

# Realindex Global Share Hedged Fund- Class A



## Quarterly Factsheet

30 September 2022

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\$)	229 million
Benchmark	MSCI ACWI ex Australia Net AUD Hedged (Daily)
Number of stock holdings	1,021
Buy / Sell spread	0.10% / 0.10%
Minimum investment (A\$)	25,000
Management fees and costs (p.a.)*	0.47%

\*Information on Management fees and costs (including estimated indirect costs) is set out in the Fund's PDS.

### Performance Summary (%)

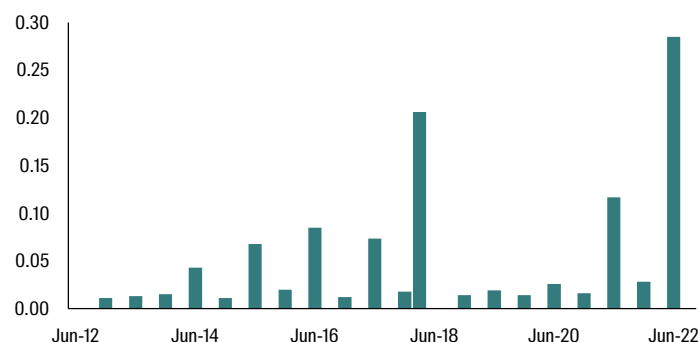
Period	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	-6.3	-11.9	3.5	3.7	7.0	8.4	10.3
Benchmark return	-5.6	-18.3	3.3	4.7	7.7	9.2	10.8
Excess net return	-0.7	6.4	0.2	-1.0	-0.7	-0.8	-0.5
Income return	0.0	19.8	12.3	11.2	10.4	8.7	8.5
Growth return	-6.3	-31.7	-8.8	-7.5	-3.4	-0.3	1.8

Note: Net return is the return after management fee

### Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	14.5	18.8	16.7	15.1	13.7	14.9
Benchmark standard deviation (%)	17.2	17.8	16.0	14.3	13.0	13.7
Tracking error (%)	7.0	7.0	5.8	5.2	4.5	4.3
Fund Sharpe ratio	-0.9	0.2	0.2	0.4	0.5	0.5
Information ratio	0.9	0.0	-0.2	-0.1	-0.2	-0.1
Beta	0.8	1.0	1.0	1.0	1.0	1.0
Cashflow adjusted turnover (%)	51.3	33.8	28.2	28.6	25.3	

### Distributions



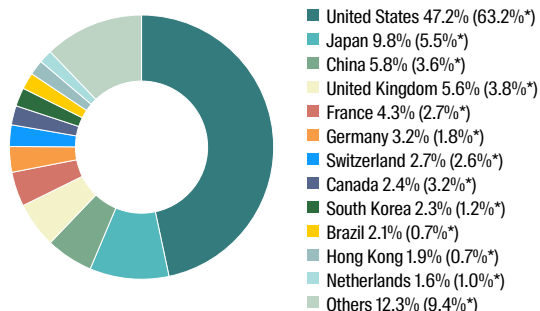
### Top 10 Holdings

Stock	Fund Weight	Benchmark Weight	Active Weight
Apple Inc.	2.03	4.43	-2.40
Roche Holding Ltd Genusssch.	1.15	0.46	0.69
Facebook, Inc. Class A	1.15	0.62	0.53
Exxon Mobil Corporation	1.09	0.73	0.36
Microsoft Corporation	1.05	3.28	-2.22
L'Oreal SA	0.87	0.15	0.71
Wells Fargo & Company	0.84	0.30	0.54
Walmart Inc	0.82	0.39	0.44
SHELL PLC ORD EURO.07	0.82	0.00	0.82
Novo Nordisk A/S Class B	0.81	0.33	0.48

