

Realindex Global Share Hedged Fund- Class A



Monthly Factsheet

31 July 2022

For Institutional 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 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 (AS) | 319 million |
| Benchmark | MSCI ACWI ex Australia Net AUD Hedged (Daily) |
| Number of stock holdings | 1,109 |

Performance Summary (% before fees and expenses)

| Period | 1 mth | 3 mth | 6 mth | 1 yr | 3 yr | 5 yr | 10 yr | SI |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Gross return | 4.16 | -1.86 | -6.61 | -0.87 | 8.04 | 7.22 | 10.71 | 11.85 |
| Benchmark return | 7.01 | -1.44 | -8.89 | -8.40 | 8.06 | 7.94 | 11.14 | 11.94 |
| Excess return | -2.85 | -0.43 | 2.28 | 7.53 | -0.02 | -0.72 | -0.44 | -0.10 |

Sector Breakdown (%)

| Sector | Fund Weight | Benchmark Weight | Active Weight |
|------------------------|-------------|------------------|---------------|
| Financials | 21.36 | 13.72 | 7.64 |
| Information Technology | 11.90 | 22.26 | -10.36 |
| Health Care | 10.65 | 12.49 | -1.84 |
| Consumer Discretionary | 10.55 | 11.69 | -1.14 |
| Industrials | 9.61 | 9.67 | -0.06 |
| Consumer Staples | 7.94 | 7.41 | 0.53 |
| Communication Services | 7.43 | 7.65 | -0.22 |
| Energy | 7.08 | 4.94 | 2.14 |
| Materials | 4.65 | 4.27 | 0.39 |
| Utilities | 3.43 | 3.14 | 0.29 |
| Real Estate | 2.50 | 2.76 | -0.26 |

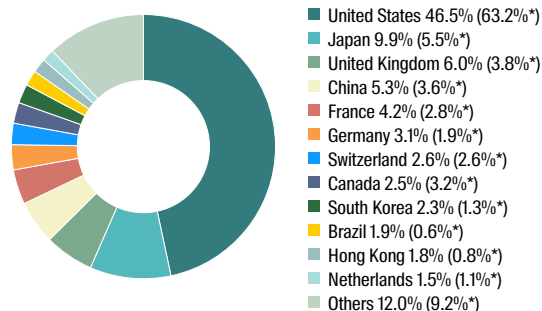
Top 10 Holdings

| Stock | Fund Weight | Benchmark Weight | Active Weight |
|------------------------------|-------------|------------------|---------------|
| Apple Inc. | 2.03 | 4.55 | -2.52 |
| Microsoft Corporation | 1.09 | 3.43 | -2.34 |
| Exxon Mobil Corporation | 1.06 | 0.70 | 0.36 |
| Facebook, Inc. Class A | 0.99 | 0.63 | 0.36 |
| Roche Holding Ltd Genusssch. | 0.91 | 0.40 | 0.51 |
| SHELL PLC ORD EURO.07 | 0.79 | 0.00 | 0.79 |
| Wells Fargo & Company | 0.79 | 0.29 | 0.50 |
| Walmart Inc | 0.75 | 0.35 | 0.41 |
| JPMorgan Chase & Co. | 0.74 | 0.58 | 0.16 |
| Petroleo Brasileiro SA Pfd | 0.70 | 0.05 | 0.64 |

Risk Characteristics

| Period | 1yr | 3yr | 5yr | 7yr | 10yr | SI |
|----------------------------------|------|------|------|------|------|------|
| Fund standard deviation (%) | 12.8 | 18.4 | 16.3 | 15.1 | 13.4 | 14.8 |
| Benchmark standard deviation (%) | 15.7 | 16.9 | 15.3 | 14.1 | 12.5 | 13.5 |
| Tracking error (%) | 7.4 | 7.2 | 5.9 | 5.2 | 4.6 | 4.3 |
| Fund Sharpe ratio | -0.1 | 0.4 | 0.4 | 0.4 | 0.7 | 0.6 |
| Information ratio | 1.0 | 0.0 | -0.1 | -0.1 | -0.1 | 0.0 |
| Beta | 0.7 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Cashflow adjusted turnover (%) | 46.0 | 31.6 | 27.0 | 27.1 | 24.4 | |

Country Breakdown



*Benchmark weight

The Realindex Global Share Hedged Fund returned +4.16% (gross of fees) during July, versus with the MSCI All Countries World ex Australia Net Index Hedged which returned +7.01% (in AUD). The AUD rose 1.5% against the USD over the month.

Value stocks underperformed Growth stocks by 6.1% over the month (MSCI AC World ex AU Value +2.5% vs. Growth +8.6%, in AUD). Over the past year, Value has outperformed Growth by 13.3% (AUD), while on a five year basis Growth has outperformed Value by 6.3% 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 developed markets, IT and Consumer Discretionary sectors saw the largest uplift both posting 11.5% and 13.8% respectively, while defensive based sectors such as Health Care, and Communication services posted the weakest returns (1.8% and 1.7% respectively). This sector rotation in turn led to growth based firms strongly outperforming value based ones with MSCI World Growth posting 9.9% returns versus MSCI World Value which delivered 3.0% for the month.

Emerging markets experienced a poorer month (MSCI EM Index), underperforming developed markets (MSCI World Index) and finishing down approximately 1.7%. 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.

Regionally, the largest detractor by far was the large underweight to North America who was the only region to generate a higher return than the benchmark by 2.1%. From a sector perspective, the largest detractors were the overweight to Financials and the underweight to IT. Lastly, the largest stock level detractor was the underweight to Amazon.com, Inc. 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 62.9% dividend yield premium to the MSCI ACWI ex AU index, whilst trading at a 32.5% price to book discount, a 39.1% price to cashflow discount, a 46.0% 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 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.

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For further information

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