

**31 DECEMBER 2015**  
**QUARTERLY REPORT**  
**REDPOINT INDUSTRIALS SMA**



Model Portfolio performance as at 31 December 2015	1 month (%)	3 months (%)	6 months (%)	1 Year (%)	Since Inception (%) <sup>4</sup>
Model Portfolio return (net) <sup>1</sup>	3.28	8.36	2.34	-	-1.82
Benchmark return <sup>2</sup>	3.38	8.80	3.32	-	-0.96
Active return <sup>3</sup>	-0.10	-0.44	-0.98	-	-0.85

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 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.

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**

The Benchmark has posted its fifth consecutive year of outperformance relative to the broad market as defined by the S&P/ASX 300 Index. This mainly reflects the poor performance of energy and mining stocks that continue to be held back by falling commodity prices and modest global growth. Importantly for many investors the +7.7% return of the Benchmark included a cash yield of almost 5% plus approximately 1.8% in franking credits.

The December quarter delivered strong returns for investors with the Consumer Discretionary (+13.0%), Information Technology (+12.5%), Health Care (+12.3%) and Financials (+10.6%) sectors performing the best.

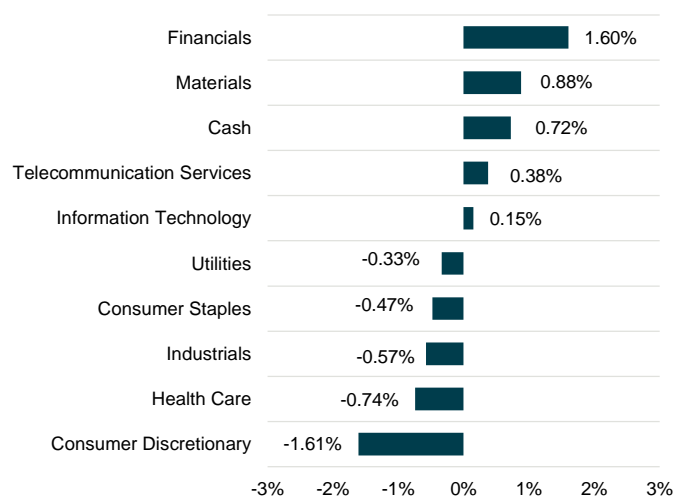
The December quarter was also a strong period for income with the Benchmark delivering a cash yield of 1.17%. The Model Portfolio delivered a cash yield of 1.13% for the quarter. Since inception (30 April 2015) the Model Portfolio has delivered a cash dividend yield of 3.57% (4.74% grossed up for franking credits) versus the Benchmark cash yield of 3.45%. These results highlight how the key income and growth characteristics of the Benchmark universe of securities can be delivered via a Model Portfolio holding less than half of the stocks in the Benchmark.

For the three-month period ending 31 December 2015, the net return of the Model Portfolio was +8.36%. Over the same period, the total return of the Benchmark was +8.80%. The Model Portfolio underperformed the Benchmark by -0.44% (active return).

**MODEL PORTFOLIO FACTS**

Model Portfolio code	RISMA
Model Portfolio size (\$)	9,841,136
Number of holdings	39
Inception date	30 April 2015

**SECTOR ACTIVE WEIGHTS**



**TOP 10 HOLDINGS**

Company	Model Portfolio (%)	Benchmark (%)	Active (%)
Commonwealth Bank	13.32	12.90	0.42
Westpac Banking Corporation	9.92	9.89	0.04
National Australia Bank Ltd	7.21	7.03	0.18
ANZ Banking Group Ltd	7.20	7.18	0.02
Telstra Corporation Ltd	6.71	6.06	0.65
CSL Ltd	4.43	4.32	0.11
Wesfarmers Ltd	4.29	4.13	0.16
Woolworths Ltd	3.22	2.75	0.47
Macquarie Group Ltd	2.87	2.49	0.39
Scentre Group Ltd	2.35	1.97	0.38

**KEY CONTACTS**

**INVESTMENT MANAGEMENT**

Max Cappetta and Alex Stephen  
Email: max.cappetta@redpointim.com, alex.stephen@redpointim.com  
Phone: 02 9119 5800  
Address: Level 17, 255 George Street, Sydney NSW 2000  
Website: www.redpointim.com

**31 DECEMBER 2015**  
**QUARTERLY REPORT**  
**REDPOINT INDUSTRIALS SMA**

**SECTOR ATTRIBUTION**

Sector	Model Portfolio Average Active Weight (%)	Sector Allocation (%)	Stock Selection (%)
Materials	0.79	-0.03	0.17
Utilities	-0.35	0.00	0.08
Health Care	-0.39	-0.01	0.01
Industrials	-0.91	0.05	-0.05
Telecommunications	0.43	-0.04	0.03
Information Technology	0.18	0.01	-0.03
Consumer Discretionary	-1.91	-0.08	0.01
Consumer Staples	-0.33	0.01	-0.12
Financials	2.50	0.05	-0.38
<b>Total</b>	<b>0.00</b>	<b>-0.03</b>	<b>-0.29</b>

**Note:** Contributions shown here are to the gross active return of the Model Portfolio.  
 Period: 30 September 2015 to 31 December 2015.

