

# Realindex Australian Share Fund-Class A

## Monthly Factsheet

31 October 2020

For Adviser use only

### Portfolio Description

The portfolio invests in Australian shares by selecting and weighting companies based on fundamental measures of company size.

### Investment Strategy

Realindex forms a universe of companies listed on the Australian Securities Exchange based on accounting measures. Factors such as quality, near-term value and momentum are applied to form a final portfolio of companies.

### Investment Objective

To provide capital and income growth by investing in Australian shares and outperforming the S&P/ASX 200 Accumulation Index over rolling five year periods before fees and taxes.

### Product Overview

|                          |                                |
|--------------------------|--------------------------------|
| APIR code                | FSF0976AU                      |
| Inception date           | 17 November 2008               |
| Fund Size (A\$)          | 5,610 million                  |
| Benchmark                | S&P/ASX 200 Accumulation Index |
| Number of stock holdings | 197                            |
| Buy / Sell spread        | 0.05% / 0.05%                  |
| Minimum investment (A\$) | 25,000                         |
| Management cost (p.a.)*  | 0.35%                          |

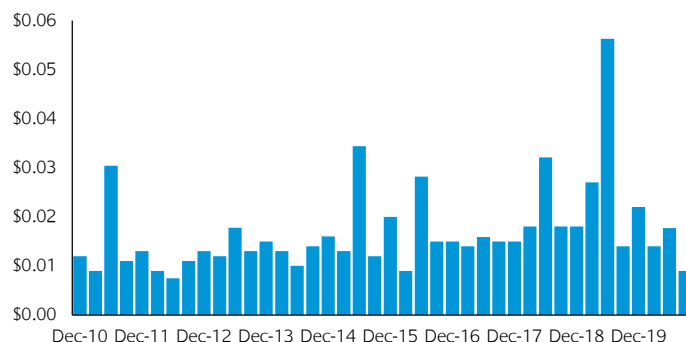
\* Information on Management Costs (including estimated indirect costs) is set out in the Fund's PDS.

### Performance Summary (%)

| Period            | 1mth | 3mth | 1yr   | 3yr  | 5yr  | 7yr  | 10yr | SI  |
|-------------------|------|------|-------|------|------|------|------|-----|
| Net return        | 2.6  | 1.1  | -11.4 | 2.2  | 6.1  | 4.8  | 6.7  | 8.8 |
| Benchmark return  | 1.9  | 1.0  | -8.1  | 4.1  | 6.8  | 5.6  | 6.9  | 8.7 |
| Excess net return | 0.7  | 0.1  | -3.2  | -1.9 | -0.7 | -0.9 | -0.3 | 0.1 |
| Income return     | 0.0  | 0.8  | 4.7   | 6.8  | 6.5  | 6.2  | 6.0  | 5.7 |
| Growth return     | 2.6  | 0.3  | -16.1 | -4.6 | -0.4 | -1.4 | 0.7  | 3.1 |

