

# Realindex Global Share Hedged Fund-Class A

## Monthly Factsheet

31 May 2021

For Adviser use only

### 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\$)	1,394 million
Benchmark	MSCI ACWI ex Australia Net AUD Hedged (Daily)
Number of stock holdings	1,412
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 (%)

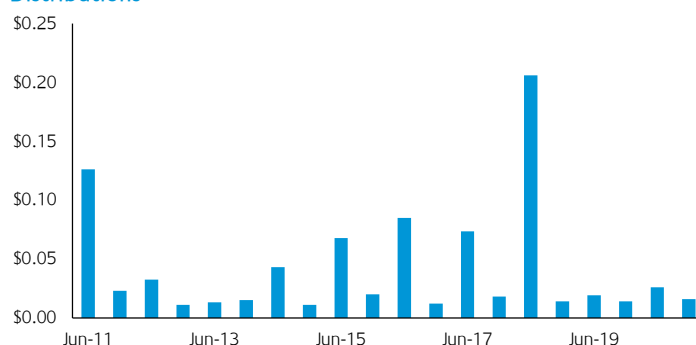
Period	1mth	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	2.9	11.4	46.9	8.9	11.8	8.8	9.7	12.6
Benchmark return	1.0	8.4	36.2	12.5	13.6	11.1	11.8	13.7
Excess net return	1.8	3.0	10.6	-3.6	-1.8	-2.4	-2.0	-1.1
Income return	0.0	0.0	5.2	2.6	7.9	7.1	7.2	6.7
Growth return	2.9	11.4	41.7	6.3	3.9	1.7	2.5	5.8

Note: Net return is the return after management fee

### Sector Breakdown (%)

Sector	Fund weight	Benchmark weight	Active weight
Financials	22.94	14.36	8.58
Consumer Discretionary	12.89	12.68	0.22
Information Technology	11.92	21.25	-9.33
Industrials	10.24	10.21	0.03
Health Care	7.90	11.41	-3.52
Communication Services	7.88	9.48	-1.60
Materials	6.72	4.90	1.82
Consumer Staples	6.65	7.03	-0.38
Energy	5.91	3.35	2.56
Utilities	3.36	2.77	0.59
Real Estate	2.53	2.56	-0.03

### Distributions



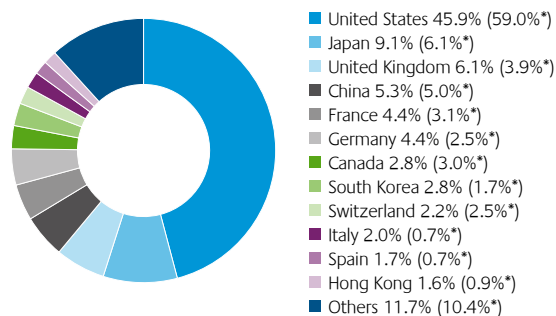
### Top 10 Holdings

Stock	Fund Weight	Benchmark Weight	Active Weight
Apple Inc.	1.53	3.25	-1.72
JPMorgan Chase & Co.	0.96	0.78	0.18
Samsung Electronics Co., Ltd.	0.96	0.54	0.42
Microsoft Corporation	0.90	2.78	-1.88
Bank of America Corporation	0.83	0.51	0.31
Volkswagen AG	0.82	0.02	0.80
Berkshire Hathaway Inc. Class B	0.73	0.62	0.12
Wells Fargo & Company	0.72	0.30	0.42
Toyota Motor Corp.	0.67	0.27	0.40
Walmart Inc	0.65	0.34	0.31

### Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	15.4	19.1	15.4	14.6	14.1	14.9
Benchmark standard deviation (%)	12.3	16.8	13.5	12.9	12.6	13.3
Tracking error (%)	6.8	5.7	4.8	4.3	3.8	3.9
Fund Sharpe ratio	3.0	0.5	0.7	0.5	0.5	0.6
Information ratio	1.6	-0.6	-0.4	-0.5	-0.5	-0.3
Beta	1.1	1.1	1.1	1.1	1.1	1.1
Cashflow adjusted turnover (%)	29.2	22.5	22.8	22.6	21.5	

### Country Breakdown



\*Benchmark weight

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The Realindex Global Share Hedged Fund returned +2.87% (net of fees) during May, outperforming the MSCI All Countries World ex Australia Net Index Hedged which returned +1.02% (in AUD). The AUD rose 0.2% against the USD over the month.

Value stocks outperformed Growth stocks by 3.1% over the month (MSCI AC World ex AU Value +2.8% vs. Growth -0.3%, in AUD). Over the past year, the Value headwind has finally subsided, with Value versus Growth outperforming by 0.1% (AUD), while on a five year basis Growth has outperformed Value by 8.2% p.a. (AUD), providing a significant longer-term performance headwind.

Global markets edged higher in May underpinned by ongoing inflation concerns and strong economic data seen in the US. In the US, reporting season was buoyant where S&P 500 companies grew earnings by an average of almost +50% YoY, beating estimates by large margins. IT suffered throughout the month on rising inflation expectations following the US economy posting its highest annual increase in headline core CPI price for over a decade as well as renewed concerns over future central bank tapering. Under this climate, metals and oil continue to rise, with the VIX continuing its downward trend toward pre-pandemic levels. Whilst continued optimism over the economy had a favourable impact on various developed equity markets, in Asia, equity markets had a mixed month where sentiment was heavily impacted by the re-emergence of Covid 19 infection across Asia. In particular, Singapore and Taiwan underperformed while Japan outperformed. In total, cyclical sectors and value oriented names continued their outperformance from previous months.

In developed markets, stocks ended up higher overall during the month, with the MSCI World Index posting +1.2% (in AUD terms) and positive returns observed across most countries in developed markets. Cyclical sectors, led by Energy and Financials outperformed (MSCI World Energy posting +4.9% and +4.5% respectively in AUD terms) while growth oriented sectors such as IT and Consumer discretionary underperformed (-1.3% and -1.3% respectively in AUD terms). Emerging markets also ended higher posting +2.1% (in AUD terms) for the month; with most sectors outperforming being led in particular by Energy (+8.0%), Consumer Staples (+5.8%) and Financials (+5.7%). Like developed markets, Consumer Discretionary and IT sectors underperformed the broader EM market (-1.6% and -0.3% respectively).

Regionally, the largest contributor was the underweight to North America and the smallest contributor was the overweight to Developed Asia. From a sector perspective, the largest contributor was the overweight to Consumer Discretionary and the smallest contributor was the underweight to Consumer Staples. The largest stock level contributor was the underweight to Amazon.com, Inc. and the largest stock level detractor was the overweight to HP 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 2021 the portfolio reflected a 53.8% dividend yield premium to the MSCI ACWI ex AU index, whilst trading at a 42.1% price to book discount, a 42.1% price to cashflow discount and 50.7% 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 2021. 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 2021

Data as at: 31 May 2021

**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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