redpoint Investment Management

30 SEPTEMBER 2015

QUARTERLY REPORT

REDPOINT ACTIVE AUSTRALIAN EQUITY STRATEGY

Strategy performance as at 30 September 2015	1 month (%)	3 months (%)	6 months (%)	1 Year (%)	2 Years (% p.a.)	3 Years (% p.a.)	Since Inception (% p.a.) [5]
Fund return (net) [1]	-2.58	-6.63	-13.16	0.58	-	-	-
Strategy return (gross) [2]	-2.52	-6.43	-12.79	1.42	2.35	11.84	8.15
Benchmark return [3]	-2.86	-6.47	-12.53	-0.66	2.48	9.09	5.27
Active return [4]	0.34	0.04	-0.26	2.08	-0.13	2.75	2.88

1. Redpoint Active Australian Equity Fund (Fund) – performance is before taxes, but after management fees and transaction costs (net). The Fund was established on 25 February 2014.
2. Active Australian Equity Strategy (Strategy) – performance is before taxes and management fees, but after transaction costs (gross). Historical performance prior to 1 March 2014 is for the Strategy composite, as managed by Continuum Capital Management Pty Ltd. Post 1 March 2014 Redpoint has managed the Strategy as the Fund.
3. S&P/ASX 300 Accumulation Index – dividends reinvested (Benchmark). Benchmark returns do not allow for taxes, management fees and transaction costs.
4. Active return is the difference between Strategy and Benchmark return.
5. Inception date of Strategy is 28 February 2011.

INVESTMENT OBJECTIVE

The Strategy aims to provide a return of 2% per annum above the Benchmark, after management fees, over rolling five-year periods with targeted tracking error (active risk) of 4% per annum. The Strategy is reasonably diversified, typically holding between 40 and 70 stocks.

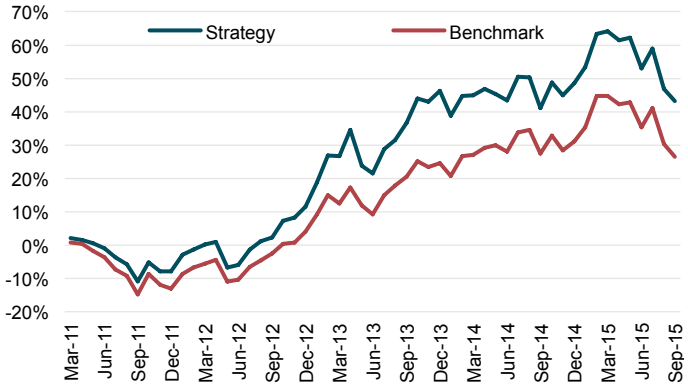
PERFORMANCE COMMENTARY

Global equity markets fell during the quarter dragged down by global macro concerns. With concerns already heightened about the veracity of Chinese economic growth, the US Federal Reserve's decision to delay raising interest rates only added to investor anxiety. In Australia, this sentiment resulted in a "peak-to-trough" fall of 12% for the Benchmark between August 1 through 24. The balance of the quarter continued to be volatile with more than half the trading days in September posting absolute returns of greater than 1%.

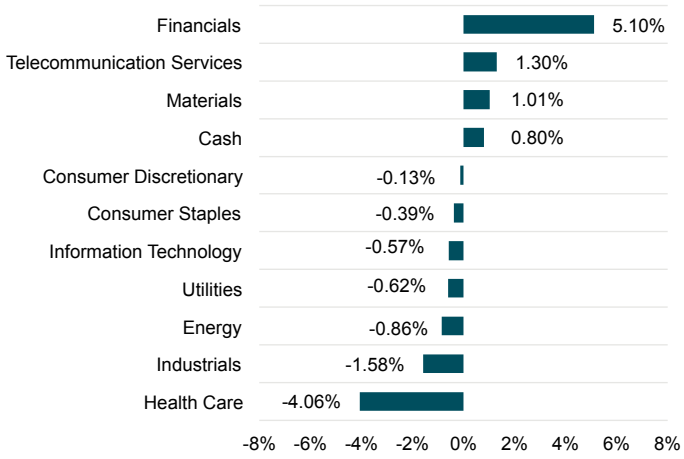
The Energy sector performed worst over the quarter falling over 25%, with the Metals & Mining industry also falling by over 15%. Energy sector leader, Origin Energy Ltd (ORG), ended the quarter seeking investor support for a $2.5 billion recapitalisation. The Australian banking sector underperformed, with each of the four (4) major banks failing to beat the Benchmark return for the quarter. Commonwealth Bank (CBA) and ANZ Banking Group Ltd (ANZ) came to market for additional capital during the quarter. With National Australia Bank Ltd moving first to raise fresh capital in May, it seems only a matter of time before Westpac Banking Corporation follows suit. Industrials, Utilities and REIT sectors/industries were the only ones to post a positive return for the quarter. Small companies outperformed large companies due to better performance from small industrial companies, while small resources fell even further than their large capitalisation peers.

Over the three-month period ending 30 September 2015, the gross return of the Strategy was -6.43%. The Strategy outperformed the Benchmark by 0.04% (active return).

