31 DECEMBER 2021

QUARTERLY REPORT
REDPOINT INDUSTRIALS SMA

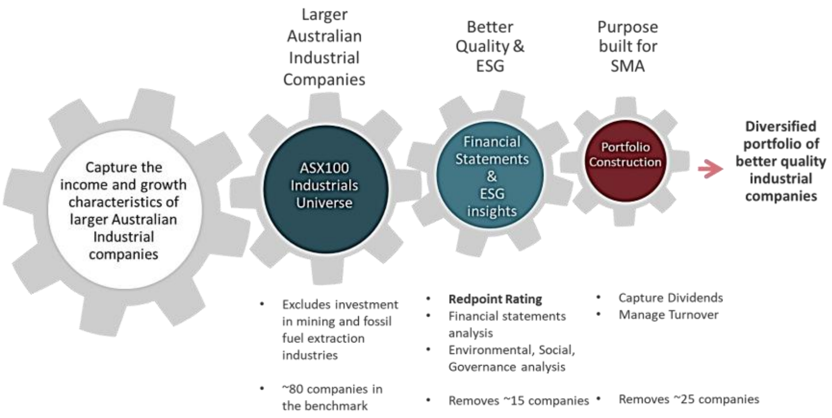
Investment Objective

The Model Portfolio aims to provide a return in line with the 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 usually holding between 30-40 companies from within the Benchmark.

Investment Approach

Redpoint employs a disciplined approach which seeks to construct a representative portfolio of better-quality companies that provides a return broadly comparable to that of the benchmark on an after fees basis.

The approach is designed to provide a model portfolio for implementation as an SMA with low turnover, appropriate risk controls relative to the benchmark and comparatively lower costs. Redpoint's selection bias towards quality companies is expected to give the portfolio a slight defensive tilt. This is anticipated to provide a modest outperformance during periods of market stress but marginal underperformance when speculative stocks are in favour. This slight bias is Redpoint's preferred method for sensibly allocating capital given the strategy is constrained to holding less than half the stocks in the benchmark universe.



CERTIFIED BY RIAA

The Redpoint Industrials SMA has been certified by the Responsible Investment Association Australasia (RIAA) according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. [1]

See www.responsiblereturns.com.au for details.

[1] The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.

We are delighted to advise that the Redpoint Industrials SMA Model Portfolio has been certified as a responsible investment product by the Responsible Investment Association of Australasia (RIAA). This certification recognised not only our embedded approach to scoring companies on their environmental, social and governance (ESG) practices but also reflects our decision to never invest in companies involved in tobacco manufacturing and production of cluster munitions. This also bears testament to our decade long focus on ESG investing and our ongoing commitment to responsible investment principles.

Top 10 Holdings

Company Name	Model Portfolio %
Commonwealth Bank of Australia	12.04
CSL Ltd	8.78
National Australia Bank Ltd	6.39
Australia & New Zealand Banking	5.92
Westpac Banking Corp	5.65
Wesfarmers Ltd	5.47
Macquarie Group Ltd	4.57
Telstra Corp Ltd	3.99
Woolworths Group Ltd	3.14
Goodman Group	2.51

Sector Allocation

Sector	Model Portfolio %
Materials	5.46
Financials	39.05
Communication Services	5.46
Real Estate	8.44
Health Care	13.56
Information Technology	4.45
Consumer Discretionary	8.75
Industrials	8.61
Consumer Staples	5.44
Utilities	0.79

Model Portfolio Facts

Portfolio Code	RISMA
Index	S&P/ASX 100 Industrials Accumulation Index
Inception Date	30 April 2015
Number of Holdings	40
Fund Size ($)	243,881,363

