31 DECEMBER 2016

QUARTERLY REPORT

REDPOINT INDUSTRIALS SMA

Model Portfolio performance as at 31 December 2016	1 month (%)	3 months (%)	6 months (%)	1 year (%)	Since Inception (%) [4]
Model Portfolio return (net) [1]	4.58	5.96	9.05	6.66	2.93
Benchmark return [2]	4.52	5.11	8.78	7.58	3.88
Active return [3]	0.06	0.85	0.27	-0.91	-0.95

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 31 December 2016, the net return of the Model Portfolio was +5.96%. Over the same period, the total return of the Benchmark was +5.11%. The Model Portfolio outperformed the Benchmark by +0.85% (active return).

The December quarter delivered a cash yield of 1.18% for the Model Portfolio versus 1.13% for the Benchmark (on an ex-dividend basis). This was in line with our forecasts made in the September 2016 investment performance report.

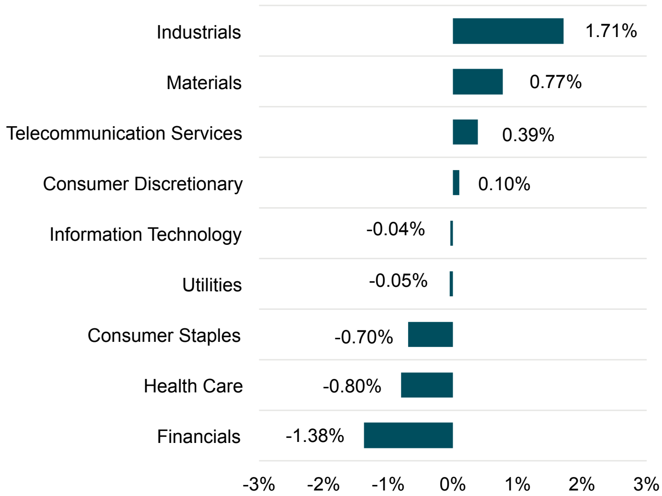
The Australian equity market rallied strongly in December rounding out an exceptional second half to calendar 2016. Over the quarter, the best performing sectors in the Benchmark were Information Technology (+12.36%), Financials (+10.38%) and Utilities (+9.16%), while the worst performing sectors were Health Care (-8.20%), Telecommunication Services (-4.26%) and Consumer Discretionary (-2.54%). Positive sentiment returned to the Banks industry over the past quarter. 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, National Australia Bank Ltd and Westpac Banking 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.

December did deliver some increased volatility as markets fell and subsequently digested a falied Italian referendum resulting in the Prime Minister, Matteo Renzi, resigning and the US Federal Reserve raising their interest rate target from 0.25-0.50% to 0.50-0.75%.

In terms of stock attribution it has been pleasing to see that there has been a distinct positive contribution to relative return through not holding companies that we believe exhibit poor quality characteristics. Stock selection was especially strong in the Health Care sector where the Model Portfolio held no exposure to companies such as Sirtex Medical Ltd, which fell by almost 50% in December. Not holding TPG Telecom Ltd also benefited investors as the company was punished for providing a poor trading update and fell 20% over the quarter.

SECTOR ACTIVE WEIGHTS



TOP 10 HOLDINGS

Company	Model Portfolio (%)	Benchmark (%)	Active (%)
Commonwealth Bank	12.74	12.22	0.52
Westpac Banking Corporation	9.50	9.39	0.11
ANZ Banking Group Ltd	8.16	7.68	0.48
National Australia Bank Ltd	7.23	7.04	0.19
Telstra Corporation Ltd	6.02	5.24	0.78
Wesfarmers Ltd	4.34	4.10	0.24
CSL Ltd	3.59	3.94	-0.35
Woolworths Ltd	3.17	2.67	0.50
Macquarie Group Ltd	3.02	2.55	0.47
AGL Energy Ltd	2.28	1.28	1.00

MODEL PORTFOLIO FACTS

Model Portfolio code	RISMA
Model Portfolio size ($)	42,345,750
Number of holdings	41
Inception date	30 April 2015

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SECTOR ATTRIBUTION

Sector	Model Portfolio Average Active Weight (%)	Sector Allocation (%)	Stock Selection (%)
Health Care	-1.02	0.15	0.39
Consumer Discretionary	0.02	0.00	0.23
Telecommunications	0.21	-0.02	0.17
Information Technology	0.13	0.01	0.06
Consumer Staples	-0.65	0.04	-0.01
Materials	0.89	0.00	0.03
Utilities	-0.03	0.00	0.02
Energy	0.00	0.00	0.00
Industrials	1.72	-0.11	0.03
Financials	-1.27	-0.07	-0.08
Total	**0.00**	**0.01**	**0.84**

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

ATTRIBUTION COMMENTARY

For the December quarter, stocks in the Benchmark held by the Model Portfolio contributed +0.59% to active return, whereas stocks in the Benchmark not held by the Model Portfolio contributed +0.26% to active return. This result highlights the benefit of our approach of selecting/deselecting stocks in the Benchmark based primarily on long-term quality metrics.

A returns-based attribution shows that active return is comprised of two (2) components: sector allocations contributed +0.01% to active return, whereas stock selection within the sectors contributed +0.84% to active return.

