

# Realindex Emerging Markets Value-Class A



## Quarterly Factsheet

31 December 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 (A\$)	753 million
Benchmark	MSCI Emerging Markets Net Index
Number of stock holdings	430
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	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	7.3	-8.3	-0.4	2.6	7.6	5.4	3.8
Benchmark return	4.0	-14.3	-1.5	1.5	6.2	5.8	4.1
Excess net return	3.3	6.0	1.1	1.2	1.3	-0.4	-0.4
Income return	3.0	2.5	6.1	6.4	6.6	7.4	6.3
Growth return	4.4	-10.9	-6.5	-3.8	0.9	-2.0	-2.5

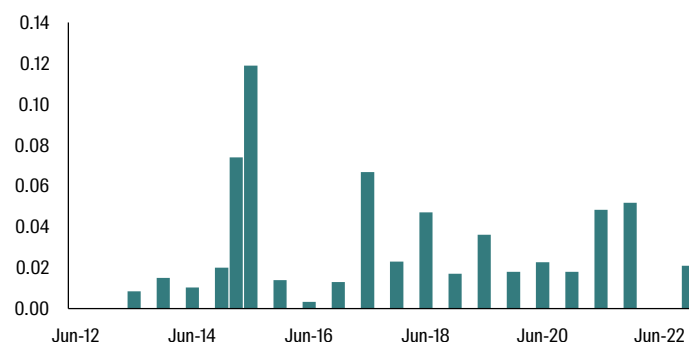
Note: Net return is the return after management fee

### Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	15.4	14.1	13.1	12.3	12.3	12.5
Benchmark standard deviation (%)	14.3	13.0	12.1	11.2	10.9	11.2
Tracking error (%)	5.0	6.6	6.1	5.9	5.6	5.2
Fund Sharpe ratio	-0.6	-0.1	0.1	0.5	0.3	0.2
Information ratio	1.2	0.2	0.2	0.2	-0.1	-0.1
Beta	1.0	1.0	1.0	1.0	1.0	1.0
Cashflow adjusted turnover (%)	41.1	25.1	23.9	22.3	21.1	

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### Distributions



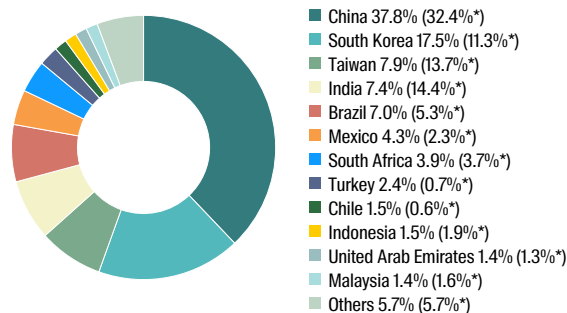
### Top 10 Holdings

Stock	Fund Weight	Benchmark Weight	Active Weight
Samsung Electronics Co., Ltd.	4.91	3.31	1.60
Ping An Insurance (Group) Company of China, Ltd. Class H	3.09	0.66	2.43
Taiwan Semiconductor Manufacturing Co. Ltd.	2.01	5.69	-3.68
Bank of Communications Co., Ltd. Class H	1.88	0.08	1.80
China Construction Bank Corporation Class H	1.78	0.95	0.82
Bank of China Limited Class H	1.58	0.46	1.12
Vale S.A.	1.51	1.02	0.49
Alibaba Group Holding Ltd. Sponsored ADR	1.49	0.00	1.49
China Merchants Bank Co., Ltd. Class H	1.41	0.35	1.07
Tencent Holdings Ltd.	1.15	4.23	-3.09

### Sector Breakdown (%)

Sector	Fund Weight	Benchmark Weight	Active Weight
Financials	33.82	22.10	11.71
Information Technology	14.42	18.63	-4.21
Consumer Discretionary	9.70	14.08	-4.38
Materials	8.69	8.85	-0.16
Communication Services	7.71	9.91	-2.19
Industrials	6.09	6.06	0.03
Energy	5.72	4.88	0.84
Consumer Staples	5.07	6.44	-1.37
Real Estate	3.82	1.94	1.87
Utilities	2.74	3.03	-0.29
Health Care	1.01	4.07	-3.07

### Country Breakdown



\*Benchmark weight

Realindex Emerging Markets Value returned +7.30% (net of fees) during the December quarter, outperforming the MSCI Emerging Markets Net Index which returned +4.01% (in AUD).

Emerging markets faced several challenges in 2022, including Russia's invasion of Ukraine, tighter financial conditions to address higher inflation, a stronger US dollar, and China's economic decline due to its zero-COVID policy and problems in the property sector. Despite a nearly 15% decline in the MSCI EM Index over the year, the asset class showed signs of recovery in Q4, due to China's focus on reopening and support for the property sector, as well as signs that inflation may have peaked across several emerging economies. In Q4, many emerging markets delivered positive returns, with Asian and EMEA markets leading the way while LATAM performance was flat; a result of uncertainty in Brazil in the lead up to its presidential elections.

In terms of sectors, positive performance in MSCI Emerging Markets was driven by Communication Services (+7.9%) followed by Health Care (+7.3%), while Energy (-1.2%) and Utilities (-0.9%) lagged behind the index. With this backdrop, the fund benefitted from Value stocks generally outperforming Growth stocks by 0.1% over the quarter (MSCI Emerging Markets Value +4.1% vs. Growth +4.0%, in AUD). Over the past year, Value has outperformed Growth by 8.7% (AUD), while on a five year basis Value has outperformed Growth by 0.3% p.a. (AUD) which has provided further tailwinds for the fund.

From a country perspective, the fund strongly benefitted from its underweight to India, with both allocation and stock selection delivering performance. The overweight to Turkey and Korean Financials also significantly added to performance. The fund's overweight to South Africa and Brazil were small detractors. From a sector perspective, stock selection within Financials, the fund's largest sector overweight, was the most significant contributor to performance. Whilst the underweight to Communication Services was the largest sector detractor, however small in comparison. 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 Tencent Holdings 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 December 2022 the portfolio reflected a 80.5% dividend yield premium to the MSCI EM index, whilst trading at a 39.7% price to book discount, a 53.1% price to cashflow discount and 56.7% 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 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 December 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.

**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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