31 DECEMBER 2017

QUARTERLY REPORT

REDPOINT INDUSTRIALS SMA

Model Portfolio performance as at 31 December 2017	1 month (%)	3 months (%)	6 months (%)	1 year (%)	2 years (%)	Since Inception (%) [4]
Model Portfolio return (net) [1]	0.34	4.73	4.06	7.63	7.14	4.67
– Model Portfolio cash income	*0.20*	*1.06*	*2.45*	*4.93*	*5.04*	*5.08*
– Model Portfolio price return (net)	*0.14*	*3.67*	*1.61*	*2.70*	*2.11*	*-0.41*
Benchmark return [2]	0.63	5.60	4.38	8.48	8.03	5.58
Active return [3]	-0.28	-0.87	-0.32	-0.85	-0.88	-0.91

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 2017, the net return of the Model Portfolio was +4.73%. The net return of the Model Portfolio is comprised of two (2) components: a capital (price) return of +3.67%; and an income (dividend) return of +1.06%. Over the same period, the total return of the Benchmark was +5.60%. The Model Portfolio underperformed the Benchmark by -0.87% (active return).

The Australian equity market (as represented by the Benchmark) had total returns of +3.68% in October, +1.22% in November and +0.63% in December, which resulted in a very positive fourth quarter for calendar 2017 (total return of +5.60%).

Over the quarter, all sectors in the Benchmark had positive total returns, with the most outstanding of these being Consumer Discretionary (+14.7%), Information Technology (+12.6%), Consumer Staples (+8.9%), Materials (+8.2%), Health Care (+7.7%), Real Estate (+6.5%) and Telecommunication Services (+5.9%).

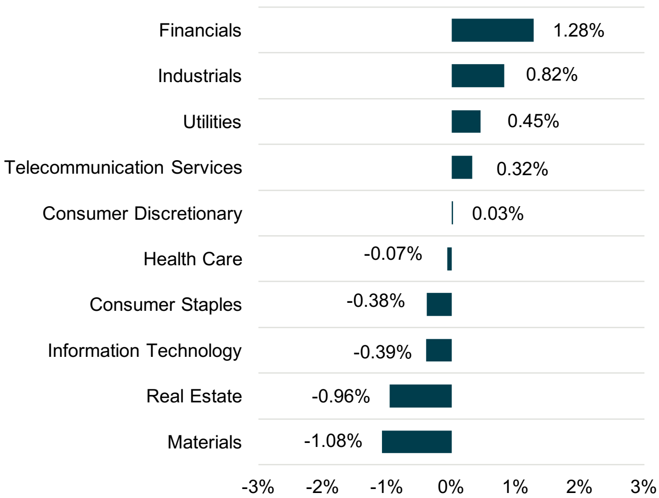
The December quarter delivered a cash yield of 1.06% for the Model Portfolio versus 1.10% for the Benchmark (on an ex-dividend basis). This was in line with our forecasts made in the September 2017 investment performance report (1.10% for the Model Portfolio and 1.27% for the Benchmark respectiively).

The Model Portfolio delivered a cash income yield of 4.93% over the past year and 5.08% per year since inception. These numbers are slightly better than the Benchmark yields of 4.90% and 5.01% per year respectively. These income figures do not include franking credits, which we estimate at approximately 1.52% over the past year and 1.43% per year since inception.

