

# Realindex Emerging Markets Value-Class A

## Monthly Factsheet

31 January 2023

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\$)	780 million
Benchmark	MSCI Emerging Markets Net Index
Number of stock holdings	427
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 (%)

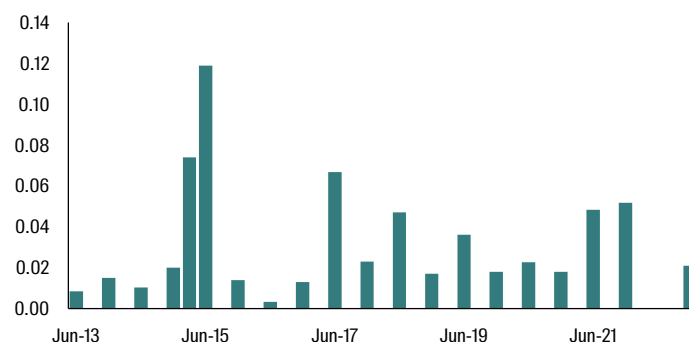
Period	1mth	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	4.0	12.5	-8.8	1.9	1.9	8.9	5.6	4.1
Benchmark return	3.8	10.9	-12.1	-0.3	1.3	7.4	6.2	4.4
Excess net return	0.2	1.6	3.3	2.2	0.6	1.5	-0.5	-0.4
Income return	0.0	3.1	2.5	6.3	6.4	6.7	7.4	6.2
Growth return	4.0	9.4	-11.3	-4.4	-4.5	2.2	-1.8	-2.2

Note: Net return is the return after management fee

### Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	15.2	14.2	12.8	12.2	12.3	12.5
Benchmark standard deviation (%)	15.0	13.2	12.0	11.1	10.9	11.2
Tracking error (%)	4.1	6.4	5.9	5.9	5.6	5.2
Fund Sharpe ratio	-0.7	0.1	0.1	0.6	0.3	0.2
Information ratio	0.8	0.3	0.1	0.2	-0.1	-0.1
Beta	1.0	1.0	0.9	1.0	1.0	1.0
Cashflow adjusted turnover (%)	43.9	25.9	24.3	22.5	21.3	

### Distributions



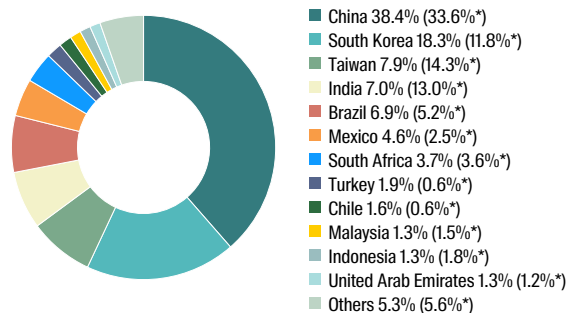
### Top 10 Holdings

Stock	Fund Weight	Benchmark Weight	Active Weight
Samsung Electronics Co., Ltd.	5.16	3.47	1.69
Ping An Insurance (Group) Company of China, Ltd. Class H	3.32	0.72	2.60
Taiwan Semiconductor Manufacturing Co. Ltd.	2.19	6.28	-4.09
Bank of Communications Co., Ltd. Class H	1.87	0.08	1.79
China Construction Bank Corporation Class H	1.70	0.91	0.79
Alibaba Group Holding Ltd. Sponsored ADR	1.69	0.00	1.69
Vale S.A.	1.53	1.04	0.49
China Merchants Bank Co., Ltd. Class H	1.53	0.37	1.15
Bank of China Limited Class H	1.50	0.44	1.06
Tencent Holdings Ltd.	1.37	4.47	-3.11

### Sector Breakdown (%)

Sector	Fund Weight	Benchmark Weight	Active Weight
Financials	33.44	21.21	12.23
Information Technology	14.81	19.62	-4.82
Consumer Discretionary	10.17	14.55	-4.38
Materials	8.81	8.84	-0.03
Communication Services	7.88	10.42	-2.55
Energy	5.73	4.63	1.10
Industrials	5.65	5.89	-0.24
Consumer Staples	5.01	6.21	-1.20
Real Estate	3.75	1.92	1.84
Utilities	2.67	2.72	-0.05
Health Care	1.09	3.98	-2.89

### Country Breakdown



\*Benchmark weight

Realindex Emerging Markets Value returned +4.00% (net of fees) during January, outperforming the MSCI Emerging Markets Net Index which returned +3.84% (in AUD).

Global markets were off to a solid start in January as falling inflation, relatively robust economic data, and China's COVID policy change drove investor hopes of a "soft landing" for the global economy. Equities, bonds and alternatives generally rose on the back of this renewed optimism while bond yields declined and equity market volatility fell to its lowest level in almost a year. In Emerging Markets, the positive gains observed were in part driven by China; improved economic momentum and confidence was reflected by the outperformance of the Chinese market, both onshore (CSI 300 Index +7.3%) and offshore (Hang Seng Index +10.4%). Growth oriented sectors outperformed with Information Technology (+9.4%) as well as Communication Services and Discretionary sectors leading the way. Utilities (-6.7%) and Energy (-1.5%) were the main underperforming sectors.

Within this risk on market environment, Value stocks underperformed Growth stocks by 1.3% over the month (MSCI Emerging Markets Value +3.2% vs. Growth +4.5%, in AUD). Over the past year Value has outperformed Growth by 5.8% (AUD), while on a five year basis Value has underperformed Growth by 0.7% p.a. (AUD).

Despite Growth's strength during the month, the fund managed to outperform owing to good positioning to India, which the fund was underweight; in particular within Indian Financials. Poor stock selection in Chinese names which the fund was overweight was the main detractor in performance from a country perspective, though this was not enough to offset the overall gains observed from the fund's other country positions. From a sector allocation perspective, whilst the overweight to Financials was a detractor, stock selection within Financials and predominantly banks more than offset those poor allocation effects. This made Financials the most significant contributor to performance from a sector perspective. The underweight to Information Technology names also detracted performance, however stock selection was the most significant detractor from a sector perspective. The largest stock level contributor was the overweight to Ping An Insurance (Group) Company of China, 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 January 2023 the portfolio reflected a 80.8% dividend yield premium to the MSCI EM index, whilst trading at a 40.1% price to book discount, a 52.3% price to cashflow discount and 55.2% 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 2023. 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 2023

Data as at: 31 January 2023

**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)

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