From a sector allocation perspective, underweight positions in the Health Care and Consumer Staples sectors contributed +0.15% and +0.04% respectively to active return. Offsetting these positive returns, an overweight position in the Industrials sector and an underweight position on the Financials sector detracted -0.11% and -0.07% respectively from active return.

Stock selection in the Health Care, Consumer Discretionary and Telecommunication Services sectors added the most value; contributing +0.39%, +0.23 and +0.17% respectively to active return. Underweight positions in Health Care stocks such as Ramsay Health Care Ltd, Healthscope Ltd, Cochlear Ltd and Sirtex Medical Ltd collectively contributed +0.44% to active return. The performance of the Consumer Discretionary sector was dominated by an overweight position in wagering, lotteries and gaming company Tatts Group Ltd (TTS), which contributed +0.17% to active return. TTS is currently subject to two (2) competing bidders: a merger offer from Tabcorp Holdings Ltd and a takover offer from Pacific Consortium. Building products maker, CSR Ltd (CSR) (Materials), was the best performing stock for the quarter, contributing +0.32% to active return. CSR has benefited from the recent growth in housing commencements.

Stock selection in the Financials sector detracted -0.08% from active return. This was primarily casued by a underweight positions QBE Insurance Group Ltd and Bendigo & Adelaide Bank Ltd, which collectively detracted -0.11% from active return.

LARGEST CONTRIBUTORS

Company	Model Portfolio Average Weight (%)	Benchmark Average Weight (%)	Contribution (%)
CSR Ltd	1.30	0.19	0.32
Tatts Group Ltd	1.32	0.51	0.17
AGL Energy Ltd	2.17	1.21	0.14
Vocus Communications	0.00	0.28	0.13
Ramsay Health Care Ltd	0.00	0.84	0.13
Healthscope Ltd	0.00	0.38	0.12
Cimic Group Ltd	0.81	0.27	0.11
Boral Ltd	0.00	0.47	0.11
Cochlear Ltd	0.00	0.65	0.10
Sirtex Medical Ltd	0.00	0.13	0.09

LARGEST DETRACTORS

Company	Model Portfolio Average Weight (%)	Benchmark Average Weight (%)	Contribution (%)
QBE Insurance Group Ltd	0.73	1.34	-0.18
Incitec Pivot Ltd	0.00	0.47	-0.13
Sydney Airport Holdings	2.18	1.27	-0.13
Orica Ltd	0.00	0.57	-0.10
Bendigo & Adelaide Bank	0.00	0.48	-0.08
Duet Group	0.00	0.54	-0.07
James Hardie Industries	0.00	0.81	-0.07
Star Entertainment Group	0.75	0.37	-0.07
Suncorp Group Ltd	0.90	1.45	-0.07
Dexus Property Group	0.00	0.78	-0.06

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POSITION CHANGES

As at 31 December 2016, the Model Portfolio holds 41 of the 86 companies in the Benchmark universe. Turnover for the Model Portfolio continues to be relatively low. There were no holdings changes to the Model Portfolio during the December quarter.

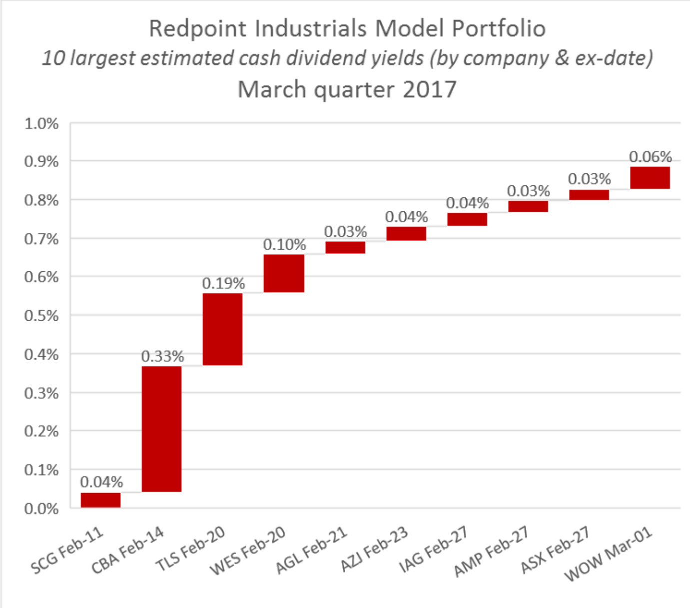
The S&P/ASX will review index memberships in March 2017 and any additions/deletions to the Benchmark may prompt a rebalance of the Model Portfolio at that time. At present Tatts Group Ltd (TTS) is under merger/takeover speculation from both Tabcorp Holdings Ltd and a consortium (Pacific Consortium) lead by Macquarie Bank. The Model Portfolio continues to hold its position in TTS. We continue to monitor the situation to determine whether a bidding war will result in a higher offer.

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.

Dividend income expectations for the Model Portfolio for the March 2017 quarter are currently estimated at 1.21% versus the Benchmark at 1.20%. The Model Portfolio is forecast to receive dividends from 27 holdings; 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, Telstra Corporation, Woolworths Ltd, Scentre Group and QBE Insurance Group Ltd. Smaller divindeds are expected from the Model Portfolio's holdings in Amcor Ltd, AGL Energy Ltd, Brambles Ltd and CSL Ltd. All are due to declare dividends in the March 2017 quarter.

The chart to the right shows the top ten (10) largest dividends expected to be declared in the March 2017 quarter.



Source: Redpoint, Bloomberg

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