### Sector Breakdown (%)

Sector	Fund Weight	Benchmark Weight	Active Weight
Financials	22.92	14.19	8.73
Information Technology	11.62	21.13	-9.50
Health Care	11.58	13.00	-1.42
Consumer Discretionary	11.25	11.62	-0.36
Industrials	9.71	9.58	0.13
Consumer Staples	8.83	7.70	1.13
Communication Services	7.51	7.44	0.07
Energy	6.94	5.19	1.75
Materials	4.28	4.35	-0.07
Utilities	3.31	3.17	0.14
Real Estate	2.65	2.64	0.01

### Country Breakdown



\*Benchmark weight

The Realindex Global Share Hedged Fund returned -6.27% (net of fees) during the September quarter, versus the MSCI All Countries World ex Australia Net Index Hedged which returned -5.62% (in AUD). The AUD fell 6.5% against the USD over the quarter.

Value stocks underperformed Growth stocks by 1.9% over the quarter (MSCI AC World ex AU Value -1.3% vs. Growth +0.6%, in AUD). Over the past year Value has outperformed Growth by 15.3% (AUD), while on a five year basis Growth has outperformed Value by 5.2% p.a. (AUD), providing a significant longer-term performance headwind.

Central banks around the world continued to signal their commitment to tighter monetary policy by combatting inflation with further rate rises. The European Central Bank indicated rates will likely be raised over several meetings following its 75bps rise in September, with further policy tightening in the US also expected following its own series of increases. In the US, the core PCE price index rose 0.6% month-over-month in August after being flat in July. In the Eurozone, preliminary data showed headline consumer price inflation reached 10% in September, an increase from 9.1% in August. Concerns over the UK's fiscal policy stance also added further volatility to markets in September, which led to the Pound/Dollar exchange rate collapsing to an all-time low, with the 30-year yield on gilts rising above 5% for the first time since 2008. It was not long before the Bank of England intervened and bought gilts, restoring market order. Geopolitical risks also remained, with the recent declaration of the annexation of four Ukrainian provinces only adding to the escalation in tensions and overall market volatility and downside risks for economic growth. The stronger US dollar, higher inflation, and tighter financial conditions also weighed on Emerging Markets equities, and relations between the United States and China came under greater strain as both countries tried to secure their supply chains and worries over Taiwan intensified.

Consequently, over the first three quarters of 2022, the S&P 500 posted its 3rd worst performance since the 1950s, while the US Dollar Index (DXY) has had its strongest year on record and US treasury yields have sharply risen, reaching a high of 4.0%. Commodities have also reversed their gains from the first half of the year due to the sign of global economic slowdown; with crude oil and gas falling by more than 11% and 25% respectively, in September alone.

Global equity markets sold off in September, offsetting gains observed in July, with the MSCI World index posting +0.35% in AUD terms. Communication Services and Real Estate were the worst performing sectors for the quarter in Developed Markets, posting -6.9% and -5.6% respectively. Consumer Discretionary was the strongest sector, delivering 7.2% in AUD terms for the quarter, followed by Energy (+5.4%). In Emerging Markets, the sell-off was more severe, with the MSCI EM falling 5.42% for the quarter in AUD terms. Real Estate, and Communication services were the largest detractors, each posting -13.7% for the quarter, while Energy posted the strongest gains in Emerging Markets during the period (+4.2%).

Regionally, the largest detractor by far was the underweight to North America and the largest contributor was the overweight to Emerging Markets. From a sector perspective, the largest detractor was the underweight to Consumer Discretionary and largest contributor was the overweight to Energy. The largest stock level detractor was the exclusion of Tesla, Inc and the largest stock level contributor was the overweight to Petroleo Brasileiro SA.

Driven by the methodology of rebalancing further into cheap Value companies, the portfolio continues to sit on deep valuation discounts. At the end of September 2022 the portfolio reflected a 61.4% dividend yield premium to the MSCI ACWI ex AU index, whilst trading at a 30.4% price to book discount, a 35.2% price to cashflow discount and 41.0% 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 quarter ending 30 September 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: 30 September 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.

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