CUMULATIVE RETURN



SECTOR ACTIVE WEIGHTS



TOP 10 HOLDINGS

Company	Strategy (%)	Benchmark (%)
Commonwealth Bank of Australia	9.20	9.33
ANZ Banking Group	6.77	5.88
Westpac Banking Corporation	6.37	7.14
Telstra Corporation Ltd	6.03	5.18
National Australia Bank	6.00	5.94
BHP Billiton Ltd	5.00	5.38
Macquarie Group Ltd	3.80	1.93
Woodside Petroleum Ltd	3.13	1.55
Suncorp Group Ltd	3.09	1.18
Amcor Ltd	2.91	1.17

STRATEGY FACTS

APIR code (Fund)	PPL0030AU
Strategy size ($)	9,842,067
Number of holdings	64
Strategy inception	28 February 2011

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SECTOR ATTRIBUTION

Sector	Strategy Average Weight (%)	Benchmark Average Weight (%)	Contribution (%)
Materials	17.47	14.22	0.75
Energy	3.76	4.56	0.54
Consumer Discretionary	2.70	4.48	0.18
Utilities	1.60	2.16	0.02
Information Technology	0.32	0.99	0.01
Health Care	3.51	6.33	-0.06
Consumer Staples	4.88	6.76	-0.21
Telecommunications	7.72	5.82	-0.25
Financials	50.83	47.08	-0.32
Industrials	7.21	7.58	-0.63
Total	**100.00**	**100.00**	**0.04**

ATTRIBUTION COMMENTARY

For the quarter, stocks in the Benchmark held by the Strategy contributed -0.82% of active return, whereas stocks in the Benchmark not held by the Strategy contributed +0.86% of active return.

Underweight positions in ORG and Santos Energy Ltd (STO) and overweight positions in Nufarm Ltd (NUF), Evolution Mining Ltd (EVN) and Echo Entertainment Group Ltd (EGP) contributed positively to active return (collectively +1.41%).

However, overweight positions in Downer EDI Ltd (DOW), Woodside Petroleum Ltd (WPL), ANZ, Macquarie Group Ltd (MQG) and Ansell Ltd contributed negatively to active return (collectively -1.60%).

An overweight position in the Materials sector (e.g. NUF and EVN) and an underweight position in the Energy sector (e.g. ORG, STO and Liquefied Natural Gas Ltd) contributed positively to active return (collectively +1.29%). Although underweight the Consumer Discretionary sector overall, an overweight position in EGP also contributed positively to active return (+0.25%).

Underweight positions in the Industrials sector (e.g. Asciano Ltd and Transurban Group Ltd) and the Consumer Staples sector (e.g. Treasury Wine Estates Ltd and Blackmores Ltd) contributed negatively to active return (collectively -0.84%).

Overweight positions in the Financials sector (e.g. ANZ, MQG, Suncorp Group Ltd (SUN) and Growthpoint Properties Australia) and the Telecommunication Services sector (e.g. M2 Group Ltd, Telstra Corporation Ltd and Chorus Ltd) contributed negatively to active return (collectively -0.57%).

An attribution according to our stock selection signals indicates that Fundamental Value, Short Term Indicators and Fundamental Growth detracted the most value during the quarter (-0.59%, -0.17% and -0.14% respectively).

LARGEST CONTRIBUTORS

Company	Strategy Average Weight (%)	Benchmark Average Weight (%)	Contribution (%)
Origin Energy Ltd	0.29	0.74	0.33
Nufarm Ltd	2.80	0.09	0.32
Santos Ltd	0.00	0.44	0.26
Evolution Mining Ltd	1.69	0.07	0.25
Echo Entertainment Ltd	2.03	0.27	0.25

LARGEST DETRACTORS

Company	Strategy Average Weight (%)	Benchmark Average Weight (%)	Contribution (%)
Downer EDI Ltd	1.96	0.12	-0.68
Woodside Petroleum Ltd	3.34	1.64	-0.30
ANZ Banking Group Ltd	7.55	6.00	-0.27
Macquarie Group Ltd	4.78	1.89	-0.22
Ansell Ltd	1.42	0.25	-0.17

Note: Contributions shown in these tables are to the active return of the Strategy.
Period: 30 June 2015 to 30 September 2015.

Near term sentiment leading into the reporting season in August failed to materialise and investors dealt harshly with companies that failed to deliver to expectations. Analyst Drivers added value (+0.53%) by identifying overweight opportunities such as Select Harvests Ltd and EGP as well as underweight opportunities such as ORG and CBA.

The influence of the Analyst Drivers and Short Term Indicators signals on the active positioning of the Strategy was reduced over the quarter. There was a corresponding increase (almost equally allocated) in the influence on active weights of the remaining four (4) signals: Fundamental Value, Fundamental Growth, Sustainable Quality and Price Action.

The Strategy remains conservatively positioned at below targeted active risk. This is due to overweight positions in companies such as DOW and MQG being pared back and new positions in stocks such as SUN and Pacific Brands Ltd being established. It is expected that the active risk will increase in line with new positions being established over the coming quarter.

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