MODEL PORTFOLIO FACTS

Model Portfolio code	RISMA
Model Portfolio size ($)	92,924,387
Number of holdings	40
Inception date	30 April 2015

SECTOR ACTIVE WEIGHTS



TOP 10 HOLDINGS

Company	Model Portfolio (%)	Benchmark (%)	Active (%)
Commonwealth Bank of Australia	12.32	11.61	0.71
Westpac Banking Corporation	9.22	8.80	0.42
ANZ Banking Group Ltd	7.42	6.96	0.47
National Australia Bank Ltd	7.08	6.62	0.46
CSL Ltd	5.05	5.27	-0.23
Wesfarmers Ltd	4.85	4.15	0.70
Telstra Corporation Ltd	4.22	3.56	0.66
Woolworths Ltd	3.76	2.94	0.82
Macquarie Group Ltd	3.56	2.60	0.96
Transurban Group	2.40	2.27	0.13

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SECTOR ATTRIBUTION

Sector	Model Portfolio Average Active Weight (%)	Sector Allocation (%)	Stock Selection (%)
Utilities	0.38	-0.01	0.07
Energy	0.00	0.00	0.00
Information Technology	-0.41	-0.02	0.00
Health Care	-0.11	0.00	-0.05
Consumer Discretionary	0.07	0.00	-0.06
Industrials	0.94	-0.01	-0.05
Telecommunications	0.29	0.00	-0.09
Financials	0.99	-0.02	-0.08
Consumer Staples	-0.12	-0.01	-0.11
Materials	-1.06	-0.03	-0.18
Real Estate	-0.97	-0.01	-0.21
Total	**0.00**	**-0.11**	**-0.76**

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

ATTRIBUTION COMMENTARY

For the December quarter, stocks in the Benchmark held by the Model Portfolio contributed +0.70% to active return, whereas stocks in the Benchmark not held by the Model Portfolio detracted -1.57% from active return. The poor relative performance of the past quarter is mainly attributable to the increased risk appetite across equity markets, which has driven up prices for riskier and lower quality investments. The recent "mania" for cryptocurrency Bitcoin is a prime example of this type of sentiment, driving some prices to extremes. Our approach is to stay the course for the longer term and hold better quality companies that we expect will pay solid and sustainable dividends.

A returns-based attribution shows that active return is comprised of two (2) key components: sector allocations, which detracted -0.11% from active return; and stock selection within the sectors, which detracted -0.76% to active return.

From a sector allocation perspective, underweight positions in Information Technology, Consumer Staples, Materials and Real Estate collectively detracted -0.07% from active return and overweight positions in Utilities, Industrials and Financials collectively detracted -0.04% from active return.

Stock selection in the Utilities sector added the most value, contributing +0.07% to active return. Some of the best performing stocks for the quarter were overweight positions in CIMIC Group Ltd (Industrials), ResMed Inc (Health Care), Tatts Group Ltd, (Consumer Discretionary) (takeover by Tabcorp Holdings Ltd), Macquarie Group Ltd (Financials), Ansell Ltd (Health Care) and AusNet Services Ltd (Utilities), which collectively contributed +0.58% to active return.

This was offset by stock selecton within the Real Estate, Materials, Consumer Staples, Financials, Telecommunication Services, Industrials, Consumer Discretionary and Health Care sectors, which collectively detracted -0.83% from active return. For example, underweight positions in James Hardie Industries Plc (Materials), Treasury Wine Estates Ltd (Consumer Staples), Boral Ltd (Materials), Westfield Corporation (Real Estate), Ramsey Health Care Ltd (Health Care), Qantas Airways Ltd (Industrials), Challenger Ltd (Financials), Lend Lease Ltd (Real Estate), Seek Ltd (Industrials) and Sonic Healthcare Ltd (Health Care) collectively detracted -1.01% from active return.

LARGEST CONTRIBUTORS

Company	Model Portfolio Average Weight (%)	Benchmark Average Weight (%)	Contribution (%)
CIMIC Group Ltd	1.24	0.40	0.12
ResMed Inc	1.44	0.50	0.11
Tatts Group Ltd	1.12	0.39	0.10
Macquarie Group Ltd	3.46	2.56	0.09
Ansell Ltd	1.22	0.30	0.08
AusNet Services Ltd	1.05	0.26	0.07
Adelaide Brighton Ltd	0.83	0.21	0.07
Medibank Private Ltd	1.30	0.73	0.06
Computershare Ltd	1.17	0.66	0.06
Stockland Corporation Ltd	1.79	0.91	0.06

