

# Realindex Emerging Markets Fund- Class A



Monthly Factsheet

31 July 2022

For Institutional use only

## Portfolio Description

The portfolio invests in global shares predominantly in emerging markets by selecting and weighting companies based on fundamental measures of company size.

## Investment Strategy

Realindex forms a universe of emerging market 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. This fund does not hedge currency exposure.

## Investment Objective

To provide capital and income growth by investing in global shares predominantly in emerging markets and outperforming the MSCI Emerging Markets Index, over rolling five year periods before fees and taxes.

## Product Overview

APIR code	FSF1101AU
Inception date	20 January 2011
Fund Size (AS)	720 million
Benchmark	MSCI Emerging Markets Net Index
Number of stock holdings	394

## Performance Summary (% before fees and expenses)

Period	1 mth	3 mth	6 mth	1 yr	3 yr	5 yr	10 yr	SI
Gross return	-3.11	-6.40	-15.50	-12.02	0.36	4.46	7.05	4.21
Benchmark return	-1.70	-4.74	-15.43	-15.82	0.48	3.71	7.15	4.29
Excess return	-1.41	-1.66	-0.07	3.81	-0.12	0.75	-0.10	-0.08

## Sector Breakdown (%)

Sector	Fund Weight	Benchmark Weight	Active Weight
Financials	34.50	21.50	13.00
Information Technology	14.44	20.07	-5.63
Consumer Discretionary	8.67	13.85	-5.17
Communication Services	8.18	10.01	-1.83
Materials	7.41	8.46	-1.04
Energy	6.78	5.15	1.63
Industrials	5.80	5.78	0.02
Consumer Staples	5.04	6.25	-1.21
Real Estate	3.19	1.88	1.31
Utilities	3.09	3.03	0.06
Health Care	0.57	4.03	-3.46

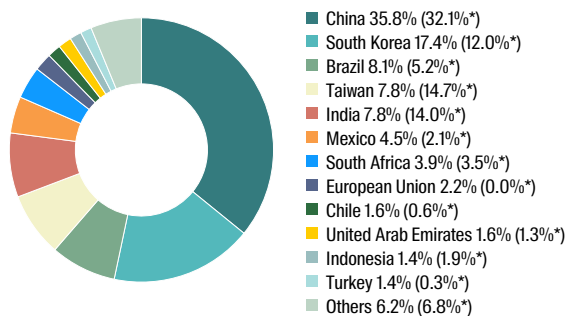
## Top 10 Holdings

Stock	Fund Weight	Benchmark Weight	Active Weight
Samsung Electronics Co., Ltd.	5.05	3.49	1.56
Ping An Insurance (Group) Company of China, Ltd. Class H	2.77	0.58	2.19
Taiwan Semiconductor Manufacturing Co. Ltd.	2.28	6.47	-4.19
China Construction Bank Corporation Class H	2.05	0.95	1.10
Bank of Communications Co., Ltd. Class H	1.98	0.08	1.90
Bank of China Limited Class H	1.71	0.44	1.27
Petroleo Brasileiro SA Pfd	1.49	0.48	1.00
China Merchants Bank Co., Ltd. Class H	1.26	0.33	0.94
Alibaba Group Holding Ltd. Sponsored ADR	1.21	0.00	1.21
America Movil SAB de CV Class L	1.18	0.41	0.76

## Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	11.6	12.9	12.4	12.5	11.9	12.3
Benchmark standard deviation (%)	9.1	11.4	11.1	11.0	10.4	10.9
Tracking error (%)	5.9	6.6	6.0	6.0	5.5	5.2
Fund Sharpe ratio	-1.1	0.0	0.3	0.3	0.4	0.2
Information ratio	0.6	0.0	0.1	0.1	0.0	0.0
Beta	1.1	1.0	1.0	1.0	1.0	1.0
Cashflow adjusted turnover (%)	24.1	23.4	22.0	21.5	19.6	

## Country Breakdown



\*Benchmark weight

The Realindex Emerging Markets strategy returned -3.11% (gross of fees) during July, versus the MSCI Emerging Markets Net Index which returned -1.70% (in AUD).

Value stocks underperformed Growth stocks by 1.3% over the month (MSCI Emerging Markets Value -2.4% vs. Growth -1.1%, in AUD). Over the past year, Value has outperformed Growth by 9.6% (MSCI Emerging Markets Value -10.8% vs. Growth -20.4%, in AUD). On a five year basis, Value lags Growth by 1.7% p.a. (AUD) providing a significant longer-term performance headwind.

Global equities saw a recovery in July following their protracted slide during the first half of the year despite deteriorating fundamentals posed by persistent inflation and growth fears. The tech heavy Nasdaq, which saw significant losses since the start of the year, recovered by almost a third as the market began buying back beaten up stocks in a tech led rally. Despite persistent recent inflation data prints, markets priced in a more front-loaded rate hiking cycle by the Federal Reserve and other central banks, as long dated treasury yields fell. In July, US inflation expectations fell from the previous months while US core CPI also declined for three consecutive months amid concerns of a global recession. In the US, second-quarter GDP contracted 0.9% on an annualized basis, the second consecutive quarterly decline while the PMI dropped to 47.5 in July from 52.3 in June.

In response, emerging markets experienced a poorer month (MSCI EM Index), underperforming developed markets (MSCI World Index) and finishing down approximately 1.7% in AUD terms. The fall was largely the result of the Chinese market wiping away the gains seen during the previous month as economic growth fears resurfaced. MSCI China posted a loss of 10.8% in AUD terms pulling the overall emerging market index down; this was despite positive performance posted in Korea (+4.3%) and LATAM (+2.7%) while Emerging European equity markets were flat. From a sector perspective, Real Estate (-12.9%) and Consumer Discretionary (-8.8%) sectors were heavily down due to ongoing Chinese property and overall economic concerns, while IT (+2.8%) Utilities (1.9%) and Energy (1.4%) were the leading sectors in July.

On a country basis, the largest detractor by far was the underweight to India while the largest contributor was the overweight to Brazil. From a sector perspective, the largest detractor by far was the overweight to Financials and the largest contributor was the underweight to Consumer Discretionary. Lastly, the largest stock level detractor was the overweight to Ping An Insurance (Group) Company of China, Ltd and the largest stock level contributor was the underweight to Tencent Holdings Ltd.

Driven by the methodology of rebalancing into cheap Value companies, the portfolio continues to sit on deep valuation discounts. At the end of July 2022, the portfolio reflected a 91.1% dividend yield premium to the MSCI EM index, whilst trading at a 41.0% price to book discount, a 54.9% price to cashflow discount, and 56.7% price to sales discount, 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 July 2022. All returns are given in local currency terms unless otherwise stated.

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.

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

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