Available Platforms

MLC Wrap / MLC Navigator

Email: services@mlc.com.au

Phone: 13 25 52

Macquarie Wrap

Email: mppmproduct@macquarie.com

Phone: 1800 501 180

HUB24

Email: admin@hub24.com.au

Phone: 1300 854 994

INVESTMENT Manager

Max Cappetta / Toby Bellingham
Phone: (02) 9119 5800

Address

Level 19, Governor Macquarie Tower
1 Farrer Place, Sydney, NSW, 2000

Website

www.redpointim.com

31 DECEMBER 2021

QUARTERLY REPORT

REDPOINT INDUSTRIALS SMA

Performance

Performance (%)	1 month	3 months	6 months	1 year	2 years (pa)	3 years (pa)	5 years (pa)	Since Inception (pa)
Model Portfolio Return²	2.40	1.06	5.91	20.57	7.76	12.58	8.31	7.02
Income Return	*0.21*	*0.99*	*2.00*	*4.23*	*3.42*	*4.02*	*4.48*	*4.64*
Price Return	*2.19*	*0.08*	*3.91*	*16.34*	*4.34*	*8.56*	*3.83*	*2.38*
Index Return³	1.93	0.75	5.40	20.33	9.22	13.65	8.86	7.59
Relative Return	0.47	0.31	0.51	0.24	-1.46	-1.07	-0.54	-0.57
Estimated Franking Credits	*0.01*	*0.23*	*0.54*	*1.24*	*0.93*	*1.15*	*1.32*	*1.42*
Estimated Gross Income Return⁴	*0.22*	*1.21*	*2.54*	*5.48*	*4.35*	*5.17*	*5.80*	*6.07*

1. Inception date is 30 April 2015
2. Model Portfolio Return is before management fees and transaction costs (calculated by Navigator Australia Limited).
3. S&P/ASX 100 Industrials Accumulation Index
4. Estimated Gross Income Return is the sum of Income Return and Estimated Franking Credits

Top 5 Contributors

Company	Model Portfolio Weight %	Index Weight %	Quarterly Contribution %
Afterpay Ltd	0.78	1.80	0.37
Reliance Worldwide Corp Ltd	1.34	0.30	0.18
Domino's Pizza Enterprises Ltd	0.00	0.53	0.18
Charter Hall Group	1.36	0.57	0.15
Magellan Financial Group Ltd	0.17	0.30	0.12

Top 5 Detractors

Company	Model Portfolio Weight %	Index Weight %	Quarterly Contribution %
Suncorp Group Ltd	1.54	0.96	-0.18
Reece Ltd	0.00	0.40	-0.15
APA Group	0.00	0.70	-0.12
ASX Ltd	0.25	1.10	-0.11
Westpac Banking Corp	5.92	5.48	-0.10

Market Commentary

Equity markets rallied in December to close out the calendar year on a positive note. Over the course of the past year, the Redpoint Industrials Model Portfolio delivered a total return of 20.57% relative to its benchmark (S&P/ASX100 Industrials) return of 20.33%. The Model Portfolio also outperformed the broader S&P/ASX 200 Index which rose by 17.23% in calendar year 2021. Pleasingly the Model Portfolio delivered a cash yield for investors of 4.23% plus associated tax credits estimated at 1.24% over the course of the year: well ahead of term deposit rates given that the current RBA cash rate still sits at 0.1%.

The spectre of higher interest rates in 2022 weighed on the IT sector (in Australia and across the globe) in December producing a 7.1% fall and making the sector the only on in the benchmark to deliver a negative return (-1.9%) for the calendar year. This is a far cry from its market leading return of almost +70% in calendar 2020. Remaining underweight the underperforming Afterpay was a key positive contributor to relative performance over the past quarter and year. The Utilities and Real Estate sectors performed best in the December quarter. AGL Energy bounced back over the course of the quarter while property giant Goodman and Charter Hall provided positive trading updates which lifted their share prices.

The top five performers from the S&P/ASX 100 Industrials Index for the quarter were Reece Ltd (Plumbing, 41.3%), Altium Ltd (Software, 27.2%), Crown Resorts Ltd (Casinos, 24.8%), Goodman Group (Property, 22.2%) and Reliance Worldwide Corp Ltd (Plumbing, 21.0%). The worst five performers were Magellan Financial Group Ltd (Investment Management, -39.9%), Afterpay Ltd (Buy-Now-Pay-Later, -31.6%), Domino's Pizza Enterprises Ltd (Restaurants, -26.4%), Virgin Money UK PLC (Banks, -18.3%) and Westpac Banking Corp (Banks, -17.9%).

