31 DECEMBER 2018

QUARTERLY REPORT

REDPOINT INDUSTRIALS SMA

Model Portfolio performance as at 31 December 2018	1 month (%)	3 months (%)	6 months (%)	1 year (%)	2 years (%) [5]	3 years (%) [5]	Since Inception [4] (%) [5]
Model Portfolio return (gross) [1]	-1.22	-7.51	-6.48	-3.42	2.22	3.85	2.68
– Model Portfolio cash income	*0.29*	*1.90*	*3.02*	*5.23*	*5.09*	*5.10*	*5.10*
– Model Portfolio price return (gross)	*-1.51*	*-9.41*	*-9.50*	*-8.65*	*-2.87*	*-1.25*	*-2.42*
Benchmark return [2]	-1.14	-7.78	-6.36	-4.01	2.04	3.86	2.87
Active return (gross) [3]	-0.08	0.27	-0.12	0.59	0.18	-0.01	-0.19

***Source**: Navigator Australia Ltd*

Past performance is not necessarily indicative of future performance.

1. Redpoint Industrials Separately Managed Account (SMA) (Model Portfolio) – gross performance is before management fees and transaction costs (as calculated by Navigator Australia Ltd).
2. S&P/ASX 100 Industrials Accumulation Index (Benchmark).
3. Active return is the difference between Model Portfolio gross return and Benchmark return.
4. The Model Portfolio was established on 30 April 2015.
5. Returns are annualised for periods of 12 months or more.

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 S&P/ASX 100 Industrials Index) performed particularly poorly over the December quarter with a total return of -7.78%, comprising total returns of -5.50%, -1.28% and -1.14% for October, November and December respectively. By contrast, the total return of the S&P/ASX 200 Index, which includes resources companies, was -8.24% for the quarter. Resources companies underperformed their industrials counterparts over the quarter.

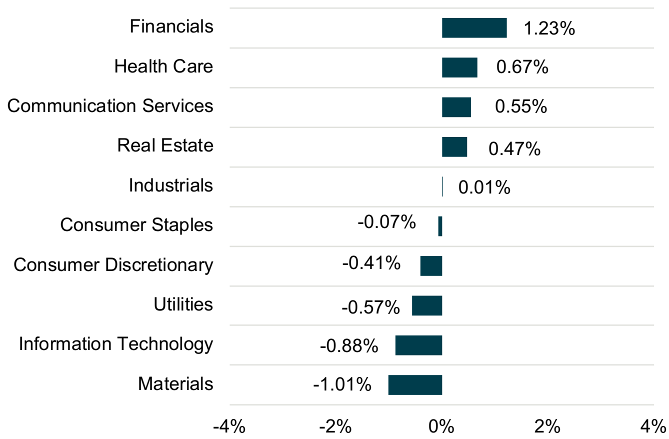
All sectors of the market had negative total returns for the quarter with the more significant of these being Information Technology (-15.1%), Consumer Discretionary (-13.9%), Materials (-14.1%) and Telecommunication Services (-11.6%).

MODEL PORTFOLIO

For the three-month period ending 31 December 2018 the gross return of the Model Portfolio was -7.51%. The gross return of the Model Portfolio is comprised of two (2) key components: a capital (price) return of -9.41%; and an income (dividend) return of +1.90%. Over the same period the total return of the Benchmark was -7.78%. As a result the Model Portfolio outperformed the Benchmark by +0.27% (active return).

The December quarter delivered a cash yield of 1.10% for the Model Portfolio and 1.04% for the Benchmark (on an ex-dividend basis). This was in line with our forecasts made in the September 2018 investment performance report (1.11% for the Model Portfolio and 1.08% for the Benchmark respectiively).

