

30 JUNE 2015
QUARTERLY REPORT
REDPOINT INDUSTRIALS SMA

Model Portfolio performance as at 30 June 2015	1 month (%)	3 months (%)	6 months (%)	1 Year (%)	Since Inception (%) ⁴
Model Portfolio return (net) ¹	-4.03	-	-	-	-4.07
Benchmark return ²	-4.34	-	-	-	-4.14
Active return ³	0.31	-	-	-	0.07

1. Redpoint Industrials Separately Managed Account (SMA) (Model Portfolio) – performance is before taxes, but after management fees and transaction costs (net).
2. S&P/ASX 100 Industrials Accumulation Index (Benchmark).
3. Active return is the difference between Model Portfolio and Benchmark return.
4. The Model Portfolio was established on 30 April 2015.

INVESTMENT OBJECTIVE

The Model Portfolio aims to provide a return in line with the Benchmark, after management fees, over rolling five-year periods. The Model Portfolio seeks to deliver the key income and growth characteristics of the Benchmark while holding less than half the companies in the Benchmark.

Redpoint combines long horizon sustainable quality metrics and risk management expertise to exclude or underweight poorer rated companies. The Model Portfolio will usually hold 30 to 40 companies and aims to deliver a portfolio with low active risk relative to the Benchmark while being tilted towards companies with better quality characteristics.

TOP 10 HOLDINGS

Company	Model Portfolio (%)	Benchmark (%)	Active (%)
Commonwealth Bank	13.12	12.65	0.47
Westpac Banking Corporation	9.37	9.16	0.22
National Australia Bank	8.29	7.95	0.34
ANZ Banking Group	8.28	8.12	0.16
Telstra Corporation Ltd	7.33	6.85	0.48
Wesfarmers Ltd	3.98	4.00	-0.02
CSL Ltd	3.60	3.68	-0.08
Woolworths Ltd	2.95	3.12	-0.17
Macquarie Group Ltd	2.80	2.48	0.32
Westfield Corp	2.02	1.59	0.43

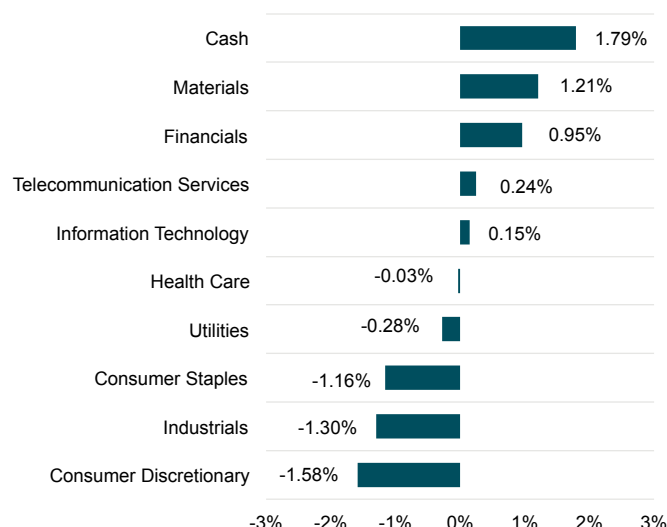
PERFORMANCE COMMENTARY

For the two-month period ending 30 June 2015, the net return of the Model Portfolio was -4.07%. Over the same period, the total return of the Benchmark was -4.14%. The Model Portfolio outperformed the Benchmark by seven (7) basis points (active return).

This outcome was almost entirely driven by performance in the month of June. Over this one-month period, the net return of the Model Portfolio was -4.03% versus a total return of -4.34% for the Benchmark. The Model Portfolio outperformed the Benchmark by +0.31%.

During May, the net return of the Model Portfolio was -0.05% versus a total return of +0.21% for the Benchmark. The Model Portfolio underperformed the Benchmark by -0.26%.

