

Realindex Emerging Markets Value-Class A

Monthly Factsheet

31 October 2023

For Adviser use only

Investment Strategy

Realindex forms a universe of emerging market companies based on accounting measures, which gives the portfolio a value tilt. 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. By weighting the portfolio based on accounting measures and factors such as quality, value and momentum, Realindex aims to generate higher returns versus the benchmark over the long term. This fund does not hedge currency exposure.

Valuation	Fund	Benchmark
Dividend Yield (%)	4.75	2.70
Price/Cashflow	6.24	11.69
Price/Book	1.64	2.78
Price/Earnings	11.21	18.61
Price/Sales	1.55	2.92

Net Performance (% p.a.)	1M	3M	6M	1Y	2Y	3Y	5Y	7Y	10Y	ITD
Net return	-2.40	-5.01	1.18	18.46	1.15	7.74	4.31	6.21	5.59	4.24
Benchmark return	-2.03	-6.52	-0.62	11.90	-4.78	-0.29	3.91	5.33	5.34	4.25
Excess return	-0.37	1.51	1.80	6.56	5.93	8.03	0.40	0.88	0.25	-0.01

Past performance is not a reliable indicator of future performance

Risk Characteristics	1Y	3Y	5Y	ITD
Beta	0.99	0.98	0.94	1.01
Tracking Error (%)	3.64	5.81	5.72	5.12

ITD: Inception to date

Country Allocation (%)	Fund	Benchmark	Active
China	36.67	29.93	6.74
South Korea	17.74	11.78	5.96
Taiwan	9.03	15.02	-5.99
Brazil	8.24	5.42	2.82
India	7.96	15.88	-7.92
Others	19.41	21.97	-2.56

Largest Active Stock Positions	Fund	Benchmark	Active
Bank of Communications Co. Ltd. Class H	1.96	0.08	1.88
Ping An Insurance (Group) Company of China, Ltd.	2.37	0.55	1.82
China Minsheng Banking Corp., Ltd. Class H	1.03	0.04	0.99
Reliance Industries Limited	0.04	1.34	-1.30
Tencent Holdings Ltd.	1.39	3.95	-2.56
Taiwan Semiconductor Manufacturing Co. Ltd.	1.85	6.41	-4.56

Best/Worst 3 Sectors - 1 Month (%)	Active Performance Contribution
Communication Services	0.18
Materials	0.12
Financials	0.11
Real Estate	-0.15
Health Care	-0.23
Information Technology	-0.29

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.

Fund Facts

Inception date	20 January 2011
Funds under management (AS)	762 million
Benchmark	MSCI Emerging Markets Net Index
Number of stock holdings	393
Base currency	AUD
APIR code	FSF1101AU
ESG exclusions ^{#,**}	Tobacco Products / Controversial Weapons / Sanctions

ESG Rating	Fund	Benchmark
ESG Risk Rating*	25.78	24.45
Carbon Intensity [^]	283.68	323.55

Sector Allocation (%)	Fund	Benchmark	Active
Financials	32.65	22.45	10.20
Information Technology	16.06	20.64	-4.58
Consumer Discretionary	9.88	13.58	-3.70
Materials	9.17	7.77	1.40
Communication Services	7.48	9.37	-1.89
Industrials	6.38	6.42	-0.04
Energy	4.73	5.28	-0.55
Consumer Staples	4.41	6.25	-1.84
Utilities	3.35	2.63	0.72
Real Estate	2.97	1.66	1.31
Health Care	1.97	3.95	-1.98

Best/Worst 3 Stocks - 1 Month (%)	Active Performance Contribution
Baidu, Inc.	0.11
Lenovo Group Limited	0.10
Netease Inc Sponsored ADR	0.10
HD Hyundai Infracore Co. Ltd.	-0.09
Ping An Insurance (Group) Company of China, Ltd.	-0.10
Taiwan Semiconductor Manufacturing Co. Ltd.	-0.27

Best/Worst 3 Countries - 1 Month (%)	Active Performance Contribution
South Africa	0.15
South Korea	0.14
Brazil	0.13
Saudi Arabia	-0.10
China	-0.12
Taiwan	-0.32

Realindex Emerging Markets Value returned -2.40% (net of fees) during October, versus the MSCI Emerging Markets Net Index which returned -2.03% (in AUD).

