

Realindex Australian Share Fund-Class A



Monthly Factsheet

31 July 2022

For Institutional 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 Australian companies based on accounting measures. 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.

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 (AS)	1,017 million
Benchmark	S&P/ASX 200 Accumulation Index
Number of stock holdings	161

Performance Summary (% before fees and expenses)

Period	1 mth	3 mth	6 mth	1 yr	3 yr	5 yr	10 yr	SI
Gross return	4.60	-6.95	3.67	1.37	5.81	8.49	10.21	10.34
Benchmark return	5.75	-6.04	1.71	-2.17	4.27	8.03	9.44	9.30
Excess return	-1.15	-0.91	1.96	3.54	1.54	0.47	0.77	1.04

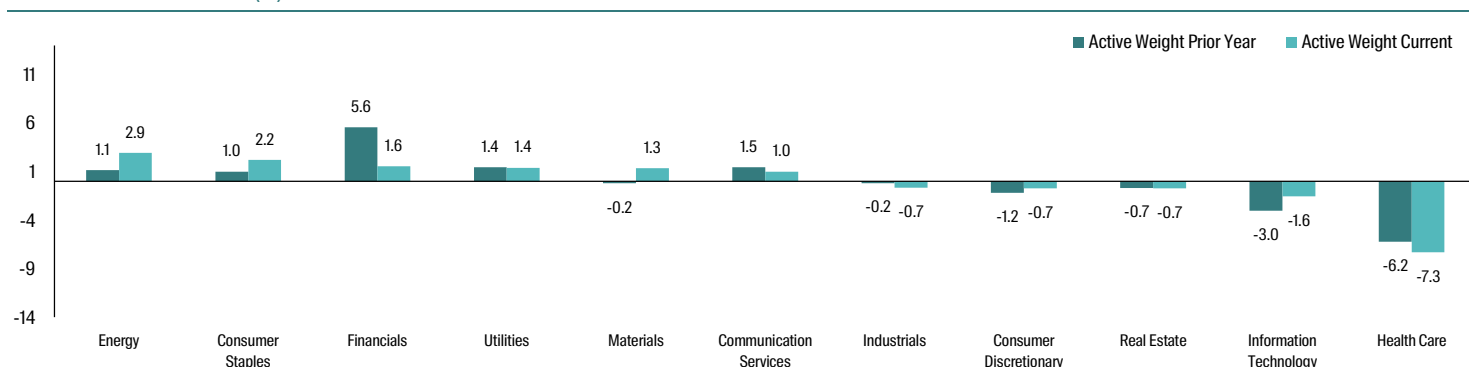
Top 10 Holdings

Stock	Fund Weight	Benchmark Weight	Active Weight
BHP Group	10.38	9.55	0.83
Commonwealth Bank	6.99	8.39	-1.40
National Australia Bank	5.89	4.80	1.09
Westpac Bank	4.57	3.67	0.89
ANZ Bank	4.50	3.33	1.17
Woodside Petroleum	3.95	2.94	1.01
Fortescue Metals	3.76	1.52	2.24
Telstra	3.66	2.20	1.46
Woolworths	2.80	2.22	0.58
Coles Group	2.13	1.22	0.90

Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	14.3	19.1	15.7	14.7	13.8	14.2
Benchmark standard deviation (%)	15.1	18.4	15.4	14.5	13.6	13.7
Tracking error (%)	3.8	3.2	2.7	2.7	2.3	2.4
Fund Sharpe ratio	0.1	0.3	0.5	0.5	0.6	0.6
Information ratio	0.9	0.5	0.2	0.4	0.3	0.4
Beta	0.9	1.0	1.0	1.0	1.0	1.0
Cashflow adjusted turnover (%)	30.1	19.3	17.2	16.7	15.4	

Fund Active Sector Positions (%)



Top 5 Attributors To Performance (1 Month)

Stock	Value added
Whitehaven Coal	0.13%
Transurban	0.09%
New Hope	0.07%
National Australia Bank	0.06%
Ramsay Health Care	0.05%

Top 5 Detractors From Performance (1 Month)

Stock	Value detracted
Goodman Group	-0.11%
CSL	-0.11%
Viva Energy Group	-0.10%
BHP Group	-0.08%
Commonwealth Bank	-0.08%

The Realindex Australian Shares Fund returned +4.60% (gross of fees) during July, versus the S&P/ASX 200 benchmark which returned +5.75%.

Value stocks outperformed Growth stocks by 1.3% over the month (S&P Australia BMI Value +6.8% vs. Growth +5.5%). Over the past year, Value has beaten Growth with Value outperforming by 8.9%, but lagged on a five-year basis by 1.6% p.a. providing a longer-term performance headwind.

The Australian share market rebounded in July despite the RBA raising the cash rate by 50bps to 1.35%. Whilst CPI remained high in Australia at 6.1% on a rolling 12 month basis, it was below consensus and provided speculation that monetary policy tightening will be shorter than expected due to an earlier peak in inflation. In response to monetary policy, house price growth has slowed due to mortgage serviceability. The Australian labour market continued to see strength, with the unemployment rate pushed lower to a record 3.5%. However, wage growth has not been a large contributor to inflation; with the latter largely been driven by higher input costs. Globally, the macro environment remains concerning with a contracting US economy over the last quarter. Nevertheless, we saw largely positive earnings announcements from the US, especially in tech, and a drop in government bond yields and credit spreads. This aided the July equities rally despite downbeat GDP figures.

During the month, resources struggled relative to industrials, with the materials sector taking a hit. Whilst remaining the worst sector performer on a 6 month basis, the IT sector rebounded sharply with a +15.2% gain in the ASX 200. Similarly, REITs posted a +11.9% gain for the month despite the adverse interest rate environment. Momentum struggled in Australia in July after having a good quarter whilst Value rebounded in the second half of July after losing some gains earlier in the month.

From a sector perspective, the largest contributor was the underweight to Industrials and the largest detractor was the overweight to Materials. The largest stock level contributor was the overweight to Whitehaven Coal Limited and the largest stock level detractor was the underweight to CSL Limited.

The portfolio offers a valuation discount to the market-cap benchmark, as measured by price-to-sales (38.8% discount), price-to-cashflow (26.9% discount), and price-to-book (17.5% discount), as well as a dividend yield higher than the benchmark (22.3% premium).

Note: Percentage figures in parenthesis show total return in Australian dollars for the month ending 31 July 2022 unless otherwise noted.

Performance returns are calculated gross of management fees and net of 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: 31 July 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. 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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