SECTOR ACTIVE WEIGHTS



MODEL PORTFOLIO FACTS

Model Portfolio code	RISMA
Model Portfolio size (\$)	\$585,816
Number of holdings	39
Inception date	30 April 2015

KEY CONTACTS

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LARGEST CONTRIBUTORS

Company	Model Portfolio Average Weight (%)	Benchmark Average Weight (%)	Contribution (%)
APA Group	0.00	0.89	0.11
Slater & Gordon Ltd	0.00	0.13	0.07
Seek Ltd	0.00	0.48	0.07
Coca-Cola Amatil Ltd	0.00	0.46	0.05
Fairfax Media Ltd	0.00	0.21	0.05

Source: Axioma.
 Contributions shown here are to the active return of the Model Portfolio.
 Period: 30 April 2015 to 30 June 2015.

SECTOR ATTRIBUTION

Sector	Model Portfolio Average Weight (%)	Benchmark Average Weight (%)	Contribution (%)
Consumer Discretionary	1.84	3.32	0.21
Consumer Staples	7.36	8.40	0.13
Utilities	2.31	2.57	0.10
Industrials	6.69	8.03	0.08
Telecommunication Services	7.34	6.95	-0.01
Information Technology	0.94	0.75	-0.03
Health Care	7.09	7.02	-0.04
Financials	60.32	58.28	-0.06
Materials	6.10	4.68	-0.32
Total	100.00	100.00	0.07

ATTRIBUTION COMMENTARY

For the two-month period ending 30 June 2015, the worst performing sectors were Consumer Staples (-10.02%), Consumer Discretionary (-9.76%) and Utilities (-4.42%), while the relatively best performing sectors were Materials (+2.63%), Telecommunications Services (-1.39%) and Information Technology (-1.76%).

Underweight positions in the Consumer Staples (Coca-Cola Amatil Ltd, Treasury Wine Estates), Consumer Discretionary (Slater & Gordon, Fairfax Media Ltd, Flight Centre Travel Group Ltd) and Utilities (APA Group) sectors contributed positively to active return, whereas overweight positions in the Financials (Lend Lease Group, Stockland Group, Westpac Banking Corporation) and Health Care (Ansell Ltd, ResMed Inc) sectors contributed negatively to active return.

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LARGEST DETRACTORS

Company	Model Portfolio Average Weight (%)	Benchmark Average Weight (%)	Contribution (%)
James Hardie Industries	0.00	0.65	-0.13
Ansell Ltd	1.43	0.36	-0.08
DuluxGroup Ltd	0.98	0.20	-0.06
Tatts Group Ltd	1.23	0.50	-0.06
Lend Lease Group	1.56	0.76	-0.05

Although overweight the (positively performing) Materials sector overall, underweight positions in certain Materials companies (James Hardie Industries, Orica Ltd) contributed negatively to active return. Underweight positions in other Materials companies (DuluxGroup Ltd, Boral Ltd, Adelaide Brighton Ltd) also contributed negatively to active return.

GENERAL COMMENTARY

Equity markets were volatile in June 2015 responding to ongoing uncertainties in Europe regarding further bailout negotiations for Greece. The long term direct impact of these events on Australian industrial stocks would seem minimal, however, market sentiment will continue to be buffeted resulting in ongoing market volatility.

Closer to home the Model Portfolio benefited from having no holding in Slater & Gordon Ltd. The stock has recently joined the S&P/ASX 100 Industrials Index (Benchmark) after raising capital to purchase Quindell's professional services division. The decision not to hold this company added value, with the stock price falling by about 50% on news of accounting irregularities in its acquired businesses. The Model Portfolio also benefited from having no holding in Seek Ltd, which also fell sharply on news of lower profit expectations.

For the two-month period ending 30 June 2015, stocks in the Benchmark held by the Model Portfolio contributed -0.52% of active return, whereas stocks in the Benchmark not held by the Model Portfolio contributed +0.59% of active return. This result confirms the investment objective of the Model Portfolio to be underweight poorer rated companies and tilted towards better quality companies.

Thus far, there has been no turnover in Model Portfolio holdings. This is in line with expectations of delivering a low turnover, diversified exposure to larger Australian industrial companies. The next major news flow for Australian industrial companies is the upcoming August reporting season. This new information has the potential to modify our sustainable quality and growth metrics, which may lead to changes in the Model Portfolio holdings. Where turnover is required the Model Portfolio's objective is to be tax effective and aware of income opportunities.