Global markets also performed well over the quarter, outperforming the Australian market on an AUD basis. Developed markets around the (MSCI World Index) rose +6.5% outperforming emerging markets (MSCI Emerging Markets Index) -2.5%. The Australian Dollar outperformed all major currencies over the quarter and gained 0.5% vs the US Dollar. However, over the course of 2021, the Australian dollar weakened against the US Dollar by 5.6%.

Manager Commentary & Outlook

Our patient, long term, low turnover approach to building the SMA Model Portfolio has delivered improved relative performance over the past year. This performance has been delivered both by stocks which we own and find attractive as well as those which we have avoided. It is pleasing to see our focus on building a diversified portfolio of companies with better quality characteristics (strong cashflow, financial strength and profit growth) coupled with better long-term sustainability (environmental, social and governance) practices being rewarded at this time. Our exclusion of all mining stocks and having an “Industrials Only” focus remains a key pillar for delivering higher income with less volatility over the long term.

Over the past quarter avoiding (or minimising our exposure within our risk budget) in companies such as Afterpay and Domino’s Pizza has added most to relative return for the Model Portfolio. Having significantly reduced our position in Magellan in late 2019, we exited the stock completely in October at $34.67: much higher than its $21 quarter end close. At the same time the Model Portfolio has benefited from remaining overweight positions in global plumbing specialists Reliance Worldwide and domestic property manager and developer Charter Hall.

Despite the recent suggestions that rates will need to be raised earlier than previously thought, the RBA is not anticipating any interest rates increases until at least 2023. Investors will note that the RBA cash rate currently stands at 0.1% pa and has been below 1.5% since March 2019 and below 5% since late 2008. This compares to an expected cash yield of 3.3% (plus an additional 0.8% in tax credits) for the S&P/ASX100 Industrials Index in Calendar 2022.

This economic and interest rate environment means that investors can derive both valuable income yield with underlying growth from the Model Portfolio which can offset the impact of rising inflation. This is derived from our investors earning a share of the profits earned by Australia’s leading companies and the growth of those profits (and share prices) over the longer term. The ability for Australian investors to reclaim the tax paid on corporate profits paid as dividends provides further upside and opportunities for a disciplined investment approach.

31 DECEMBER 2021

QUARTERLY REPORT
REDPOINT INDUSTRIALS SMA

In general terms higher interest rates will dictate lower earnings multiples for companies: thus lower equity prices overall. The driver of share prices will shift towards real earnings growth in the near term and away from the upward revision to Price/Earnings ratios supported by lower interest rates. A strong post-COVID economic recovery will likely deliver outperformance from cyclical, commodity and financial sectors. Stocks with high earnings expectations and elevated valuations who fail to deliver are best avoided in this scenario. We believe that the SMA Model Portfolio is well placed and well diversified to continue to provide valuable long term returns aligned with ongoing domestic and global economic growth.

We note that the major Australian banks have not reverted their dividend payments back to pre-COVID levels as yet. There remains some upside to such dividend payments in 2022 as long as the broader economy does not continually lurch from being open to being locked down.

Another key item for consideration in the upcoming February reporting season will be the impact of the most recent Omicron surge and the influence that this is having on supply chains and overall economic activity. Related near term challenges for companies are likely to be reversed through the year (assuming no other COVID-variant disruptions) and short term price weakness could present valuable buying opportunities for the long term investor.

