

# Realindex Global Share Hedged Fund- Class A



## Monthly Factsheet

31 May 2022

### Portfolio Description

The portfolio invests in global shares by selecting and weighting companies based on fundamental measures of company size, hedged to Australian dollars.

### Investment Strategy

Realindex forms a universe of global 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. The fund aims to hedge currency exposure.

### Investment Objective

To provide capital and income growth by investing in global shares and outperforming the MSCI All Country World (ex Australia) Index, hedged to Australian dollars over rolling five year periods before fees and taxes.

### Product Overview

APIR code	FSF0975AU
Inception date	17 November 2008
Fund Size (A\$)	344 million
Benchmark	MSCI ACWI ex Australia Net AUD Hedged (Daily)
Number of stock holdings	1,417
Buy / Sell spread	0.10% / 0.10%
Minimum investment (A\$)	25,000
Management cost (p.a.)*	0.47%

\* 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	1.5	-0.6	1.4	10.8	8.0	7.0	11.1	11.7
Benchmark return	-0.2	-5.2	-4.6	10.8	8.7	8.2	11.9	12.2
Excess net return	1.7	4.6	6.0	0.0	-0.7	-1.2	-0.8	-0.5
Income return	21.3	20.9	28.8	13.7	12.6	11.1	9.3	8.8
Growth return	-19.8	-21.5	-27.4	-2.9	-4.7	-4.1	1.8	2.9

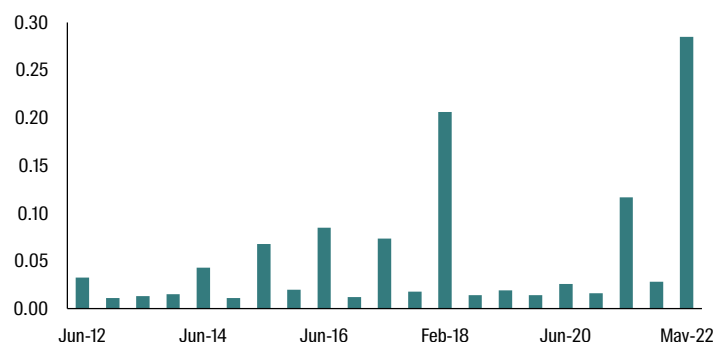
Note: Net return is the return after management fee

### Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	9.0	17.8	15.8	14.7	13.1	14.6
Benchmark standard deviation (%)	12.2	16.0	14.6	13.6	12.1	13.3
Tracking error (%)	7.2	7.0	5.7	5.1	4.4	4.2
Fund Sharpe ratio	0.2	0.7	0.4	0.4	0.7	0.6
Information ratio	0.8	0.0	-0.1	-0.2	-0.2	-0.1
Beta	0.6	1.0	1.0	1.0	1.0	1.1
Cashflow adjusted turnover (%)	33.3	26.9	24.6	24.7	22.8	

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### Distributions



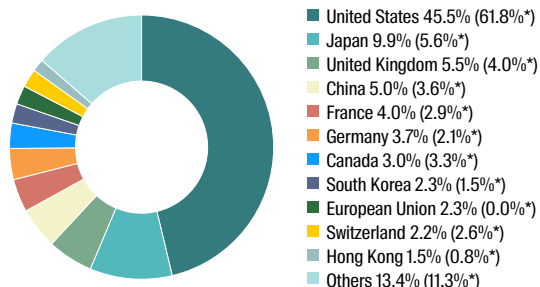
### Top 10 Holdings

Stock	Fund Weight	Benchmark Weight	Active Weight
Apple Inc.	1.62	4.10	-2.48
Microsoft Corporation	0.92	3.26	-2.34
Exxon Mobil Corporation	0.92	0.68	0.24
SHELL PLC ORD EURO.07	0.80	0.00	0.80
Berkshire Hathaway Inc. Class B	0.78	0.69	0.09
JPMorgan Chase & Co.	0.76	0.66	0.10
Samsung Electronics Co., Ltd.	0.68	0.44	0.24
Walmart Inc	0.67	0.33	0.34
Johnson & Johnson	0.63	0.79	-0.17
Wells Fargo & Company	0.63	0.31	0.32

### Sector Breakdown (%)

Sector	Fund Weight	Benchmark Weight	Active Weight
Financials	21.52	14.38	7.14
Information Technology	10.72	21.74	-11.02
Consumer Discretionary	10.08	11.06	-0.99
Health Care	9.08	12.36	-3.28
Industrials	8.30	9.48	-1.18
Energy	7.84	5.19	2.65
Consumer Staples	7.13	7.30	-0.17
Communication Services	6.93	7.94	-1.01
Materials	5.22	4.73	0.49
Utilities	3.55	3.13	0.43
Real Estate	1.99	2.68	-0.69

### Country Breakdown



\*Benchmark weight

The Realindex Global Share Hedged Fund returned +1.50% (net of fees) during May, outperforming the MSCI All Countries World ex Australia Net Index Hedged which returned -0.21% (in AUD). The AUD rose 0.9% against the USD over the month.

Value stocks outperformed Growth stocks by 3.9% over the month (MSCI AC World ex AU Value +1.0% vs. Growth -2.9%, in AUD). Over the past year, Value has outperformed Growth by 13.5% (AUD), while on a five year basis Growth has outperformed Value by 4.7% 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.

Developed markets saw mixed performance. Overall, the MSCI World Index fell -0.9% in AUD terms. The Energy and Utilities sectors continue to do well, appreciating by +12.3% and +2.1% in AUD terms over the month. REITs fell 4.7% on the back of interest rate hikes, whilst financials gained 1.8%. Value stocks outperformed, gaining +1.1% whilst growth stocks fell -3.2%.

Emerging markets fell slightly posting -0.5% in AUD terms. Value stocks in EM were flat (-0.1%) whilst Growth stocks fell -0.9% with small cap names underperforming. 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.

Regionally, the largest contributor was the underweight to North America and the largest detractor was the overweight to Developed Asia. From a sector perspective, the largest contributor was the overweight to Energy and the largest detractor was the overweight to Consumer Staples. The largest stock level contributor was the underweight to Tesla, Inc. and the largest stock level detractor was the overweight to Walmart Inc.

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 61.6% dividend yield premium to the MSCI ACWI ex AU index, whilst trading at a 38.3% price to book discount, a 39.0% price to cashflow discount and 47.0% price to sales discount. The emerging markets portion of this strategy sits at even deeper discounts, 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.

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