
Number of stock holdings	483
Buy / Sell spread	0.10% / 0.10%
Minimum investment (AS)	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 (%)

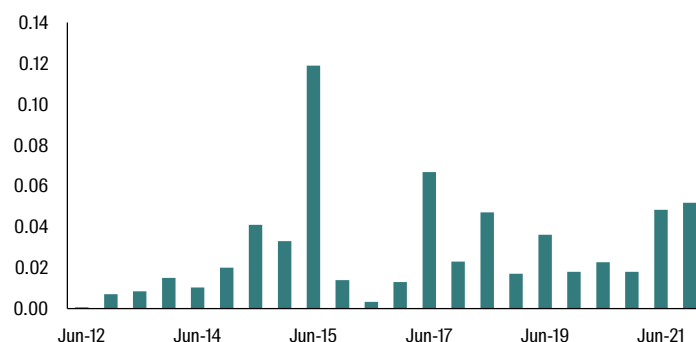
Period	1mth	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	0.4	-2.7	-6.6	3.4	4.9	4.5	6.9	4.2
Benchmark return	-0.5	-6.2	-13.5	3.8	4.6	4.4	7.4	4.8
Excess net return	0.9	3.5	6.9	-0.4	0.3	0.1	-0.5	-0.5
Income return	0.0	0.0	9.8	7.4	8.0	8.1	7.3	6.4
Growth return	0.4	-2.7	-16.5	-4.0	-3.2	-3.7	-0.4	-2.1

Note: Net return is the return after management fee

### Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	11.3	12.8	12.2	12.6	11.8	12.2
Benchmark standard deviation (%)	10.6	11.5	11.1	11.0	10.3	10.9
Tracking error (%)	6.1	6.6	6.0	6.0	5.5	5.2
Fund Sharpe ratio	-0.6	0.3	0.3	0.3	0.4	0.2
Information ratio	1.1	-0.1	0.0	0.0	-0.1	-0.1
Beta	0.9	1.0	1.0	1.0	1.0	1.0
Cashflow adjusted turnover (%)	14.5	20.4	19.3	19.3	18.0	

### Distributions



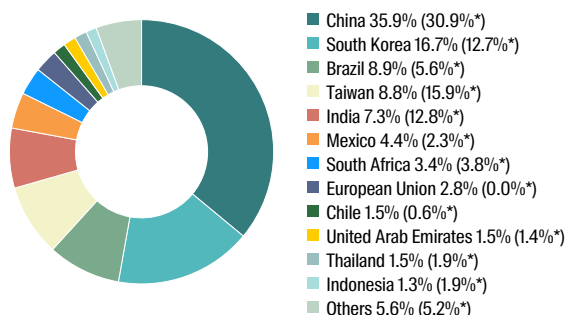
### Top 10 Holdings

Stock	Fund Weight	Benchmark Weight	Active Weight
Samsung Electronics Co., Ltd.	5.21	3.77	1.44
Ping An Insurance (Group) Company of China, Ltd. Class H	2.67	0.59	2.08
China Construction Bank Corporation Class H	2.06	1.04	1.02
Bank of Communications Co., Ltd. Class H	2.00	0.09	1.91
Taiwan Semiconductor Manufacturing Co. Ltd.	1.88	6.89	-5.01
Bank of China Limited Class H	1.49	0.46	1.02
China Merchants Bank Co., Ltd. Class H	1.35	0.36	0.99
Industrial and Commercial Bank of China Limited Class H	1.18	0.49	0.69
America Movil SAB de CV Class L	1.18	0.47	0.71
Vale S.A.	1.17	1.08	0.09

### Sector Breakdown (%)

Sector	Fund Weight	Benchmark Weight	Active Weight
Financials	34.81	21.84	12.97
Information Technology	14.21	21.10	-6.89
Materials	9.20	9.09	0.11
Communication Services	7.49	10.19	-2.70
Consumer Discretionary	7.31	12.85	-5.54
Energy	6.27	4.98	1.29
Industrials	5.26	5.52	-0.26
Consumer Staples	5.11	6.00	-0.89
Real Estate	3.63	2.09	1.54
Utilities	2.84	2.71	0.14
Health Care	0.62	3.62	-3.00

### Country Breakdown



\*Benchmark weight

The Realindex Emerging Markets Fund returned +0.36% (net of fees) during May, outperforming the MSCI Emerging Markets Net Index which returned -0.50% (in AUD).

Value stocks outperformed Growth stocks by 0.8% over the month (MSCI Emerging Markets Value -0.1% vs. Growth -0.9%, in AUD). Over the past year, Value has outperformed Growth by 12.7% (MSCI Emerging Markets Value -6.8% vs. Growth -19.5%, in AUD). On a five year basis, Value lags Growth by 2.2% p.a. (AUD) providing a significant longer-term performance headwind.

Overall, global markets remained mixed in May. While there were pockets of positive returns in the energy and financial sectors, as well as value, the broad market fell slightly. On macro perspectives, inflation remained forefront among investors and the central banks alike. Key thematic continue to be the rate hike trajectory given persistent inflationary pressures and supply chain disruptions from the war in Ukraine. Whilst we are seeing some easing in Chinese lockdowns, China's overall zero Covid policy has remained in place. China's growth concerns remain for the global economy as the world's second largest economy is expected to yield between 3.0 to 3.7% GDP growth for 2022, lower than the official 5.0% target. These issues paint a 'risk-off' environment globally. The US labour market continues to show strength with the unemployment rate steady at 3.6%. Wage growth and strong hiring coupled with the continued rally in commodity prices will force the US Federal Reserve to continue tightening at an aggressive pace.

Emerging markets fell slightly posting -0.5% in AUD terms. In Asia, Chinese stocks traded flat in May with Covid restrictions and geopolitical tensions largely priced in. Inflation and a looming food crisis driven in part by the war in Ukraine continue to provide strong headwinds in non LATAM EM. Hungary, Turkey and India have fallen -14.5%, -7.5% and -8.9% respectively. IT (+2.2%) and Energy (+1.6%) performed relatively well whilst REITs (-4.6%) fell sharply.

On a country basis, the largest contributor was the overweight to Brazil and the largest detractor was the underweight to Taiwan. From a sector perspective, the largest contributor was the overweight to Financials and the largest detractor was the underweight to Information Technology. The largest stock level contributor was the underweight to Alibaba Group Holding Ltd. and the largest stock level detractor was the underweight to Taiwan Semiconductor Manufacturing 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 May 2022 the portfolio reflected a 83.9% dividend yield premium to the MSCI EM index, whilst trading at a 41.7% price to book discount, a 52.6% price to cashflow discount and 54.8% 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 May 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 May 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.

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

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