

# Realindex Global Share Hedged Fund-Class A

## Monthly Factsheet

31 October 2020

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 companies based on accounting measures. Factors such as quality, near-term value and momentum are applied to form a final portfolio of companies. This fund aims to hedge currency risk.

### 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\$)	1,151 million
Benchmark	MSCI ACWI ex Australia Net AUD Hedged (Daily)
Number of stock holdings	1,464
Buy / Sell spread	0.10% / 0.10%
Minimum investment (A\$)	25,000
Management cost (p.a.)*	0.46%

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

### Performance Summary (%)

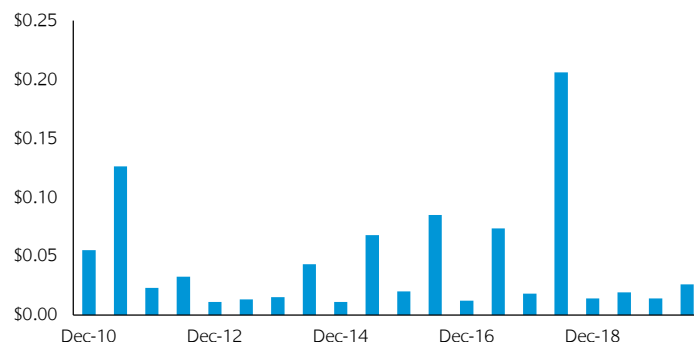
Period	1mth	3mth	1yr	3yr	5yr	7yr	10yr	SI
Net return	-2.3	-0.5	-13.3	-2.4	3.5	4.5	7.0	9.9
Benchmark return	-2.6	0.0	2.0	4.9	8.1	8.7	10.3	12.1
Excess net return	0.3	-0.5	-15.2	-7.3	-4.5	-4.1	-3.3	-2.2
Income return	0.0	0.0	2.9	7.0	7.4	6.8	7.4	6.8
Growth return	-2.3	-0.5	-16.2	-9.4	-3.9	-2.3	-0.4	3.1

Note: Net return is the return after management fee

### Sector Breakdown (%)

Sector	Fund weight	Benchmark weight	Active weight
Financials	20.52	12.37	8.15
Consumer Discretionary	12.78	13.17	-0.40
Information Technology	12.50	21.55	-9.05
Industrials	10.60	9.70	0.89
Communication Services	8.50	9.88	-1.38
Health Care	8.14	12.29	-4.16
Consumer Staples	7.57	7.87	-0.30
Materials	6.33	4.53	1.80
Energy	5.11	2.73	2.38
Utilities	4.51	3.25	1.26
Real Estate	2.61	2.66	-0.05

### Distributions



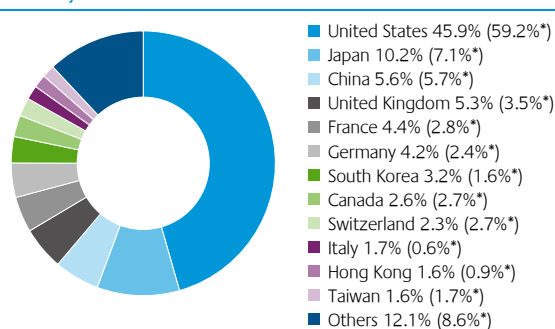
### Top 10 Holdings

Stock	Fund Weight	Benchmark Weight	Active Weight
Apple Inc.	2.23	3.83	-1.60
Samsung Electronics Co., Ltd.	1.04	0.48	0.56
Walmart Inc	1.01	0.40	0.61
Microsoft Corporation	0.94	2.96	-2.02
JPMorgan Chase & Co.	0.78	0.61	0.17
Berkshire Hathaway Inc. Class B	0.73	0.57	0.16
Toyota Motor Corp.	0.72	0.28	0.44
AT&T Inc.	0.67	0.39	0.27
Bank of America Corporation	0.62	0.38	0.24
Verizon Communications Inc.	0.57	0.48	0.09

### Risk Characteristics

Period	1yr	3yr	5yr	7yr	10yr	SI
Fund standard deviation (%)	22.2	16.8	14.1	13.3	13.2	14.6
Benchmark standard deviation (%)	21.0	15.8	13.1	12.4	12.2	13.2
Tracking error (%)	4.3	4.1	3.8	3.5	3.2	3.4
Fund Sharpe ratio	-0.6	-0.1	0.1	0.2	0.3	0.4
Information ratio	-3.5	-1.8	-1.2	-1.2	-1.0	-0.6
Beta	1.0	1.0	1.0	1.0	1.0	1.1
Cashflow adjusted turnover (%)	20.8	19.9	23.9	21.8	23.1	

### Country Breakdown



\*Benchmark weight

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The Realindex Global Share Hedged Fund returned -2.32% (net of fees) during October, outperforming the MSCI All Countries World ex Australia Net Index Hedged which returned -2.60% (in AUD). The AUD fell 2.0% against the USD over the month.

Value stocks marginally underperformed Growth stocks by 0.04% over the month (MSCI AC World ex AU Value -0.48% vs. Growth -0.44%, in AUD). Over the past year, the magnitude of the Value headwind has been considerable, with Value versus Growth underperforming by 35.1% (AUD), and on a five year basis by 10.2% p.a. (AUD), providing a significant longer-term performance headwind.

The month was characterised by rising volatility in equity markets and falling oil prices as pandemic fears of further lockdowns in Europe and a US fiscal stimulus package not passing stifled the initial gains made in equity markets earlier in the month; the losses were led by European and US large caps (MSCI Europe -3.7%, S&P500 -0.7%, in AUD). Technology stocks as well as Energy and Health Care were the main global sectors affected (MSCI AC World Technology -2.4%, MSCI AC World Energy -3.8% and MSCI AC World Health Care -2.7% in AUD terms). Emerging markets however staged stronger performances off the back of positive earnings revisions led by Asia (MSCI China +7.5% in AUD terms).

Regionally, the largest contributor was the underweight to North America and the largest detractor was the overweight to Emerging Markets. From a sector perspective, the largest contributor was the overweight to Financials and the largest detractor was the underweight to Communication Services. The largest stock level contributor was the underweight to SAP SE and the largest stock level detractor was the underweight to Alphabet 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 October 2020 the portfolio reflected a 70.4% dividend yield premium to the MSCI ACWI ex AU index, whilst trading at a 42.5% price to book discount, a 47.4% price to cashflow discount and 54.7% 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 October 2020. 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 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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