

# 31 DECEMBER 2016 QUARTERLY REPORT REDPOINT ACTIVE AUSTRALIAN EQUITY STRATEGY

Strategy performance as at 31 December 2016	1 month (%)	3 months (%)	6 months (%)	1 year (%)	2 years (% p.a.)	3 years (% p.a.)	5 years (% p.a.)	Since Inception (% p.a.) <sup>5</sup>
Fund return (net) <sup>1</sup>	4.53	5.93	12.39	10.81	5.54	-	-	-
Strategy return (gross) <sup>2</sup>	4.59	6.13	12.82	11.69	6.39	4.78	12.81	9.32
Benchmark return <sup>3</sup>	4.34	4.93	10.43	11.79	7.20	6.57	11.64	7.28
Active return <sup>4</sup>	0.25	1.20	2.39	-0.10	-0.81	-1.79	1.17	2.04

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.

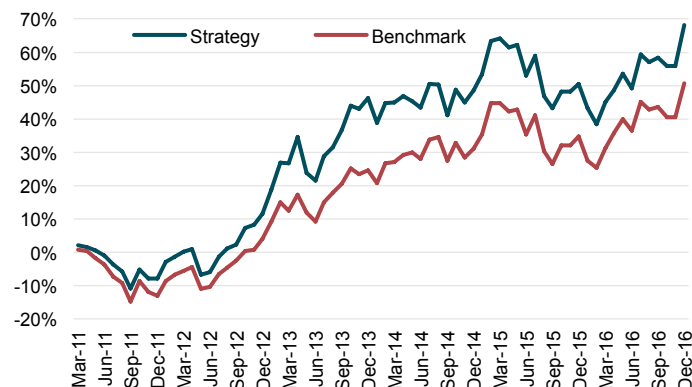
## PERFORMANCE COMMENTARY

Over the three-month period ending 31 December 2016, the gross return of the Strategy was +6.13%. The total return of the Benchmark was +4.93%. The Strategy outperformed the Benchmark by +1.20% (active return).

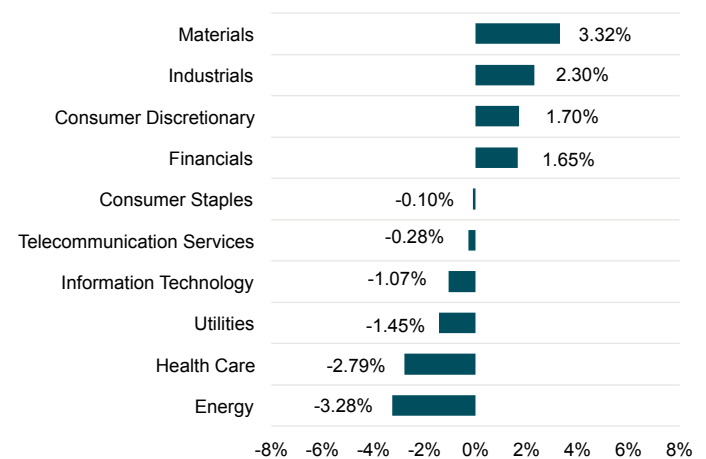
The best performing sectors for the December quarter were Financials, Utilities, Energy and Materials, which had total returns of +9.98%, +9.25%, +7.41% and +7.26% respectively. Health Care, Telecommunication Services, Information Technology and Consumer Discretionary were the worst performing sectors with total returns of -8.78%, -4.23%, -2.72% and -2.51% respectively.

The Australian equity market rallied strongly in December rounding out an exceptional second half to calendar 2016. Banks stocks rallied during the quarter with positive sentiment returning to the industry. Market fears regarding bank capital requirements, dividend cuts and risks associated with Australian property prices falling seemed to recede leading to a re-rating after solid mid-year results from ANZ Banking Group Ltd, National Australia Bank Ltd and Westpac Corporation. Resource sectors also outperformed as commodity prices (with the exception of precious metals) rose continuing their “Trump election rally”. Oil was the stand out rising back above USD 50 a barrel on news that OPEC members had agreed to cut production.

