

31 DECEMBER 2015 QUARTERLY REPORT REDPOINT ACTIVE AUSTRALIAN EQUITY STRATEGY

Strategy performance as at 31 December 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	2.87	4.96	-1.99	0.52	-	-	-
Strategy return (gross) ²	2.94	5.17	-1.59	1.35	1.49	10.52	8.84
Benchmark return ³	2.73	6.54	-0.35	2.80	4.04	9.01	6.37
Active return ⁴	0.21	-1.37	-1.24	-1.45	-2.55	1.51	2.47

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 S&P/ASX 300 Accumulation Index (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.

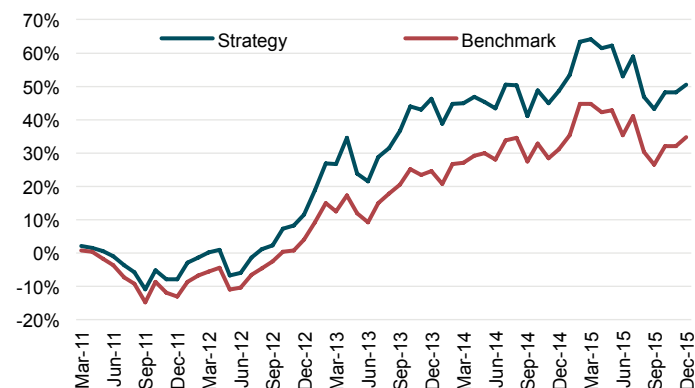
PERFORMANCE COMMENTARY

Dividend yield was the difference between a positive and negative return for the Benchmark in calendar year 2015. On a total return basis the Benchmark rose by +2.8% but fell by -1.7% on a price (pre-dividends) basis. After two (2) consecutive quarters of negative returns, the Australian share market posted a positive quarter to end the calendar year. The Benchmark rallied in the second half of December starting just ahead of and continuing after the US Federal Reserve's decision to raise interest rates by 0.25%.

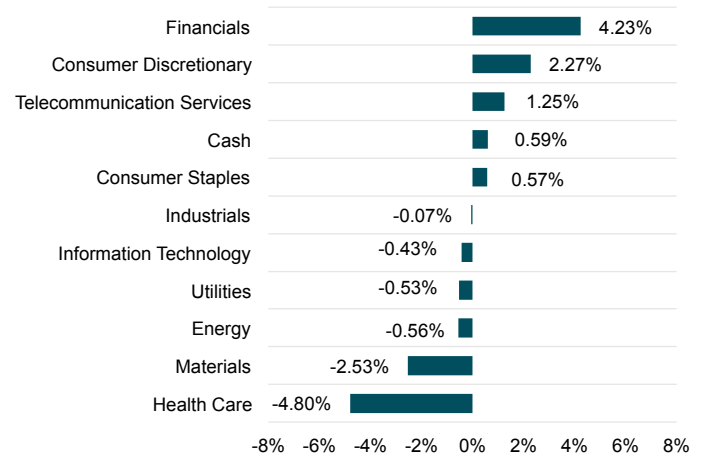
The Energy and Materials sectors were the worst performers, falling by approximately -30% and -20% respectively over the calendar year. They were also the worst performers in the December quarter (-1.5% and -6.9% respectively). These falls were all fueled by declining metals and oil prices during 2015: the oil price closed the year below \$40, which is its lowest since 2004. Utilities, Consumer Discretionary and Health Care were the best performing sectors for the year. Consumer Discretionary, Health Care, Financials and Information Technology were the best performing sectors over the past three (3) months (+13.4%, +12.4%, +10.6% and +9.1% respectively).

Over the three-month period ending 31 December 2015, the gross return of the Strategy was +5.17%. The total return of the Benchmark was +6.54%. The Strategy underperformed the Benchmark by -1.37% (active return).