SECTOR ACTIVE WEIGHTS



TOP 10 HOLDINGS

Company	Model Portfolio (%)	Benchmark (%)	Active (%)
Commonwealth Bank of Australia	11.60	11.52	0.08
CSL Ltd	8.09	7.58	0.51
Westpac Banking Corporation	7.86	7.78	0.08
ANZ Banking Group Ltd	7.02	6.40	0.61
National Australia Bank Ltd	6.20	5.94	0.26
Woolworths Group Ltd	4.25	3.49	0.76
Macquarie Group Ltd	4.02	3.11	0.91
Wesfarmers Ltd	3.83	3.30	0.52
Telstra Corporation Ltd	3.81	3.07	0.75
Transurban Group	2.26	2.75	-0.49

MODEL PORTFOLIO FACTS

Model Portfolio code	RISMA
Model Portfolio size ($)	115,347,156
Number of holdings	40
Inception date	30 April 2015

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SECTOR ATTRIBUTION

Sector	Model Portfolio Average Active Weight (%)	Sector Allocation (%)	Stock Selection (%)
Utilities	-0.41	-0.01	0.23
Financials	1.52	0.00	0.19
Information Technology	-0.85	0.06	0.03
Telecommunications	0.59	-0.02	0.05
Consumer Staples	0.45	0.00	0.03
Materials	-1.22	0.07	-0.05
Industrials	-0.58	-0.04	0.04
Health Care	0.85	0.00	-0.03
Consumer Discretionary	-0.59	0.04	-0.09
Real Estate	0.23	-0.01	-0.27
Total	**0.00**	**0.10**	**0.12**

Note: Contributions shown here are to the active return of the Model Portfolio.
Period: 28 September 2018 to 31 December 2018.

ATTRIBUTION COMMENTARY

The active return for the December quarter (+0.27%) can be decomposed into a number of components:

- Benchmark stocks held by the Model Portfolio detracted -0.44% from active return; and
- Benchmark stocks not held in the Model Portfolio contributed +0.71% to active return.

Furthermore, a returns-based attribution shows that active return is comprised of two (2) key components: sector allocations, which contributed +0.09% to active return; and stock selection within the sectors, which contributed +0.18% to active return.

SECTOR ALLOCATION

From a sector allocation perspective, underweight positions in the Information Technology, Materials and Consumer Discretionary sectors contributed +0.06%, +0.07% and +0.04% respectively to active return. Overweight positions in the Communication Services and Real Estate sectors and underweight positions in the Utilities and Industrials sectors collectively detracted -0.08% from active return.

STOCK SELECTION

Stock selection in the Utilities, Financials, Communication Services, Information Technology, Consumer Staples and Industrials sectors added the most value, collectively contributing +0.60% to active return. Of note is that the Utilities and Financials sectors contributed +0.23% and +0.22% respectively to active return.

However, this positive outcome was offset by stock selection in the Real Estate, Consumer Discretionary, Health Care and Materials sectors, which collectively detracted -0.42% from active return. Of note is that stock selection in the Real Estate sector detracted -0.26% from active return.

Some of the best performing stocks for the quarter were underweight positions (i.e. not held in the Model Portfolio) in James Hardie Industries Plc (Materials), Boral Ltd (Materials), Unibail Rodamco Westfield (Real Estate), CYBG Plc (Financials) and Treasury Wine Estates Ltd (Consumer Staples) and overweight positions in AGL Energy Ltd (Energy), Woolworths Group Ltd (Consumer Staples), ResMed Inc (Health Care), AusNet Services Ltd (Utilities) and Goodman Group (Real Estate), which collectively contributed +1.06% to active return.

LARGEST CONTRIBUTORS

Company	Model Portfolio Average Weight (%)	Benchmark Average Weight (%)	Contribution (%)
James Hardie Industries Plc	0.00	0.67	0.15
Boral Ltd	0.00	0.57	0.14
Unibail Rodamco Westfield	0.00	0.74	0.13
CYBG Plc	0.00	0.27	0.13
AGL Energy Ltd	1.93	1.09	0.11
Woolworths Ltd	4.05	3.29	0.10
ResMed Inc	1.70	0.66	0.09
Treasury Wine Estates Ltd	0.00	0.96	0.08
AusNet Services Ltd	0.29	0.25	0.08
Goodman Group	2.01	1.47	0.07

