

Realindex Global Share Value Hedged- Class A



Monthly Factsheet

31 May 2023

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\$) | 279 million |
| Benchmark | MSCI ACWI ex Australia Net AUD Hedged (Daily) |
| Number of stock holdings | 832 |
| 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 | 1mth | 3mth | 1yr | 3yr | 5yr | 7yr | 10yr | SI |
|-------------------|------|------|------|------|------|------|------|------|
| Net return | -2.1 | -0.4 | -0.5 | 14.0 | 5.4 | 8.5 | 7.9 | 10.8 |
| Benchmark return | -0.3 | 3.5 | 0.4 | 9.3 | 6.4 | 8.9 | 9.0 | 11.4 |
| Excess net return | -1.8 | -3.9 | -0.9 | 4.7 | -1.0 | -0.4 | -1.1 | -0.5 |
| Income return | 0.0 | 0.0 | 2.4 | 14.1 | 8.7 | 10.7 | 8.8 | 8.3 |
| Growth return | -2.1 | -0.4 | -2.9 | 0.0 | -3.3 | -2.2 | -0.9 | 2.5 |

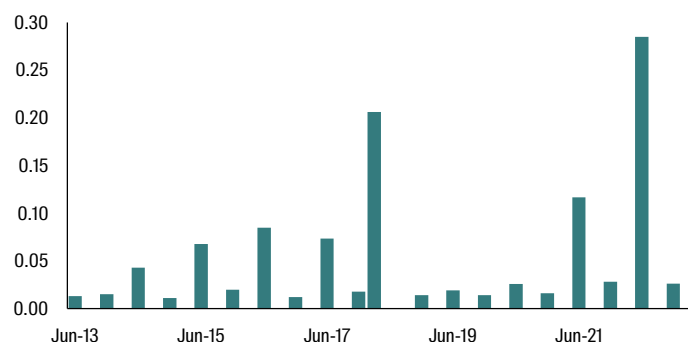
Note: Net return is the return after management fee

Risk Characteristics

| Period | 1yr | 3yr | 5yr | 7yr | 10yr | SI |
|----------------------------------|------|------|------|------|------|------|
| Fund standard deviation (%) | 17.5 | 15.4 | 17.2 | 15.1 | 14.1 | 14.8 |
| Benchmark standard deviation (%) | 18.6 | 15.4 | 16.5 | 14.3 | 13.3 | 13.7 |
| Tracking error (%) | 4.9 | 6.5 | 6.0 | 5.3 | 4.6 | 4.3 |
| Fund Sharpe ratio | -0.2 | 0.9 | 0.2 | 0.5 | 0.4 | 0.5 |
| Information ratio | -0.2 | 0.7 | -0.2 | -0.1 | -0.2 | -0.1 |
| Beta | 0.9 | 0.9 | 1.0 | 1.0 | 1.0 | 1.0 |
| Cashflow adjusted turnover (%) | 56.8 | 39.8 | 31.5 | 29.1 | 26.8 | |

