

# Realindex Global Share Hedged Fund-Class A

## Quarterly Factsheet

31 December 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\$)	1,433 million
Benchmark	MSCI ACWI ex Australia Net AUD Hedged (Daily)
Number of stock holdings	1,400
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 (%)

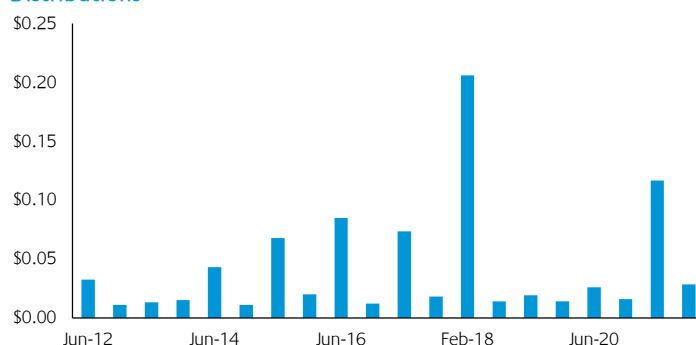
Period	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	5.4	25.2	14.3	10.0	8.9	11.6	12.4
Benchmark return	6.7	20.3	19.2	13.5	11.4	13.7	13.7
Excess net return	-1.3	4.9	-4.9	-3.5	-2.5	-2.1	-1.3
Income return	2.0	11.7	5.9	8.2	7.9	6.9	7.2
Growth return	3.4	13.4	8.3	1.8	0.9	4.7	5.2

Note: Net return is the return after management fee

### Sector Breakdown (%)

Sector	Fund weight	Benchmark weight	Active weight
Financials	22.24	13.50	8.74
Information Technology	12.76	23.93	-11.16
Consumer Discretionary	12.23	12.49	-0.26
Industrials	9.23	9.71	-0.48
Health Care	8.94	11.69	-2.75
Communication Services	7.79	8.69	-0.90
Consumer Staples	7.37	6.82	0.55
Energy	6.09	3.40	2.69
Materials	5.98	4.44	1.54
Utilities	3.44	2.72	0.72
Real Estate	1.96	2.62	-0.66

### Distributions



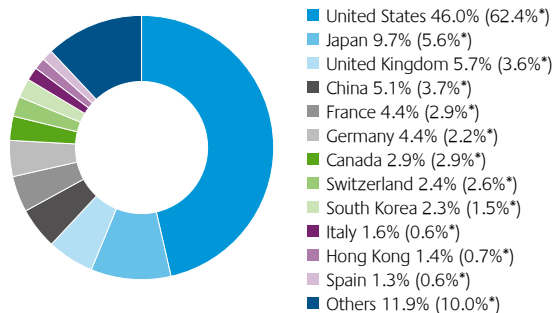
### Top 10 Holdings

Stock	Fund Weight	Benchmark Weight	Active Weight
Apple Inc.	2.04	4.25	-2.21
Microsoft Corporation	1.15	3.48	-2.32
JPMorgan Chase & Co.	0.85	0.69	0.17
Samsung Electronics Co., Ltd.	0.80	0.46	0.35
Berkshire Hathaway Inc. Class B	0.77	0.57	0.19
Walmart Inc	0.75	0.32	0.42
Bank of America Corporation	0.72	0.49	0.23
Toyota Motor Corp.	0.69	0.28	0.41
Pfizer Inc.	0.68	0.48	0.20
AT&T Inc.	0.65	0.25	0.40

### Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	9.6	18.4	15.5	14.7	13.5	14.7
Benchmark standard deviation (%)	8.3	15.7	13.8	13.2	12.0	13.2
Tracking error (%)	6.4	6.0	5.0	4.6	4.0	3.9
Fund Sharpe ratio	2.6	0.8	0.6	0.5	0.7	0.6
Information ratio	0.8	-0.8	-0.7	-0.6	-0.5	-0.3
Beta	0.9	1.1	1.1	1.1	1.1	1.1
Cashflow adjusted turnover (%)	28.8	22.9	22.9	23.6	23.1	

### Country Breakdown



\*Benchmark weight

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The Realindex Global Share Hedged Fund returned +5.38% (net of fees) during the December quarter, versus the MSCI All Countries World ex Australia Net Index Hedged which returned +6.72% (in AUD). The AUD rose 0.7% against the USD over the quarter.

Value stocks underperformed Growth stocks by 0.6% over the quarter (MSCI AC World ex AU Value +5.7% vs. Growth +6.3%, in AUD). Over the past year, Value has outperformed Growth by 2.7% (AUD), while on a five year basis Growth has outperformed Value by 11.3% p.a. (AUD), providing a significant longer-term performance headwind.

It was another strong period for equity investors as global equity markets (as measured by the MSCI ACWI index) ended 2021 with a gain of more than 25% for the year and 6% for the quarter in AUD terms. Developed markets such as the US benefited from signs of an improving economy where the Fed signalled the likelihood of interest rate rises in 2022 in response to strengthening demand, a sentiment echoed by other central banks including the BoE and ECB. As a result, developed markets were the main benefactors, gaining more than 7% for the quarter and more than 29% for the year in AUD terms.

Emerging markets however ended the quarter and year down due to both uncertainty associated with the impact Covid-19 will continue to have on these economies, and China's ongoing regulatory restructuring that has led to significant sell-offs in key industries. The MSCI China Index fell by almost 7% for the quarter and more than 20% in local terms for the year, representing its worst annual performance since the financial crisis.

While the equity markets in general enjoyed strong gains, sector as well as style leadership rotated throughout the year. In developed markets Real Estate, Utilities and Information technology stocks rallied during the quarter, though in the case of technology this was concentrated in the early part of the quarter. Stocks in communication services lagged the market for the quarter. From a style perspective, investors favoured stocks with growth attributes rather than attractive valuations, though this was underscored by a strong underperformance of growth stocks in December. Stocks with favourable sentiment including companies with positive analyst earnings revisions and favourable price momentum were preferred by investors along with high quality names, which remained in favour throughout the fourth quarter. Sentiment and value based measures however have been the most favourable factors in developed markets throughout 2021.

For emerging markets, value stocks delivered positive performance compared to growth stocks in part due to the fall in many expensive Chinese technology and technology adjacent firms (within the consumer discretionary sector such as online gaming, education and e-commerce platforms) that were affected by the raft of new regulations. Health Care, Real Estate and Consumer Discretionary names were major underperformers in emerging markets during the fourth quarter, while technology names were generally up. Quality names were rewarded while names with favourable analyst sentiment underperformed the market during the quarter. Sentiment and Value based measures however were the most rewarded styles in Emerging markets throughout 2021.

Regionally, the largest contributor was the overweight to the UK and the largest detractor was the underweight to North America. From a sector perspective, the largest contributor was the underweight to Health Care and the largest detractor was the overweight to Financials. The largest stock level contributor was the underweight to PayPal Holdings, Inc. and the largest stock level detractor was the underweight to Apple 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 December 2021 the portfolio reflected a 71.7% dividend yield premium to the MSCI ACWI ex AU index, whilst trading at a 42.8% price to book discount, a 43.3% price to cashflow discount and 50.8% 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 31 December 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 December 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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