LARGEST DETRACTORS

Company	Model Portfolio Average Weight (%)	Benchmark Average Weight (%)	Contribution (%)
Lendlease Group	1.48	0.77	-0.29
Adelaide Brighton Ltd	0.91	0.19	-0.21
Aristocrat Leisure Ltd	2.29	1.44	-0.12
GPT Group	0.00	0.83	-0.10
CSR Ltd	0.70	0.14	-0.09
CIMIC Group Ltd	1.43	0.39	-0.08
Aurizon Holdings Ltd	0.00	0.73	-0.08
Ramsay Health Care Ltd	0.00	0.62	-0.08
Vicinity Centres	0.00	0.75	-0.07
Flight Centre Travel Group	0.78	0.24	-0.06

Note: Contributions shown in the above tables are to the active return of the Model Portfolio.
Period: 28 September 2018 to 31 December 2018.

Stock selection in the Financials and Utilities sectors contributed +0.22% and +0.23% respectively to active return. This was partly due to an underweight position (i.e. not held) in CYBG Plc and an overweight position in AGL Energy Ltd, which had total returns of -44.4% and +5.6% respectively for the quarter, and which contributed +0.13% and +0.11% respectively to active return.

Some of the worst performing stocks for the quarter were overweight positions in Lendlease Group (Real Estate), Adelaide Brighton Ltd (Materials), Aristocrat Leisure Ltd (Consumer Discretionary), CSR Ltd (Materials), CIMIC Group Ltd (Industrials) and Flight Centre Travel Group Ltd (Consumer Discretionary) and underweight positions (i.e. not held) in GPT Group (Real Estate), Aurizon Holdings Ltd (Industrials), Ramsay Health Care Ltd (Health Care) and Vicinity Centres (Real Estate), which collectively detracted -1.17% from active return.

ATTRIBUTION COMMENTARY (CONT'D)

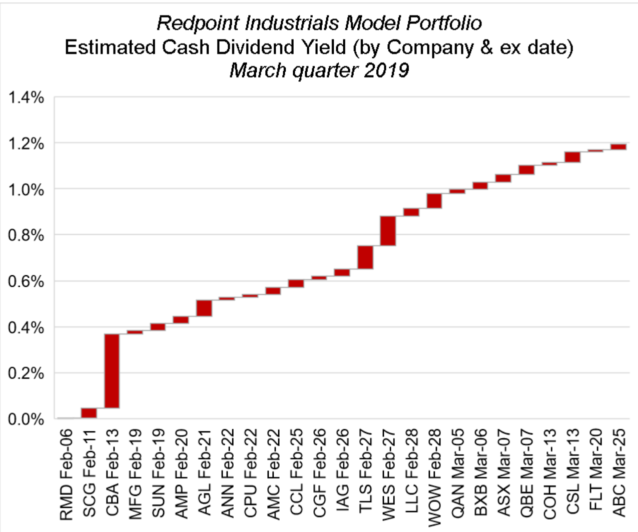
Stock selection in the Real Estate sector detracted -0.26% from active return. This was primarily due to an overweight position in Lendlease Group and an underweight position (i.e. not held) in GPT Group, which had total returns of -40.8% and +4.9% respectively for the quarter, and which detracted -0.29% and -0.10% respectively from active return.

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 March 2019 quarter are currently estimated at 1.22% for the Model Portfolio versus 1.24% for the Benchmark.

For the March 2019 quarter, the Model Portfolio is forecast to receive dividends from 26 companies; the Benchmark is expected to have dividends declared by 54 companies. The following chart shows the dividends expected to be earned by the Model Portfolio over the course of the March 2019 quarter.



Source: Redpoint, Bloomberg

Coles Group Ltd (recently demerged from Wesfarmers Ltd) has indicated that it will pay an annual dividend in September 2019, while Wesfarmers Ltd will pay an interim dividend in March 2019, which will include income from Coles Group Ltd prior to the demerger. The largest individual cash dividend for the quarter will be paid by Commonwealth Bank of Australia. Current estimates are for an unchanged interim dividend (versus 2018) of $2.00 per share to be payable in February 2019.

