30 SEPTEMBER 2018

QUARTERLY REPORT

REDPOINT INDUSTRIALS SMA

Model Portfolio performance as at 30 September 2018	1 month (%)	3 months (%)	6 months (%)	1 year (%)	2 years (%)	3 years (%)	Since Inception (%) [4]
Model Portfolio return (net) [1]	-2.87	1.00	7.54	8.98	8.93	8.99	4.84
– Model Portfolio cash income	*0.31*	*1.19*	*2.49*	*4.83*	*4.98*	*5.09*	*5.03*
– Model Portfolio price return (net)	*-3.18*	*-0.19*	*5.05*	*4.15*	*3.95*	*3.90*	*-0.19*
Benchmark return [2]	-2.97	1.54	8.23	9.92	8.94	9.74	5.56
Active return [3]	0.10	-0.54	-0.69	-0.94	-0.01	-0.75	-0.72

***Source**: Redpoint Investment Management* *Past performance is not necessarily indicative of future performance.*

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

MARKET

The Australian equity market (as represented by the Benchmark) performed moderately well over the September quarter (+1.54%), with total returns of +1.88%, +2.71% and -2.97% for July, August and September respectively. By contrast, the total return of the S&P/ASX 200 Index, which includes resources companies, was +1.53% for the quarter.

The best performing sectors for the quarter were Telecommunication Services, Information Technology, Health Care and Industrials, with total returns of +28.1%, +4.8%, +4.3% and +4.1% respectively, while the Utilities and Materials sectors performed the worst, with total returns of -4.0% and -2.0% respectively for the quarter.

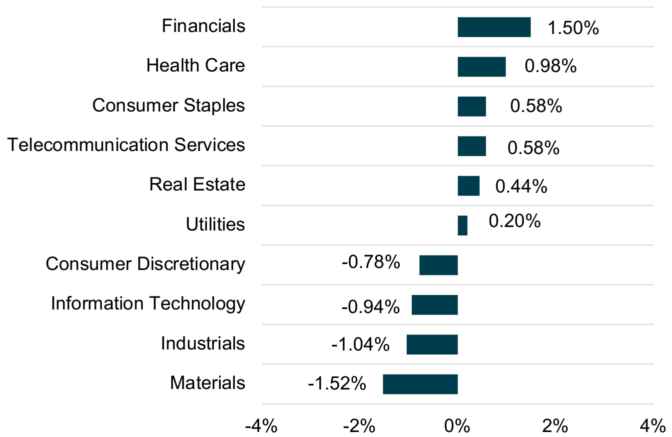
The Telecommunication Services sector outperformed the broader market primarily due to Telstra Corporation Ltd (ASX: TLS), which represents about 94% of the sector. TLS experienced a total return of +26.0% for the quarter. TLS has recovered strongly in recent months partly due to the merger announcement of two (2) of its key rivals TPG Telecom Ltd (ASX: TPM) and Vodafone Australia, which is 50% owned by Hutchison Telecommunications (Australia) Ltd. Market participants believe that the merger will mean less price competition for TLS, particularly considering TPM was threatening to launch its mobile service with extremely low prices.

MODEL PORTFOLIO

For the three-month period ending 30 September 2018, the net return of the Model Portfolio was +1.00%. The net return of the Model Portfolio is comprised of two (2) components: a capital (price) return of -0.19%; and an income (dividend) return of +1.19%. Over the same period, the total return of the Benchmark was +1.54%. As a result the Model Portfolio underperformed the Benchmark by -0.54% (active return).

The September quarter delivered a cash yield of 1.19% for the Model Portfolio and 1.19% for the Benchmark (on an ex-dividend basis). This was in line with our forecasts made in the June 2018 investment performance report (1.22% for the Model Portfolio and 1.23% for the Benchmark respectiively).

SECTOR ACTIVE WEIGHTS



TOP 10 HOLDINGS

Company	Model Portfolio (%)	Benchmark (%)	Active (%)
Commonwealth Bank of Australia	10.53	10.30	0.23
Westpac Banking Corporation	8.23	7.86	0.37
CSL Ltd	7.88	7.46	0.42
ANZ Banking Group Ltd	7.44	6.68	0.75
National Australia Bank Ltd	6.59	6.22	0.37
Wesfarmers Ltd	5.45	4.63	0.82
Macquarie Group Ltd	4.29	3.27	1.02
Telstra Corporation Ltd	3.93	3.11	0.82
Woolworths Group Ltd	3.73	3.02	0.71
Aristrocrat Leisure Ltd	2.37	1.48	0.89