Model Portfolio Changes

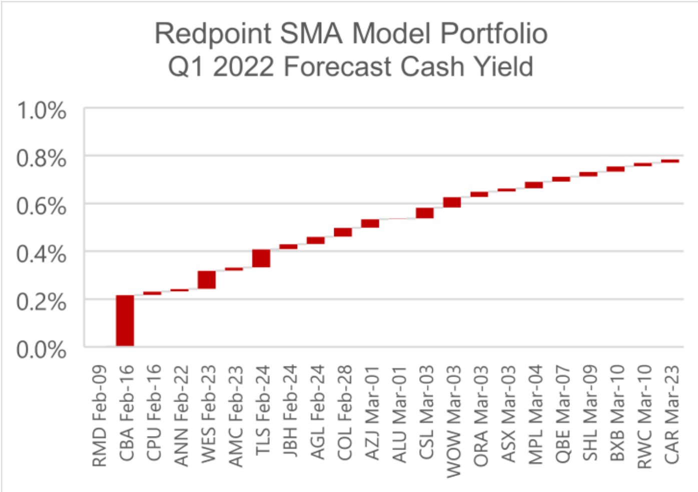
During the month of December the Model Portfolio opened new positions in ASX and QBE Insurance and sold out of Suncorp. National Australia Bank was reduced while our position in Sonic Healthcare was increased.

Dividends

Over the quarter the Model Portfolio received dividends from 16 companies, representing an estimated dividend yield of 0.96% and additional franking credits of 0.23%. The largest dividends received (by cash yield) were from ANZ, Westpac, NAB, Macquarie and Incitec Pivot. Dividends received from these companies were in-line with our forecasts except for Macquarie and National Australia Bank. Macquarie declared a dividend slightly below our forecasts but this was offset by NAB which declared a slightly higher dividend. Macquarie paid a record interim cash dividend of $2.72 per share while NAB more than doubled its final cash dividend to $0.67 per share (vs 2020 final of $0.30) but still below their 2019 final dividend of $0.83 per share.

Wesfarmers completed their announced return of capital payment of $2.00 per share in November. The return of capital came from proceeds received from the company's divestment of non-core coal mining assets, Kmart Tyre & Auto, Quadrant Energy and its remaining shareholding in supermarket retailer Coles Group.

For the first quarter of 2021 we forecast that the SMA Model Portfolio will earn a cash yield of 1.56% (+0.5% is tax credits) from 22 dividends. This is slightly higher than the 1.50% cash yield forecast for the 54 members of the benchmark which are expected to pay a dividend over the next three months. We forecast Commonwealth Bank to pay a cash dividend of $1.80 with a slight chance that the interim dividend may return to its pre-COVID level of $2 per share. Trading updates from the other major banks will also provide further insight into both their own profitability and the path of the broader domestic economic recovery.



Source: Redpoint

Sustainability

Our proprietary asset ranking model [0-1] evaluates the investment quality of a company along environmental, social and corporate governance (ESG) criteria. The table below shows that the Model Portfolio maintains a higher average score to companies that rate well according to each individual component and ESG in aggregate.

Cohort	Model Portfolio	Index	S&P/ASX 200
Redpoint Rating	**66.0**	**59.9**	**64.8**
Redpoint ESG Rating	**69.7**	**64.0**	**67.9**
Environmental	*67.8*	*63.5*	*66.3*
Social	*76.5*	*71.5*	*73.6*
Corporate Governance	*62.0*	*58.6*	*63.4*
Carbon Intensity	*111.4*	*88.3*	*239.0*

Carbon Intensity is measured as Tonnes of CO2 emissions divided by revenue

The S&P/ASX 100 Industrials Index carbon intensity score has recently dropped due to the removal of Spark Infrastructure after the company was acquired. Spark Infrastructure had the highest carbon intensity of any company within the Index and accounted for a significant proportion of the overall carbon intensity of the Index. Within the utilities sector the Model Portfolio holds a position in AGL Energy. We are comfortable holding this position as we await the demerger of AGL's retail and generation businesses in early 2022 at which time we will review the Model Portfolio's positioning. We are pleased to note that the Model Portfolio continues to have an almost 50% lower carbon intensity relative to the broader ASX200 Index. The Model Portfolio also continues to rate well across our sustainability (environmental, social and governance) scores relative to the ASX100 Industrials Index.

These outcomes support our view that sustainability insights can be incorporated within core investment strategies. Our belief is that better quality companies deliver better results over the long term and companies which are being managed for long term sustainability is aligns well with this perspective. This aligns with our approach of building a diversified Model Portfolio to capture the income and growth characteristics of the Index while being constrained to hold less than half of the assets of the index and be implementable as a direct share portfolio for individual investors.