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Distributions



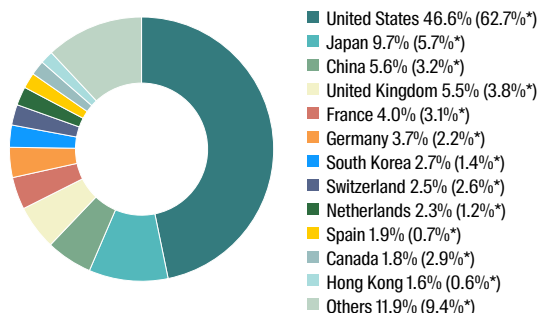
Top 10 Holdings

| Stock | Fund Weight | Benchmark Weight | Active Weight |
|---------------------------------|-------------|------------------|---------------|
| Apple Inc. | 2.62 | 4.79 | -2.17 |
| META PLATFORMS INC CL A | 2.08 | 1.01 | 1.07 |
| Microsoft Corporation | 1.10 | 3.95 | -2.85 |
| Roche Holding Ltd Genusssch. | 1.07 | 0.38 | 0.70 |
| Novo Nordisk A/S Class B | 1.03 | 0.45 | 0.58 |
| L'Oreal SA | 1.00 | 0.17 | 0.83 |
| Alphabet Inc. Class A | 0.89 | 1.25 | -0.36 |
| MasterCard Incorporated Class A | 0.88 | 0.53 | 0.35 |
| Exxon Mobil Corporation | 0.86 | 0.71 | 0.15 |
| Bristol-Myers Squibb Company | 0.83 | 0.23 | 0.60 |

Sector Breakdown (%)

| Sector | Fund Weight | Benchmark Weight | Active Weight |
|------------------------|-------------|------------------|---------------|
| Financials | 22.30 | 15.07 | 7.23 |
| Information Technology | 13.27 | 22.46 | -9.20 |
| Consumer Discretionary | 12.18 | 10.83 | 1.35 |
| Health Care | 9.71 | 12.20 | -2.49 |
| Industrials | 9.61 | 10.33 | -0.72 |
| Communication Services | 8.64 | 7.70 | 0.94 |
| Consumer Staples | 7.23 | 7.51 | -0.28 |
| Energy | 5.20 | 4.63 | 0.58 |
| Materials | 4.04 | 4.15 | -0.11 |
| Utilities | 3.31 | 2.86 | 0.45 |
| Real Estate | 2.75 | 2.27 | 0.48 |

Country Breakdown



*Benchmark weight

Realindex Global Share Value (Hedged) returned -2.12% (net of fees) during May, versus the MSCI All Countries World ex Australia Net Index Hedged which returned -0.32% (in AUD). The AUD fell 2.1% against the USD over the month.

Global equity markets were generally weaker in May following uncertainty around the US government default and rising bond yields following further rate rises by the Federal Reserve. Despite a resolution to the US government debt ceiling and generally positive economic data, US equity markets failed to make strong returns with the exception of a select number of large cap Information Technology names amid growing expectations of the future potential of AI. This contrasted with Energy and Materials stocks, which were among the weakest performers in May amid concerns over the demand outlook. Equity market weakness was also seen in Europe, with signs of worsening economic conditions. This was in contrast to Japan, with the Nikkei 225 and TOPIX Index reaching fresh 33-year highs following signs of continued economic recovery. Emerging Markets were also weak, with Chinese equities underperforming following weaker than expected economic data. As a result, Information Technology names posted the strongest gains in May (MSCI ACWI IT: +10.4%), while Energy was the worst performing sector (MSCI ACWI Energy -7.2%).

Within this environment, the strategy underperformed the strength of Growth based names during the month; with Value underperforming Growth by 6.5% (MSCI AC World ex AU Value -2.2% vs. Growth +4.3%, in AUD). Over the past year, Value has underperformed Growth by 13.0% (AUD) and on a five-year basis by 5.6% p.a. (AUD), providing a significant longer-term headwind for performance.

Regionally, much of this underperformance was driven by the underweight positioning to North America, specifically the underweight to a select number of Technology and Technology adjacent names including Tesla, Amazon, Microsoft, Apple and NVIDIA. However, the overweight to Japan offset some of these losses. From a sector perspective, the largest detractor was the underweight to Information Technology, in particular semi-conductors while favourable positioning in Health Care helped performance. The largest stock level detractor was the underweight to NVIDIA Corporation given its strong reported earnings amidst renewed interest in AI related stocks. The largest contributor was the overweight to Meta Platforms, 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 2023 the portfolio reflected a 54.0% dividend yield premium to the MSCI ACWI ex AU index, whilst trading at a 25.6% price to book discount, a 31.7% price to cashflow discount and 37.3% 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 2023. 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 2023

Data as at: 31 May 2023

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.

www.realindex.com.au

For further information

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