MODEL PORTFOLIO FACTS

Model Portfolio code	RISMA
Model Portfolio size ($)	111,408,791
Number of holdings	39
Inception date	30 April 2015

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SECTOR ATTRIBUTION

Sector	Model Portfolio Average Active Weight (%)	Sector Allocation (%)	Stock Selection (%)
Real Estate	0.38	0.00	0.20
Industrials	-0.68	-0.02	0.13
Telecommunications	0.50	0.12	-0.07
Information Technology	-0.94	-0.03	0.05
Consumer Staples	0.35	-0.01	0.02
Energy	0.00	0.00	0.00
Health Care	0.66	0.00	0.00
Utilities	0.08	0.00	-0.09
Materials	-1.38	0.05	-0.23
Financials	1.60	-0.03	-0.17
Consumer Discretionary	-0.56	0.01	-0.36
Total	**0.00**	**0.10**	**-0.52**

Note: Contributions shown here are to the active return of the Model Portfolio.
Period: 29 June 2018 to 28 September 2018.

ATTRIBUTION COMMENTARY

The active return for the quarter (-0.54%) can be decomposed into a number of components:

- Benchmark stocks held by the Model Portfolio contributed +0.21% to active return;
- Benchmark stocks not held in the Model Portfolio detracted -0.63% from active return; and
- management fees and other costs detracted -0.12% from active return.

A returns-based attribution shows that active return is comprised of two (2) key components: sector allocations, which contributed +0.10% to active return; and stock selection within the sectors, which detracted -0.52% from active return.

From a sector allocation perspective, an overweight position in the Telecommunication Services sector contributed +0.12% to active return. This result is not surprising given the performance of this sector over the quarter (+28.1%).

Stock selection in the Real Estate, Industrials and Information Technology sectors added the most value, contributing +0.20%, +0.13% and +0.05% respectively to active return (collectively +0.38%). However, this was more than offset by stock selection in the Consumer Discretionary, Materials, Financials, Utilities and Telecommunication Services sectors, which detracted -0.36%, -0.23%, -0.17% and -0.07% respectively from active return (collectively -0.92%).

Some of the best performing stocks for the quarter were overweight positions in CIMIC Group Ltd (Industrials), Telstra Corporation Ltd (Telecommunication Services), ResMed Inc (Health Care), Brambles Industries Ltd (Industrials), Mirvac Group (Real Estate), Coca-Cola Amatil Ltd (Consumer Staples), Dexus Property Group (Real Estate), Computershare Ltd (Information Technology) and Goodman Group (Real Estate) and an underweight position in James Hardie Industries Plc (Materials), which collectively contributed +0.91% to active return.

LARGEST CONTRIBUTORS

Company	Model Portfolio Average Weight (%)	Benchmark Average Weight (%)	Contribution (%)
CIMIC Group Ltd	1.23	0.38	0.17
Telstra Corporation Ltd	3.53	2.85	0.15
ResMed Inc	1.82	0.61	0.15
Brambles Industries Ltd	1.89	1.30	0.13
Mirvac Group	1.61	0.70	0.09
James Hardie Industries Plc	0.00	0.78	0.06
Coca-Cola Amatil Ltd	1.05	0.39	0.05
Dexus Property Group	1.35	0.84	0.04
Computershare Ltd	1.18	0.76	0.04
Goodman Group	1.81	1.31	0.04

LARGEST DETRACTORS

Company	Model Portfolio Average Weight (%)	Benchmark Average Weight (%)	Contribution (%)
CSR Ltd	0.86	0.18	-0.13
Flight Centre Travel Group	0.95	0.29	-0.10
TPG Telecom Ltd	0.00	0.19	-0.09
Tabcorp Holdings Ltd	0.00	0.77	-0.08
AGL Energy Ltd	1.81	1.12	-0.08
Aristocrat Leisure Ltd	2.53	1.59	-0.08
Downer EDI Ltd	0.00	0.37	-0.06
Magellan Financial Group	0.00	0.29	-0.06
ALS Ltd	0.00	0.33	-0.06
Ansell Ltd	1.22	0.31	-0.05

Note: Contributions shown in the above tables are to the active return of the Model Portfolio.
Period: 29 June 2018 to 28 September 2018.