Note: Net return is the return after management fee

### Distributions



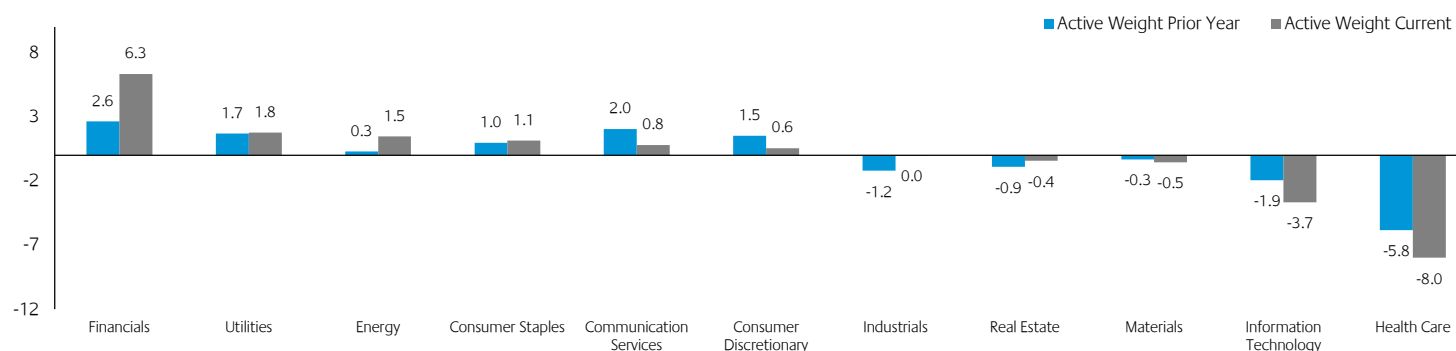
### Top 10 Holdings

| Stock                   | Fund Weight | Benchmark Weight | Active Weight |
|-------------------------|-------------|------------------|---------------|
| Commonwealth Bank       | 7.14        | 7.43             | -0.29         |
| Westpac Bank            | 6.04        | 3.93             | 2.10          |
| ANZ Bank                | 5.77        | 3.24             | 2.53          |
| BHP Group               | 5.71        | 6.05             | -0.34         |
| National Australia Bank | 5.15        | 3.72             | 1.43          |
| Woolworths              | 3.14        | 2.93             | 0.21          |
| Telstra                 | 3.12        | 1.94             | 1.18          |
| Wesfarmers              | 3.11        | 3.17             | -0.06         |
| Fortescue Metals        | 2.85        | 1.76             | 1.09          |
| Coles Group             | 2.37        | 1.44             | 0.93          |

### Risk Characteristics

| Period                           | 1yr  | 3yr  | 5yr  | 7yr  | 10yr | SI   |
|----------------------------------|------|------|------|------|------|------|
| Fund standard deviation (%)      | 25.9 | 16.8 | 14.4 | 14.0 | 13.3 | 14.1 |
| Benchmark standard deviation (%) | 25.5 | 16.7 | 14.3 | 13.9 | 13.3 | 13.6 |
| Tracking error (%)               | 1.7  | 1.7  | 2.2  | 1.9  | 1.9  | 2.1  |
| Fund Sharpe ratio                | -0.5 | 0.1  | 0.3  | 0.2  | 0.3  | 0.4  |
| Information ratio                | -1.9 | -1.1 | -0.3 | -0.4 | -0.1 | 0.0  |
| Beta                             | 1.0  | 1.0  | 1.0  | 1.0  | 1.0  | 1.0  |
| Cashflow adjusted turnover (%)   | 16.2 | 14.6 | 15.4 | 13.9 | 13.6 |      |

### Fund Active Sector Positions (%)



## Realindex Australian Share Fund-Class A

### Top 5 Contributors To Performance (1 Month)

| Stock        | Value added |
|--------------|-------------|
| ANZ Bank     | 0.17%       |
| CSL          | 0.11%       |
| Transurban   | 0.10%       |
| CIMIC        | 0.09%       |
| Westpac Bank | 0.09%       |

### Top 5 Detractors From Performance (1 Month)

| Stock          | Value detracted |
|----------------|-----------------|
| Afterpay Touch | -0.22%          |
| ResMed         | -0.07%          |
| Telstra        | -0.07%          |
| AGL            | -0.05%          |
| Xero           | -0.05%          |

The Realindex Australian Shares Fund returned +2.63% (net of fees) during October, outperforming the S&P/ASX 200 benchmark which returned +1.93%.

After detracting for much of 2020, the portfolio's overweight allocation to the Financials (+6.3%) sector was the largest contributor to performance. This largely came from the portfolio's net overweight to banks, specifically overweights to ANZ (+9.2%), Westpac (+6.2%) and NAB (+4.8%). In addition, an overweight to AMP (+17.2%) also added value after it was the recipient of a takeover offer.

Dragging on performance was the underweight to the strong Information Technology sector (+9.0%). This was mostly due to not holding Afterpay (+20.9%) which again reached an all time high, becoming the 15th largest company in the Australian market (bigger than established names such as Coles, Woodside and Brambles). On valuations these numbers seem extreme for a company that is not expecting to make a profit for at least the next 3 years. In addition, not holding smaller IT names including Link (+33.4%, surging on the back of a takeover offer), Technology One (+13.0%) and Wisetech (+12.0%) also dragged on performance.

Aside from the portfolio's positioning in Financials and IT the remainder of performance was largely due to stock selection. Positive contributions came from overweights to Cimic (+15.9%) and Coca Cola Amatil (+30.8%, also the recipient of a takeover offer) and underweight to Transurban (-4.6%). Detracting value were overweights to Telstra (-3.6%) and AGL (-8.4%) and underweights to mid-cap gold stocks Northern Resources (+8.9%) and Saracen (9.1%) which announced a merger.

The portfolio offers a valuation discount to the market-cap benchmark, as measured by price-to-sales (39.3% discount), price-to-cashflow (28.8% discount), and price-to-book (13.3% discount), as well as a dividend yield higher than the benchmark (20.6% premium).

Note: Percentage figures in parenthesis show total return in Australian dollars for the month ending 31 October 2020 unless otherwise noted.

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: 31 October 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.

[www.realindex.com.au](http://www.realindex.com.au)

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