30 JUNE 2017

QUARTERLY REPORT

REDPOINT INDUSTRIALS SMA

Model Portfolio performance as at 30 June 2017	1 month (%)	3 months (%)	6 months (%)	1 year (%)	2 years (%)	Since Inception (%) [4]
Model Portfolio return (net) [1]	0.44	-2.10	3.39	12.75	6.34	3.83
– Model Portfolio cash income	*0.26*	*1.09*	*2.35*	*5.26*	*5.11*	*5.09*
– Model Portfolio price return (net)	*0.18*	*-3.19*	*1.04*	*7.48*	*1.23*	*-1.25*
Benchmark return [2]	0.49	-1.52	3.92	13.05	7.47	4.81
Active return [3]	-0.05	-0.58	-0.53	-0.30	-1.14	-0.98

1. Redpoint Industrials Separately Managed Account (SMA) (Model Portfolio) – performance is before taxes and transaction costs, but after management fees (net return).
2. S&P/ASX 100 Industrials Accumulation Index (Benchmark).
3. Active return is the difference between Model Portfolio net return 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 S&P/ASX 100 Industrials Accumulation Index (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. The Model Portfolio is specifically built to capture these characteristics with low turnover.

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.

PERFORMANCE COMMENTARY

For the three-month period ending 30 June 2017, the net return of the Model Portfolio was -2.10%. The net return of the Model Portfolio is comprised of two (2) components: a capital (price) return of -3.19%; and an income (dividend) return of +1.09%. Over the same period, the total return of the Benchmark was -1.52%. The Model Portfolio underperformed the Benchmark by -0.58% (active return).

Despite mildly positive total returns of +1.57% in April and +0.49% in June, the Australian equity market (as represented by the Benchmark) had a total return of -3.52% in May, which resulted in a lacklustre second quarter for calendar 2017 (total return of -1.52%).

Over the quarter, the best performing sectors in the Benchmark were Industrials (+8.90%), Health Care (+8.86%), Materials (+6.11%) and Consumer Discretionary (+4.96%), while the worst performing sectors were Telecommunication Services (-8.63%), Consumer Staples (-6.74%), Financials (-4.55%) and Real Estate (-3.10%).

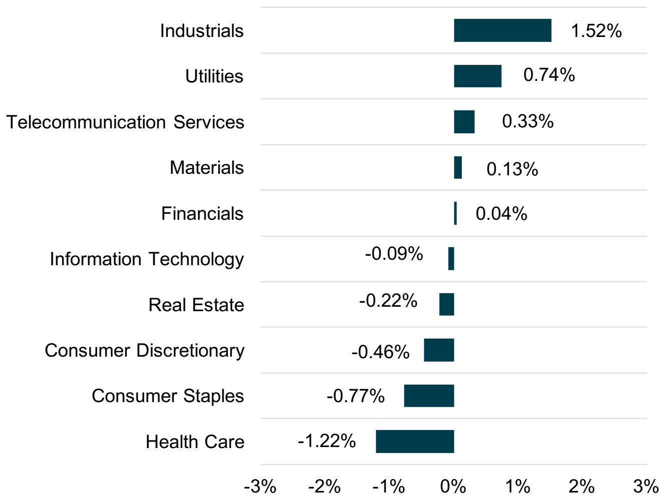
The June quarter delivered a cash yield of 1.09% for the Model Portfolio versus 1.06% for the Benchmark (on an ex-dividend basis). This was in line with our forecasts made in the March 2017 investment performance report (1.11% for the Model Portfolio and 1.06% for the Benchmark respectiively).

The Model Portfolio delivered a cash income yield of 5.26% over the past year and 5.09% per year since inception. These numbers are slightly better than the Benchmark yields of 5.14% and 5.01% per year respectively. These income figures do not include franking credits which we estimate at approximately 1.6% per year.

