

# Realindex Global Share Hedged Fund-Class A

## Monthly Factsheet

30 November 2020

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\$)	1,301 million
Benchmark	MSCI ACWI ex Australia Net AUD Hedged (Daily)
Number of stock holdings	1,462
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 (%)

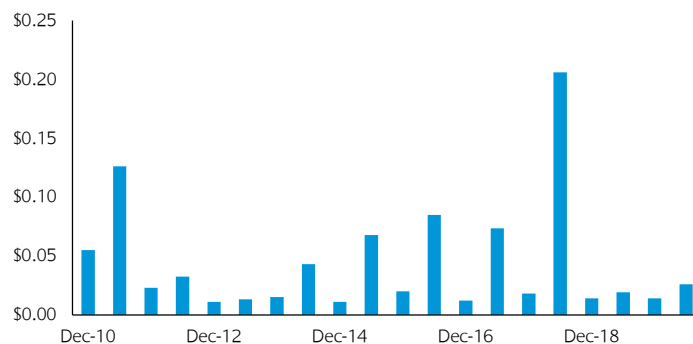
Period	1mth	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	15.2	9.3	-2.3	2.0	6.6	6.3	8.6	11.1
Benchmark return	11.0	5.1	10.1	8.1	10.2	9.9	11.4	12.9
Excess net return	4.1	4.2	-12.4	-6.1	-3.7	-3.6	-2.8	-1.8
Income return	0.0	0.0	3.3	7.3	7.6	6.9	7.5	6.8
Growth return	15.2	9.3	-5.6	-5.3	-1.0	-0.6	1.2	4.3

Note: Net return is the return after management fee

### Sector Breakdown (%)

Sector	Fund weight	Benchmark weight	Active weight
Financials	21.35	13.07	8.28
Consumer Discretionary	12.95	13.02	-0.08
Information Technology	12.15	21.65	-9.49
Industrials	10.61	9.99	0.61
Communication Services	7.83	9.49	-1.66
Health Care	7.62	11.93	-4.32
Consumer Staples	7.11	7.58	-0.47
Materials	6.45	4.56	1.89
Energy	5.63	3.05	2.58
Utilities	4.23	3.06	1.18
Real Estate	2.58	2.59	0.00

### Distributions



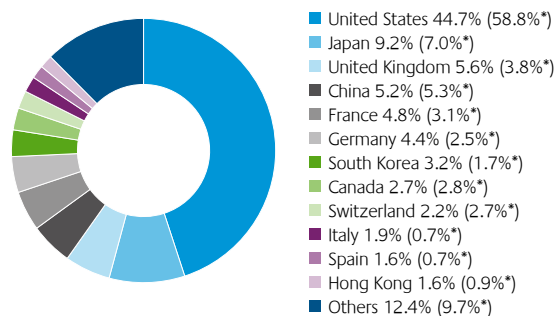
### Top 10 Holdings

Stock	Fund Weight	Benchmark Weight	Active Weight
Apple Inc.	2.09	3.74	-1.65
Samsung Electronics Co., Ltd.	1.08	0.52	0.56
Walmart Inc	0.96	0.39	0.56
Microsoft Corporation	0.85	2.80	-1.94
JPMorgan Chase & Co.	0.80	0.65	0.15
Berkshire Hathaway Inc. Class B	0.71	0.58	0.13
Toyota Motor Corp.	0.64	0.26	0.38
Bank of America Corporation	0.63	0.40	0.23
AT&T Inc.	0.61	0.37	0.24
Volkswagen AG	0.55	0.01	0.54

### Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	27.0	18.9	15.6	14.4	14.0	15.1
Benchmark standard deviation (%)	23.3	16.9	13.9	13.0	12.6	13.5
Tracking error (%)	6.8	4.9	4.3	3.9	3.5	3.6
Fund Sharpe ratio	-0.1	0.1	0.3	0.3	0.4	0.5
Information ratio	-1.8	-1.2	-0.8	-0.9	-0.8	-0.5
Beta	1.1	1.1	1.1	1.1	1.1	1.1
Cashflow adjusted turnover (%)	21.2	20.5	22.4	21.9	23.3	

### Country Breakdown



\*Benchmark weight

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The Realindex Global Share Hedged Fund returned +15.16% (net of fees) during November, outperforming the MSCI All Countries World ex Australia Net Index Hedged which returned +11.02% (in AUD). The AUD rose 4.9% against the USD over the month.

Whilst we know one swallow doesn't make a summer, it was nice to see a thawing of the Value freeze, as Value strongly outperformed off the back of a Covid vaccine breakthrough. Value stocks significantly outperformed Growth stocks by 4.1% over the month (MSCI AC World ex AU Value +9.2% vs. Growth +5.1%, in AUD). Over the past year, the magnitude of the Value headwind has been considerable, with Value versus Growth underperforming by 30.5% (AUD), and on a five year basis by 9.4% p.a. (AUD), providing a significant longer-term performance headwind.

The month was characterised by a strong rally right across global markets within the MSCI ACWI universe in light of improving prospects of a Covid vaccine. This renewed optimism in markets pushed the S&P 500 higher, gaining 5.7% in AUD terms and 10.9% in local currency terms; its best performance since April. The fall in market uncertainty was evidenced by the CBOE Market Volatility Index (VIX) closing at 20.6, a significant reduction versus the prior month's value of 38.0. Gold suffered its worst month for the year following a sell off of safe haven assets (-5.6% USD) whilst crude oil was up very strongly (NYMEX +26.7%).

Outside of US equity markets, developed markets performed well, with the MSCI World Index posting 7.5% (AUD). Emerging markets gained but less so; the MSCI EM Index posting 4.1% (AUD) with the MSCI China Index being a noticeable laggard (-2.1% in AUD).

Regionally, the largest contributor was the underweight to North America and the largest detractor was the overweight to Japan. From a sector perspective, the largest contributor was the overweight to Financials and the largest detractor was the underweight to Information Technology. The largest stock level contributor was the underweight to Alibaba Group Holding Ltd. and the largest stock level detractor was the underweight to Tesla, 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 November 2020 the portfolio reflected a 60.5% dividend yield premium to the MSCI ACWI ex AU index, whilst trading at a 41.2% price to book discount, a 46.7% price to cashflow discount and 52.9% 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 30 November 2020. 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 2020

Data as at: 30 November 2020

**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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