CUMULATIVE RETURN



SECTOR ACTIVE WEIGHTS



TOP 10 HOLDINGS

Company	Strategy (%)	Benchmark (%)
Commonwealth Bank of Australia	9.75	10.32
Westpac Banking Corporation	8.10	7.91
ANZ Banking Group	5.96	5.75
National Australia Bank	5.91	5.63
Telstra Corporation Ltd	5.25	4.85
Challenger Ltd	4.19	0.35
Macquarie Group Ltd	3.59	1.99
Treasury Wine Estates	3.34	0.43
BHP Billiton Ltd	3.24	4.05
Suncorp Group Ltd	3.05	1.10

STRATEGY FACTS

APIR code (Fund)	PPL0030AU
Strategy size (\$)	10,323,162
Number of holdings	58
Strategy inception	28 February 2011

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SECTOR ATTRIBUTION

Sector	Strategy Average Active Weight (%)	Sector Allocation (%)	Stock Selection (%)
Energy	-1.01	0.11	0.00
Industrials	-0.09	0.02	0.08
Consumer Discretionary	0.49	0.04	0.02
Materials	-0.91	0.27	-0.21
Utilities	-0.52	-0.01	0.06
Telecommunications	0.70	-0.07	0.02
Health Care	-4.62	-0.28	0.05
Consumer Staples	0.69	0.06	-0.41
Information Technology	-0.04	0.04	-0.54
Financials	5.31	0.24	-0.88
Total	0.00	0.43	-1.80

ATTRIBUTION COMMENTARY

For the December quarter, stocks in the Benchmark held by the Strategy contributed +0.52% of active return, whereas stocks in the Benchmark not held by the Strategy contributed -1.89% of active return. A returns-based attribution shows that the active return is comprised of two (2) components: the sector allocation contributed +0.43% to active return, whereas stock selection within the sectors detracted -1.80% from active return.

Overweight positions in Collection House Ltd (CLH) and Select Harvests Ltd (SHV) detracted the most value during the quarter (collectively -1.06%). CLH was attractive on our Fundamental Value metrics, however, it downgraded its earnings guidance in October. This caused our Fundamental Value discipline to no longer find the stock attractive and the position has been significantly reduced. Almond producer SHV has also underperformed over the quarter. The share price has had a significant rise over the past few years and was attractive on our Price Action metrics. While this momentum in price has recently abated, our Analyst Drivers signal still points to strong growth ahead and as such the position has been maintained.

Stock selection in the Financials sector detracted value due to overweight positions in Medibank Private Ltd (MPL) and Suncorp Group Ltd (SUN) and an underweight position in Insurance Australia Group Ltd (collectively -0.37%). MPL has performed well following a strong earnings announcement in August, but has more recently underperformed. While its valuation is currently at fair levels, other metrics continue to be positive and the overweight position is being maintained. SUN also underperformed after providing a dramatic revision to guidance on its insurance business in mid-December. After an immediate drop from \$13 to below \$11.50, the share price had recovered to just over \$12 by quarter end.

LARGEST CONTRIBUTORS

Company	Strategy Average Weight (%)	Benchmark Average Weight (%)	Contribution (%)
IPH Ltd	1.68	0.05	0.53
Challenger Ltd	3.09	0.33	0.49
Treasury Wine Estates	1.94	0.38	0.37
Evolution Mining Ltd	1.03	0.10	0.24
Macquarie Group Ltd	3.67	1.97	0.17

LARGEST DETRACTORS

Company	Strategy Average Weight (%)	Benchmark Average Weight (%)	Contribution (%)
Collection House Ltd	1.47	0.02	-0.57
Select Harvests Ltd	1.64	0.05	-0.49
CSL Ltd	0.54	3.24	-0.46
SMS Management	0.56	0.02	-0.39
Medibank Private Ltd	1.97	0.47	-0.20

Note: Contributions shown in these tables are to the active return of the Strategy. Period: 30 September 2015 to 31 December 2015.

SUN remains attractive on valuation and the Fund maintains its overweight position. On a more positive note, overweight positions in financial stocks like Challenger Ltd, Macquarie Group Ltd and Magellan Financial Group Ltd added value over the quarter (collectively +0.71%).

The recent increase in an overweight position in Treasury Wine Estates was well rewarded over the quarter as the stock rallied by almost +30%. Overweight positions in smaller capitalisation companies like Ooh!Media Ltd and intellectual property services firm, IPH Ltd, also added value (collectively +0.70%). Having no holding in Spotless Group Holdings Ltd added value (+0.09%) with the company's share price halving over the quarter on the back of poor profit guidance announced at the start of December.

Looking ahead the Fund's current active position is split across our six (6) stock selection signals as follows: Sustainable Quality 2%, Fundamental Value 31%, Fundamental Growth 2%, Price Action 33%, Analyst Drivers 18% and Short Term Indicators 14%. Relative to a year ago, the Fund has a higher exposure to Analyst Drivers, Sustainable Quality and Fundamental Growth and a lower exposure to Price Action. The upcoming reporting season may be a catalyst for a reversal of fortunes, especially for valuation based opportunities.

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