MODEL PORTFOLIO FACTS

Model Portfolio code	RISMA
Model Portfolio size ($)	69,460,932
Number of holdings	41
Inception date	30 April 2015

SECTOR ACTIVE WEIGHTS



TOP 10 HOLDINGS

Company	Model Portfolio (%)	Benchmark (%)	Active (%)
Commonwealth Bank	12.48	12.14	0.33
Westpac Banking Corporation	8.65	8.68	-0.03
ANZ Banking Group Ltd	7.55	7.15	0.40
National Australia Bank Ltd	7.13	6.71	0.42
Telstra Corporation Ltd	5.00	4.34	0.67
CSL Ltd	4.88	5.32	-0.44
Wesfarmers Ltd	4.42	3.86	0.56
Macquarie Group Ltd	3.40	2.55	0.85
Woolworths Ltd	2.89	2.80	0.09
AGL Energy Ltd	2.65	1.42	1.23

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SECTOR ATTRIBUTION

Sector	Model Portfolio Average Active Weight (%)	Sector Allocation (%)	Stock Selection (%)
Industrials	1.38	0.13	0.17
Real Estate	-0.32	0.00	0.15
Telecommunications	0.33	-0.02	0.04
Energy	0.00	0.00	0.00
Information Technology	0.01	0.00	-0.02
Consumer Staples	-0.73	0.04	-0.12
Utilities	0.55	0.01	-0.11
Health Care	-1.15	-0.11	-0.03
Materials	0.21	0.02	-0.16
Financials	0.24	0.00	-0.19
Consumer Discretionary	-0.53	-0.03	-0.32
Total	**0.00**	**0.03**	**-0.61**

Note: Contributions shown here are to the active return of the Model Portfolio.
Period: 31 March 2017 to 30 June 2017.

ATTRIBUTION COMMENTARY

For the June quarter, stocks in the Benchmark held by the Model Portfolio contributed +0.25% to active return, whereas stocks in the Benchmark not held by the Model Portfolio detracted -0.83% from active return.

A returns-based attribution shows that active return is comprised of two (2) key components: sector allocations contributed +0.03% to active return, whereas stock selection within the sectors detracted -0.61% from active return.

From a sector allocation perspective, an overweight position in the Industrials sector and an underweight position in the Consumer Staples sector contributed +0.13% and +0.04% respectively to active return. Offsetting these positive returns, underweight positions in the Health Care and Consumer Discretionary sectors detracted -0.11% and -0.03% respectively from active return.

Stock selection in the Industrials and Real Estate sectors added the most value; contributing +0.17% and +0.15% respectively to active return. Overweight positions in Industrials stocks like Qantas Airways Ltd (ASX: QAN), Sydney Airport Holdings Ltd and Cimic Group Ltd contributed +0.30%, +0.06% and +0.05% respectively to active return.

QAN had a total return of +47.04% for the quarter. The company's share price recently hit a 10-year high as it responded to multiple broker valuation upgrades and a credit rating upgrade from Moody's Investor Services. Being overweight this company had a significant impact on relative performance (+0.30%).

On the other hand, stock selection in the Consumer Discretionary, Financials, Materials, Consumer Staples and Utilities sectors detracted -0.32%, -0.19%, -0.16%, -0.12% and -0.11% respectively from active return. An underweight position (not held at all) in gambling machine manufacturer Aristrocrat Leisure Ltd (ASX: ALL) and overweight positions in Harvey Norman Holdings Ltd and Tatts Group Ltd (all Consumer Discretionary stocks) detracted -0.25%, -0.07% and -0.05% respectively from active return. ALL had a total return of +26.38% for the quarter. Its share price is up about 50% since the beginning of the year on the back of an exceptional set of financial results for the half-year ended March 31 2017. Not holding this stock in the Model Portfolio detracted -0.25% from active return.

Underweight positions (not held at all) in Materials stocks like Orica Ltd and Boral Ltd detracted -0.11% and -0.10% respectively from active return. Both stocks had positive total returns for the quarter of +18.90% and +19.00% respectively.