LARGEST DETRACTORS

Company	Model Portfolio Average Weight (%)	Benchmark Average Weight (%)	Contribution (%)
James Hardie Industries	0.00	0.75	-0.19
Treasury Wine Estates Ltd	0.00	0.95	-0.15
Boral Ltd	0.00	0.72	-0.10
Westfield Corporation	0.88	1.32	-0.09
Qantas Airways Ltd	1.50	0.88	-0.09
Ramsay Health Care Ltd	0.00	0.72	-0.09
Challenger Ltd	0.00	0.65	-0.08
Lend Lease Group	1.60	0.82	-0.08
Seek Ltd	0.00	0.53	-0.07
Sonic Healthcare Ltd	0.00	0.77	-0.07

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POSITION CHANGES

As at 31 December 2017, the Model Portfolio holds 40 of the 84 companies in the Benchmark universe. Turnover for the Model Portfolio continues to be relatively low.

During the quarter the Model Portfolio took up a new position in Tabcorp Holdings Ltd (ASX: TAH) and sold completely out of Tatts Group Ltd (ASX: TTS). This was the result of a takeover of TTS by TAH, which was finalised in late December 2017. TTS was removed from official quotation on the Australian Stock Exchange. Replacing TTS in the Benchmark is New Zealand based The A2 Milk Company Ltd (ASX: A2M). The Model Portfolio has not taken a holding in A2M as we continue to prefer our exposure to more diversified retail businesses such as Woolworths Ltd and Wesfarmers Ltd.

There were no other changes to the Model Portfolio in the December quarter. The S&P/ASX will review index memberships in March 2018 and any additions/deletions to the Benchmark may prompt a rebalance of the Model Portfolio at that time.

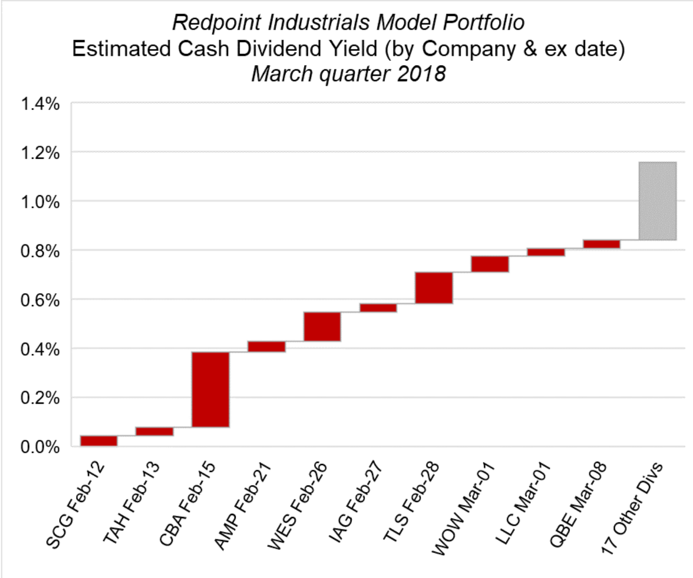
DIVIDEND INCOME

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 March 2018 quarter are currently estimated at 1.16% versus the Benchmark at 1.14%. Investors will note that our forecast income for the first quarter of 2018 is slightly lower than our forecast for the first quarter of 2017: in 2017 we forecast a cash yield of 1.22% and the Model Portfolio actually delivered 1.23%. This is in line with the price appreciation of the market over the past year and the fact that we are expecting little change in dividends since last year.

The Model Portfolio is forecast to receive dividends from 27 companies; the Benchmark is expected to have dividends declared by 50 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, retailers Wesfarmers Ltd and Woolworths Ltd, as well as Lend Lease Ltd.

The chart below shows the dividends expected to be earned by the Model Portfolio over the course of the March 2018 quarter.



Source: Redpoint, Bloomberg

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