

Realindex Emerging Markets Value-Class A

Monthly Factsheet

31 May 2023

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\$)	786 million
Benchmark	MSCI Emerging Markets Net Index
Number of stock holdings	425
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	-0.5	5.2	4.4	8.8	3.4	8.0	6.1	4.3
Benchmark return	0.4	4.4	1.4	4.4	2.5	6.7	6.0	4.5
Excess net return	-0.9	0.8	2.9	4.4	0.9	1.3	0.1	-0.2
Income return	0.0	0.0	2.9	6.7	6.5	6.7	7.4	6.1
Growth return	-0.5	5.2	1.5	2.1	-3.1	1.3	-1.3	-1.8

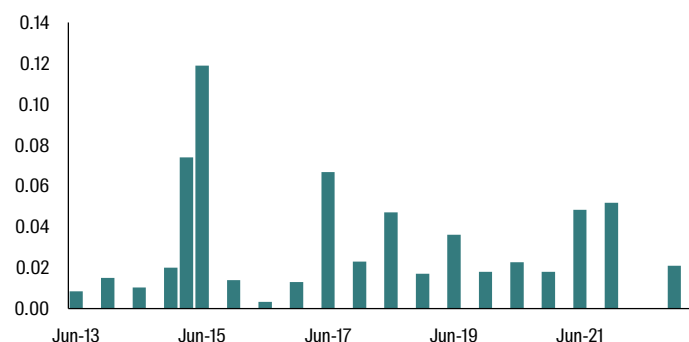
Note: Net return is the return after management fee

Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	14.0	12.3	12.6	12.0	12.2	12.4
Benchmark standard deviation (%)	13.8	11.7	12.0	11.1	10.8	11.2
Tracking error (%)	4.1	6.4	5.9	5.7	5.6	5.2
Fund Sharpe ratio	0.1	0.6	0.2	0.6	0.4	0.2
Information ratio	0.7	0.7	0.2	0.2	0.0	0.0
Beta	1.0	0.9	0.9	0.9	1.0	1.0
Cashflow adjusted turnover (%)	47.9	28.0	25.7	22.8	21.8	

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Distributions



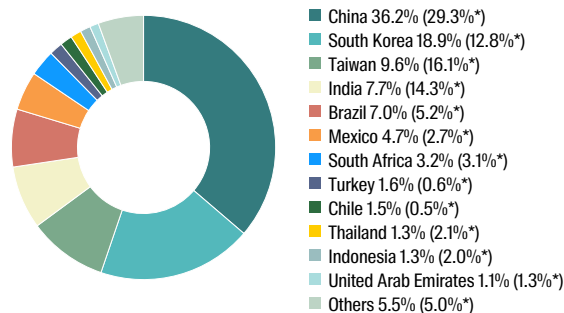
Top 10 Holdings

Stock	Fund Weight	Benchmark Weight	Active Weight
Samsung Electronics Co., Ltd.	5.76	4.04	1.72
Ping An Insurance (Group) Company of China, Ltd. Class H	2.81	0.63	2.18
Taiwan Semiconductor Manufacturing Co. Ltd.	2.16	7.04	-4.88
Bank of Communications Co., Ltd. Class H	2.07	0.09	1.98
China Construction Bank Corporation Class H	1.75	0.97	0.78
Bank of China Limited Class H	1.46	0.49	0.97
Tencent Holdings Ltd.	1.40	3.89	-2.49
Wistron Corp	1.21	0.00	1.21
Alibaba Group Holding Ltd. Sponsored ADR	1.20	0.00	1.20
China Merchants Bank Co., Ltd. Class H	1.14	0.29	0.86

Sector Breakdown (%)

Sector	Fund Weight	Benchmark Weight	Active Weight
Financials	32.80	22.07	10.73
Information Technology	17.17	21.64	-4.48
Consumer Discretionary	9.22	12.35	-3.12
Materials	8.69	8.38	0.30
Communication Services	7.64	9.67	-2.04
Industrials	6.14	6.20	-0.05
Consumer Staples	4.94	6.43	-1.48
Energy	4.87	5.00	-0.13
Real Estate	2.78	1.76	1.02
Utilities	2.66	2.66	-0.01
Health Care	1.83	3.84	-2.00

Country Breakdown



*Benchmark weight

Realindex Emerging Markets Value returned -0.46% (net of fees) during May, versus the MSCI Emerging Markets Net Index which returned +0.40% (in AUD). Emerging Markets were down in May, with Chinese equities underperforming (MSCI China -6.5%) following weaker than expected economic data. Expectations of China's growth recovery receded as various economic data points missed expectations and further policy measures to steady growth remained absent. The official manufacturing PMI fell to a below-forecast 48.8 in May, marking the second consecutive contraction for the year. Korean (MSCI Korea + 7.0%) and Taiwanese (MSCI Taiwan +9.6%) stocks outperformed, largely driven by the Information Technology sector amid growing expectations of the future potential of AI. Latin America was positive but muted for May (MSCI Latin America: +1.3%).

Within this environment, the strategy underperformed given the relative strength of growth based names during the month; Value stocks underperformed Growth stocks by 0.4% over the month (MSCI Emerging Markets Value +0.2% vs. Growth +0.6%, in AUD). Over the past year, Value has outperformed Growth by 4.8% (AUD), while on a five-year basis Value has outperformed Growth by 0.2% p.a. (AUD).

From a sector perspective, while favourable under-weight positioning in Consumer Discretionary names boosted performance, the fund's overweight positioning to Financials and, in particular, Insurers was the main detractor to performance. The underweight to Information Technology names, in particular within Semiconductor manufacturers who benefited from renewed investor interest in AI related stocks, was another key detractor. On a country basis, the largest detractor was the underweight to India and Taiwan, while the largest contributor was the overweight to China, though much of this was due to the funds underweight to Chinese Consumer Discretionary names. The largest stock level detractor was the underweight to Taiwan Semiconductor Manufacturing Company Limited and the largest stock level contributor was the overweight to Wistron Corporation.

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 2023 the portfolio reflected a 75.9% dividend yield premium to the MSCI EM index, whilst trading at a 33.3% price to book discount, a 52.2% price to cashflow discount and 50.9% 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 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 May 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.

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