## CUMULATIVE RETURN



## SECTOR ACTIVE WEIGHTS



## TOP 10 HOLDINGS

Company	Strategy (%)	Benchmark (%)
Commonwealth Bank of Australia	8.56	9.28
Westpac Banking Corporation	7.65	7.13
ANZ Banking Group Ltd	6.27	5.83
National Australia Bank Ltd	6.01	5.35
BHP Billiton Ltd	4.98	5.26
Macquarie Group Ltd	4.29	1.94
Telstra Corporation Ltd	4.15	3.98
Wesfarmers Ltd	3.44	3.12
Fletcher Building Ltd	2.92	0.12
Bluescope Steel Ltd	2.40	0.34

## STRATEGY FACTS

APIR code (Fund)	PPL0030AU
Strategy size (\$)	11,439,211
Number of holdings	67
Strategy inception	28 February 2011

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### SECTOR ATTRIBUTION

Sector	Strategy Average Active Weight (%)	Sector Allocation (%)	Stock Selection (%)
Health Care	-3.23	0.50	0.11
Materials	3.62	0.09	0.50
Consumer Staples	-0.01	0.00	0.36
Telecommunications	-0.30	0.03	0.13
Information Technology	-1.20	0.10	0.00
Utilities	-0.65	-0.07	0.04
Energy	-2.93	-0.06	0.01
Consumer Discretionary	1.75	-0.14	0.08
Industrials	1.29	-0.09	-0.13
Financials	1.66	0.07	-0.33
<b>Total</b>	<b>0.00</b>	<b>0.44</b>	<b>0.76</b>

Note: Contributions shown here are to the active return of the Strategy.  
 Period: 30 September 2016 to 30 December 2016.

### ATTRIBUTION COMMENTARY

For the December quarter the active return of the Strategy was +1.20%. Stocks in the Benchmark held by the Strategy contributed +0.95% to active return, whereas stocks in the Benchmark not held by the Strategy (e.g. Vocus Communications Ltd, Ramsay Health Care Ltd, Healthscope Ltd, Boral Ltd, Cochlear Ltd, Crown Resorts Ltd, etc.) contributed +0.25% to active return.

A returns-based attribution shows that active return is comprised of two (2) components: sector allocations contributed +0.44% to active return, whereas stock selection within the sectors contributed +0.76% to active return.

From a sector allocation perspective, underweight positions in the Health Care and Information Technology sectors and overweight positions in the Materials and Financials sectors contributed the most to active return (collectively +0.77%). On the other hand, overweight positions in the Consumer Discretionary and Industrials sectors and underweight positions in the Utilities and Energy sectors detracted -0.36% in aggregate from active return.

Stock selection in the Materials (Bluescope Steel Ltd, CSR Ltd and Mineral Resources Ltd), Consumer Staples (Australian Agricultural Company and Select Harvests Ltd), Telecommunication Services (Vocus Communications Ltd) and Health Care (Ansell Ltd, CSL Ltd and Ramsay Health Care Ltd) contributed +1.10% in aggregate to active return.

However, stock selection in the Financials (QBE Insurance Group Ltd, Charter Hall Group and Commonwealth Bank of Australia) and Industrials (Seven Group Holdings Ltd and Sydney Airport Holdings Ltd) sectors detracted -0.46% in aggregate from active return.

### LARGEST CONTRIBUTORS

Company	Strategy Average Weight (%)	Benchmark Average Weight (%)	Contribution (%)
Bluescope Steel Ltd	2.50	0.33	0.42
CSR Ltd	1.37	0.14	0.36
Macquarie Group Ltd	4.14	1.93	0.20
Mineral Resources Ltd	1.51	0.13	0.16
Australian Agriculture Co.	0.78	0.04	0.14
Downer EDI Ltd	1.15	0.17	0.12
Ansell Ltd	0.61	0.23	0.11
CSL Ltd	0.00	0.21	0.10
Vocus Communications	1.42	3.13	0.10
Bendigo & Adelaide Bank	0.64	0.37	0.10

### LARGEST DETRACTORS

Company	Strategy Average Weight (%)	Benchmark Average Weight (%)	Contribution (%)
QBE Insurance Group Ltd	0.08	1.01	-0.30
Seven Group Holdings	1.04	0.05	-0.17
Aristocrat Leisure Ltd	2.90	0.62	-0.16
Charter Hall Group	0.67	0.13	-0.15
Origin Energy Ltd	0.00	0.70	-0.14
South32 Ltd	0.04	0.96	-0.14
Incitec Pivot Ltd	0.00	0.36	-0.10
Tatts Group Ltd	8.34	8.99	-0.09
Commonwealth Bank	0.00	0.39	-0.08
Duet Group	0.12	0.41	-0.08

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**STOCK SELECTION STRATEGIES**

Attribute	Contribution (%)
Stock selection signals	0.30
– Sustainable Quality	0.10
– Fundamental Value	0.56
– Fundamental Growth	0.11
– Analyst Drivers	-0.27
– Price Action	-0.21
– Short Term Indicators	0.01
Other style factors	-0.09
Industry	0.59
Stock specific	0.40
<b>Total</b>	<b>1.20</b>

**Note:** Contributions shown here are to the active return of the Strategy.  
 Period: 30 September 2016 to 30 December 2016.