October was a challenging month for financial markets, with bonds and stocks falling simultaneously due to rising bond yields and heightened geopolitical uncertainty, ultimately weighing on market sentiment. Commodities were the notable outperformer, as energy prices rallied and investors fled to safe assets such as gold. The collapse in the bond market continued in October with US treasury yields rising above 5% driven by a 'higher for longer' scenario with rates. This in turn affected equity markets with the implication on higher rates on earnings multiples and a reduction in risk appetite stemming from the Israel-Hamas conflict.

Amidst this backdrop, Emerging Markets lagged their Developed Market peers by more than 1% in AUD terms. The biggest driver of downward pressure came from China, where despite positive retail sales and industrial production numbers were present, weakness in the Real Estate sector continued to weigh down the Chinese equity market, with MSCI China falling by more than 4% in local terms during October. Real Estate (MSCI EM Real Estate) names fell the most posting -6.2% in AUD terms, along with Industrials (MSCI EM Industrials -6.7%), while Health Care (MSCI EM Health Care: +2.6%) offered some positive returns. Value stocks were only slightly weaker, underperforming Growth stocks by 0.1% over the month (MSCI Emerging Markets Value -2.1% vs. Growth -2.0%, in AUD). Over the past year, Value has outperformed Growth by 5.2% (AUD), while on a five year basis Value has underperformed Growth by 0.9% p.a. (AUD), providing a longer-term performance headwind.

Within this context, given its value orientation, the fund also underperformed the market in October, largely driven by the underweights to Health Care and Technology names and the overweight to Real Estate. Positive stock selection in Communication Services which the fund was underweight, provided some positive performance. On a country basis, one of the largest contributors to performance was the overweight to South Africa and some of the largest detractors were the underweight to Taiwan and overweight to China. The fund was also adversely impacted by the overweight to Turkey which performed poorly during the month. From a sector perspective, a large contributor was the underweight to Communication Services and a large detractor was the underweight to Information Technology. One of the largest stock level contributors was the overweight to Lenovo Group Limited and one of the largest stock level detractors was the underweight to Taiwan Semiconductor Manufacturing Company Limited.

Driven by the methodology of rebalancing further into cheap value companies, the portfolio continues to sit on deep valuation discounts. At the end of October 2023 the portfolio reflected a 77.7% dividend yield premium to the MSCI EM index, whilst trading at a 34.8% price to book discount, a 49.7% price to cashflow discount and 49.0% 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 month ending 31 October 2023. All returns are given in local currency terms unless otherwise stated.

ESG exclusions*	Companies in scope for exclusion are entities that derive any revenue directly from the manufacture of Controversial Weapons or Tobacco Products; or own more than a 50% interest in entities that do so. We note the following qualifications: We have defined "Controversial Weapons" to include: anti-personnel mines, cluster weapons, biological and chemical weapons, depleted uranium, nuclear weapons produced in support of the nuclear weapons programs of non-nuclear weapon State Parties and non-signatories to the Treaty on the Non-Proliferation of Nuclear Weapons and white phosphorus munitions. We have defined "Tobacco Products" to include traditional cigarettes and other tobacco products (including cigars and chewing tobacco), which we do not consider includes vaping or e-cigarette products. The exclusions do not apply to investments in entities with minority investments (i.e. < 50%) in other entities or joint ventures that are involved in the above sectors. The implementation of these exclusions is dependent on information relating to either reported revenues or revenue estimates provided by reputable third party research providers. Where such information turns out to be inaccurate or there are delays in accessing such information, the implementation of these exclusions may in turn be delayed, particularly where there has been material changes in the nature of certain investments. Any existing holding that becomes an excluded stock will be divested within 3 months.
Sanctions**	Where companies are flagged under UN, US, EU or Australian sanctions. Any existing holdings will be divested when possible.
ESG Risk Rating*	Portfolio weighted average of the Sustainalytics ESG Risk Rating Score. A company's risk score ranges from 0 and 100, with 0 indicating that risks have been fully managed (no unmanaged ESG risks) and 100 indicating the highest level of unmanaged risk. It is calculated as the difference between a company's overall exposure score and its overall managed risk score.
Carbon Intensity^	Carbon Intensity reflects a firm's total scope 1 & 2 CO2e emissions in tonnes / company sales in USD \$m. CO2e means green house gas emissions converted to their carbon dioxide equivalent. Source: MSCI / Realindex.
Portfolio Beta	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.

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 October 2023

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