Some of the worst performing stocks for the quarter were underweight positions (i.e. not held) in TPG Telecom Ltd (Telecommunication Services), Tabcorp Holdings Ltd (Consumer Discretionary), Downer EDI Ltd (Industrials) and Magellan Financial Group Ltd (Financials) and overweight positions in CSR Ltd (Materials), Flight Centre Travel Group Ltd (Consumer Discretionary), AGL Energy Ltd (Utilities), Aristocrat Leisure Ltd (Consumer Discretionary), ALS Ltd (Industrials) and Ansell Ltd (Health Care), which collectively detracted -0.81% from active return.

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POSITION CHANGES

As at 30 September 2018, the Model Portfolio holds 39 of the 84 companies in the Benchmark universe.

There was a rebalance of the Model Portfolio in August. The Model Portfolio reduced existing positions in companies like Commonwealth Bank of Australia, AMP Ltd, ResMed Inc, National Australia Bank Ltd, ANZ Banking Group Ltd, Qantas Airways Ltd, Mirvac Group Ltd and Scentre Group Ltd to increase exposure to companies such as Westpac Banking Corporation, AGL Energy Ltd, Cochlear Ltd, CIMIC Group Ltd, Telstra Corporation Ltd, Wesfarmers Ltd and CSL Ltd. Despite these changes, the turnover for the Model Portfolio continues to be relatively low.

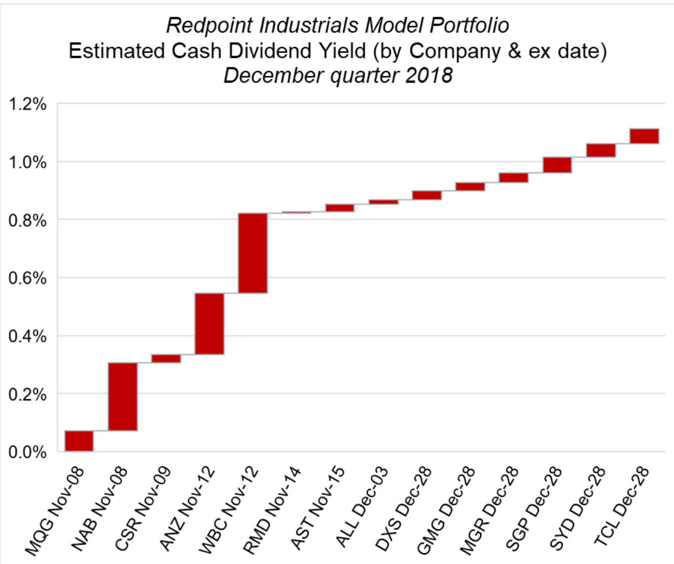
The S&P/ASX will review index memberships in December 2018 and any additions/deletions to the Benchmark may prompt a rebalance of the Model Portfolio at that time.

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 December 2018 quarter are currently estimated at 1.11% for the Model Portfolio versus 1.08% for the Benchmark.

For the December quarter, the Model Portfolio is forecast to receive dividends from 14 companies; the Benchmark is expected to have dividends declared by 27 companies. The following chart shows the dividends expected to be earned by the Model Portfolio over the course of the December 2018 quarter.



Source: Redpoint, Bloomberg

GENERAL COMMENTARY

The Australian equity market, as represented by the Benchmark, fell in the month of September (-2.97%) ending a run of five (5) consecutive months of positive total returns. By contrast, the total return of the S&P/ASX 200 Index, which includes resources companies, was -1.26% for the month of September. At a sector level, resources continued their strong run with Energy the best performing sector in September, while the Health Care sector, despite having solid returns in the first two (2) months of the quarter, was the poorest performing sector in the month of September. Global equity markets continued their strong run, especially in the United States (US), unperturbed by the imposition of US/China trade tariffs and strong indications of further interest rate rises in the near term by the US Federal Reserve.

We note that the recent run in markets has seen an increased appetite for risk, as most equity markets hover at decade lows in terms of volatility. The strong run in “riskier” commodity sensitive stocks in Australia’s resources sector is a clear indicator of this sentiment. Investors remain focused on seeking any and all growth opportunities and fundamentals have become less important. Such “highs” are usually followed by more difficult periods for investors resulting in a renewed focus on the fundamental attributes of companies. Our expectation is that our approach is more suited to these latter times, though forecasting exactly when the environment will change is notoriously difficult.

Our focus remains fully fixed on the longer term as we seek to hold a diversified portfolio of better quality companies. While this approach has not been rewarded (relative to the Benchmark) over the past year we retain conviction in our investment approach.

KEY CONTACTS

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