In terms of stock selection strategies, our Fundamental Value discipline contributed the most to gross active return during the quarter (+0.56%), with October and December being the stand out contributing months. Value-oriented stocks have performed particularly well over the past six (6) months. Fundamental Growth and Sustainable Quality were also positive contributors to active return (+0.11% and +0.10% respectively), derived primarily by the performance of these signals in December. However, our Analyst Drivers and Price Action strategies detracted -0.27% and -0.21% respectively from active return, most of which came from the negative performance of these signals in December.

Stock specific sources and industry allocations contributed +0.40% and +0.59% respectively to active return, while other style factors detracted -0.09% from active return (other style factors include contributions from factors such as leverage, beta, size and volatility).

The Strategy's current active positioning is split across our six (6) stock selection strategies as follows: Sustainable Quality (8.0%, up +3.4% relative to the previous quarter-end), Fundamental Value (17.1%, down -2.0%), Fundamental Growth (6.2%, down -4.9%), Price Action (40.0%, no change), Analyst Drivers (15.1%, up +2.7%) and Short Term Indicators (13.5%, no change).

In terms of forward earnings yield the S&P/ASX 200 Index is trading slightly above its long term average at 15.9. The cheapest industry/sector groups on this measure are Banks, Telecommunication Services, Insurance, Materials and Industrials. While the Strategy has increased its overweight positioning in Banks and Industrials during the quarter a degree of this has been due to outperformance. The Strategy remains underweight especially in Health Care and Real Estate where valuations seem to be increasingly stretched.

**IMPORTANT NOTICE**

Antares Capital Partners Ltd (ABN 85 066 081 114) (AFSL 234483) (ACP), the Responsible Entity of and the issuer of units in the Redpoint Active Australian Equity Fund (Fund), is a fully owned subsidiary within the National Australia Bank Limited (NAB) group of companies (NAB Group). An investment in the Fund does not represent a deposit with or a liability of NAB nor any of its related bodies corporate and is subject to investment risk including possible delays in repayment and loss of income and capital invested. None of NAB, ACP, or any other NAB Group company nor Redpoint Investment Management Pty Ltd (AFSL 411671) guarantees the capital value, payment of income or performance of the Fund. Neither NAB, ACP or any other NAB Group company is in any way responsible for and does not guarantee the quality or accuracy of any information provided by third parties. To the maximum extent permitted by law, neither NAB, ACP or any other NAB Group company will be liable to any party in contract, tort (including for negligence) or otherwise for any loss or damage arising either directly or indirectly from reliance on, the use of or inability to use any third party information. The Product Disclosure Statement (PDS) for the Fund is available by calling the Client Services Team on 1300-738-355 or visit [www.nabam.com.au](http://www.nabam.com.au). You should obtain an PDS for the Fund issued by ACP and consider it before making any decision about whether to acquire or continue to hold the product. Any information in this document is general advice and has been prepared without taking account of your personal objectives, financial situation or needs. Because of this you should, before acting on any information in this communication, consider whether it is appropriate to your personal objectives, financial situation and needs. We recommend investors obtain financial advice specific to their situation. Past performance is not a reliable indicator of future performance. Returns are not guaranteed and actual returns may vary from any target returns described in this document.

**POSITION CHANGES**

During the quarter the Strategy exited a number of positions including: AMP Ltd, Aurizon Holdings Ltd, Australian Agricultural Company, Charter Hall Group, Charter Hall Retail REIT, Duet Group, Mayne Pharma Group Ltd, Metals X Ltd, NIB Holdings Ltd, Northern Star Resources Ltd, Premier Investments Ltd, The Reject Shop Ltd, Spark Infrastructure Trust, Spark New Zealand Ltd, The Star Entertainment Group Ltd, Virtus Health Ltd, Westfield Corporation and WorleyParsons Ltd.

Balancing these sell downs, new positions were opened in Altium Ltd, Ansell Ltd, Bendigo & Adelaide Bank Ltd, BT Investment Management Ltd, Coca-Cola Amatil Ltd, Harvey Norman Holdings Ltd, iSelect Ltd, JB Hi-Fi Ltd, Kathmandu Holdings Ltd, QBE Insurance Group Ltd, Seven Group Holdings Ltd, Sims Metal Management Ltd, South32 Ltd, Southern Cross Media Group Ltd and Webjet Ltd.

**KEY CONTACTS**

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