**COMMENTARY**

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 diversified set of companies that we wish to hold for the longer term. We are pleased to report that during the December quarter the strategy was true to this aim and its only turnover was to participate in two (2) entitlement offers: Transurban Group NPV and Westpac Banking Corporation.

The Model Portfolio currently holds 39 of the 85 companies in the Benchmark universe. The Model Portfolio currently has an overweight exposure to the Financials sector (+1.60%). This is predominately driven by an overweight position (+1.20%) to Real Estate Investment Trusts (REITs). We anticipate reducing this overweight exposure now that many stocks in that category have gone ex their year end dividend. The underperformance of the past quarter is mainly attributed to stock selection in the Financials sector (-0.38%). The Model portfolio has an overweight position in health insurer Medibank Private Ltd, which has recently underperformed after a strong rally post its earnings announcement in August. The stock's Sustainable Quality metrics have deteriorated but are still at reasonable levels. The Model Portfolio continues to hold a 0.41% overweight position. An overweight position in Westfield Corporation (WFD) also detracted value as the largest retail real estate company in the Benchmark lagged smaller property groups. Due to WFD's size, the Model Portfolio is always likely to have a holding in this company for risk mitigation purposes. The current position is 0.56% above Benchmark weight. Underweight positions in other Financials such as Mirvac Group, Magellan Financial Group Ltd and Bank of Queensland Ltd also detracted value (collectively -0.31%).

Consumer Discretionary is the largest underweight sector (-1.61%) where the Model Portfolio only owns positions in Tatts Group Ltd and The Star Entertainment Group Ltd.

**IMPORTANT NOTICE**

Navigator Australia Ltd (ABN 45 006 302 987) (AFSL 236466) (NAL), the Responsible Entity of and the issuer of units in the Redpoint Industrials Separately Managed Account (SMA) (Model Portfolio), is a fully owned subsidiary within the National Australia Bank Limited (NAB) group of companies (NAB Group). An investment in the Model Portfolio 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, NAL, 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 Model Portfolio. Neither NAB, NAL 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, NAL 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 SMA Product Disclosure Statement (PDS) for the Model Portfolio 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 a PDS for the Model Portfolio issued by NAL 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.

**LARGEST CONTRIBUTORS**

Company	Model Portfolio Average Weight (%)	Benchmark Average Weight (%)	Contribution (%)
DuluxGroup Ltd	1.04	0.21	0.20
Tatts Group Ltd	1.35	0.55	0.13
Henderson Group Plc	1.25	0.41	0.11
Spotless Group Holdings	0.00	0.19	0.11
Lend Lease Group	1.34	0.63	0.10

**LARGEST DETRACTORS**

Company	Model Portfolio Average Weight (%)	Benchmark Average Weight (%)	Contribution (%)
Treasury Wine Estates	0.00	0.49	-0.13
Ramsay Health Care Ltd	0.00	0.75	-0.12
Seek Ltd	0.00	0.43	-0.11
Mirvac Group	0.00	0.62	-0.11
Domino's Pizza	0.00	0.28	-0.11

**Note:** Contributions shown here are to the active return of the Model Portfolio.  
 Period: 30 September 2015 to 31 December 2015.

During the quarter Domino's Pizza Enterprises Ltd continued its global assault acquiring new outlets in Europe with investors driving its price up by a dizzying +43%. With the stock trading at high multiples and a low dividend yield the Model Portfolio continues to have no holding.

Also in the Consumer Discretionary sector Crown Resorts Ltd rallied in December on news that James Packer had stepped off its board and was rumoured to be seeking to take the company private. The stock rates poorly across a number of our long term metrics and the Model Portfolio has no holding. Slater & Gordon Ltd (SGH) was removed from the Benchmark during the quarter, not long after having been added. SGH was never attractive as a long term investment and was never held by the Model Portfolio. The share price collapsed over the recent months by more than -70% dragged down by accounting irregularities in its recently acquired UK interests. SGH was replaced by bio-tech firm Sirtex Medical Ltd. The Model Portfolio also successfully avoided holding Spotless Group Holdings Ltd, which disappointed the market with poor earnings guidance during the quarter. This announcement is responsible for a halving of the company's share price.

Looking ahead we await the upcoming reporting season in February 2016 to assess any significant changes to company quality and potential implications for the Model Portfolio. We remain vigilant regarding Benchmark changes (additions to and deletions from) and the risk implication on the Model Portfolio of such changes. For example, Asciano Ltd is currently under takeover and Dexus Property Group is merging with Investa Office Fund.