LARGEST CONTRIBUTORS

Company	Model Portfolio Average Weight (%)	Benchmark Average Weight (%)	Contribution (%)
Qantas Airways Ltd	1.52	0.73	0.30
Navitas Ltd	0.87	0.09	0.08
Coca-Cola Amatil Ltd	0.00	0.42	0.07
ResMed Inc	1.26	0.45	0.07
Sydney Airport Holdings	2.26	1.34	0.06
CIMIC Group Ltd	0.94	0.31	0.05
Vicinity Centres	0.00	0.77	0.05
Westfield Corporation	0.90	1.39	0.05
Lend Lease Group	1.53	0.79	0.05
AusNet Services Ltd	0.98	0.25	0.04

LARGEST DETRACTORS

Company	Model Portfolio Average Weight (%)	Benchmark Average Weight (%)	Contribution (%)
Aristocrat Leisure Ltd	0.00	1.10	-0.25
Boral Ltd	0.00	0.64	-0.11
Orica Ltd	0.00	0.60	-0.10
Cochlear Ltd	0.00	0.70	-0.10
Harvey Norman Holdings	0.72	0.20	-0.07
Wesfarmers Ltd	4.63	4.05	-0.07
Suncorp Group Ltd	0.93	1.51	-0.07
Magellan Financial Group	0.00	0.30	-0.06
ALS Ltd	0.00	0.27	-0.06
Telstra Corporation Ltd	5.02	4.36	-0.06

Note: Contributions shown here are to the active return of the Model Portfolio.
Period: 31 March 2017 to 30 June 2017.

Underweight positions in Financials stocks like Suncorp Group Ltd and Magellan Financial Group Ltd (not held) detracted -0.07% and -0.06% respectively from active return. Both of these stocks had positive total returns for the quarter of +12.18% and +22.04% respectively.

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POSITION CHANGES

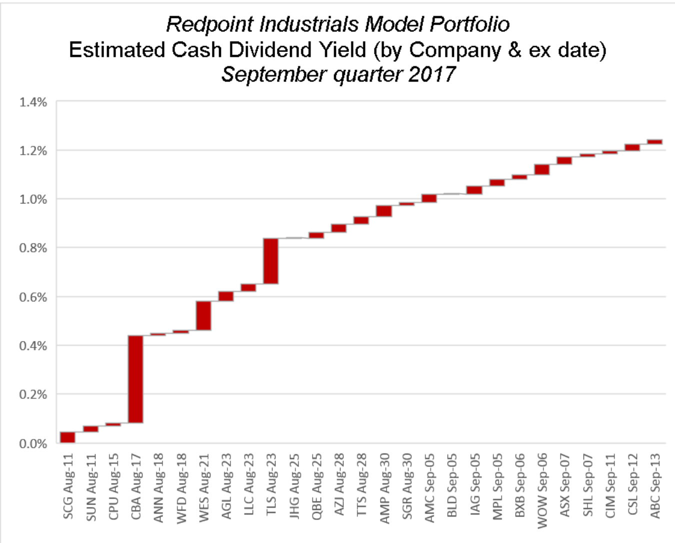
As at 30 June 2017, the Model Portfolio holds 41 of the 85 companies in the Benchmark universe. Turnover for the Model Portfolio continues to be relatively low. In fact, there was a no rebalance of the Model Portfolio during the June quarter. The most recent rebalance of S&P/ASX index memberships resulted in Navitas Ltd being dropped from the Benchmark universe. To maintain our low level of turnover we anticipate that we will review this holding along with new data delivered as part of the upcoming corporate reporting season.

DIVIDEND INCOME

A key characteristic of the Model Portfolio is its focus on capturing the key income and growth drivers of the Benchmark over the longer term in a low turnover, risk managed portfolio. To deliver this outcome we utilise a combination of risk management and long horizon quality metrics to select a diversifed set of companies that we wish to hold for the longer term.

Cash dividend income expectations for the Model Portfolio for the September 2017 quarter are currently estimated at 1.25% versus the Benchmark at 1.27%. The Model Portfolio is forecast to receive dividends from 27 companies; the Benchmark is expected to have dividends declared by 54 companies. Dividend income will be derived from a range of companies across a variety of sectors. For example, companies such as Commonwealth Bank of Australia, Wesfarmers Ltd and Telstra Corporation are due to declare dividends in the September 2017 quarter.

The chart below shows the dividends expected to be earned by the Model Portfolio over the course of the September 2017 quarter.



Source: Redpoint, Bloomberg

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