The Model Portfolio will benefit from its position in utility company AGL Energy Ltd (ASX: AGL) as it is forecast to deliver its highest ever interim dividend of $0.67 per share in February 2019. The company is currently trading on a cash dividend yield of 5.5% pa (7.4% pa including imputation tax credits). Notwithstanding the volatility in market prices, AGL has a long history of consisent dividends growing strongly from year to year. AGL is currently the only stock in the Utilities sector held by the Model Portfolio.

We note recent comments from the Australian Labor Party (ALP) concerning its proposed policy on imputation tax credits. We will continue to monitor this issue closely. There has been some recent concessions regarding the policy and we expect that there is a high chance of further amendments as the federal parliament moves towards an election in the second quarter of 2019.

POSITION CHANGES

As at 31 December 2018, the Model Portfolio holds 40 of the 82 companies in the Benchmark universe.

Over the quarter the Model Portfolio took up new positions in Atlas Arteria Group, Magellan Financial Group Ltd and Coles Group Ltd (spin-off from Wesfarmers Ltd in November 2018) and sold completely out of AusNet Services Ltd and Medibank Private Ltd.

The Model Portfolio also increased existing positions in Adelaide Brighton Ltd, CSL Ltd, Qantas Airways Ltd, QBE Insurance Group Ltd and Suncorp Group Ltd and reduced existing positions in Insurance Australia Group Ltd, ResMed Inc and Westpac Banking Corporation.

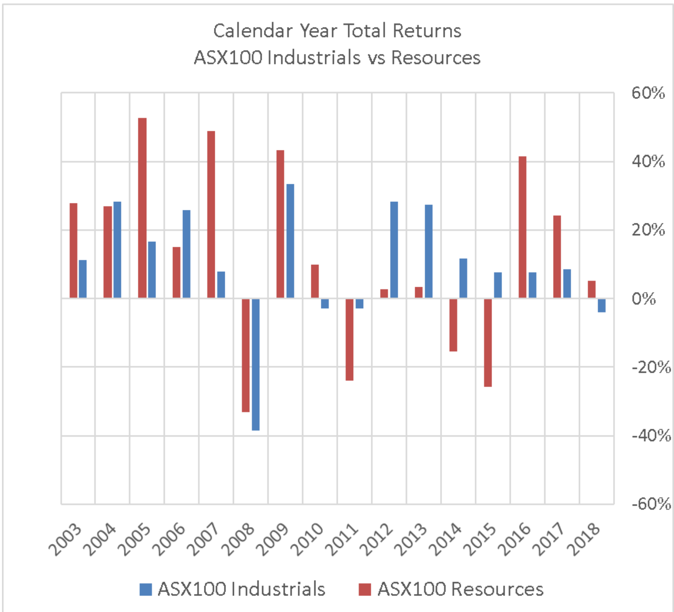
Despite these position changes, the turnover for the Model Portfolio continues to be low.

The S&P/ASX will review index memberships in March 2019 and any additions / deletions to the Benchmark may prompt a rebalance of the Model Portfolio at that time.

GENERAL COMMENTARY

The S&P/ASX 100 Industrials Index delivered a total return of -4.0% in calendar year 2018. This was the first time since 2011 that the Index has delivered a negative calendar year return. At the same time, the S&P/ASX 100 Resources Index rose +5.3% posting its third consecutive year of positive returns.

The Model Portfolio's strategic approach is undeterred by these shorter term results. Over the long term we note that industrials have delivered a higher cash dividend yield (5.3% pa versus 3.1% pa over the past 16 years) and have had lower price volatility (17.7% pa versus 27.3% pa over the past 16 years). These outcomes are highlighted in the chart below.



Source: Redpoint, Bloomberg

This chart clearly shows the cyclicality of the resources sector relative to the more diversified industrials sector. Lower volatility and higher income are valuable characteristics of industrials sector. Our Model Portfolio seeks to capture these characteristics by a focus on better quality companies that can be held for the long term.

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