28 February 2022

Monthly Report

REDPOINT INDUSTRIALS SMA

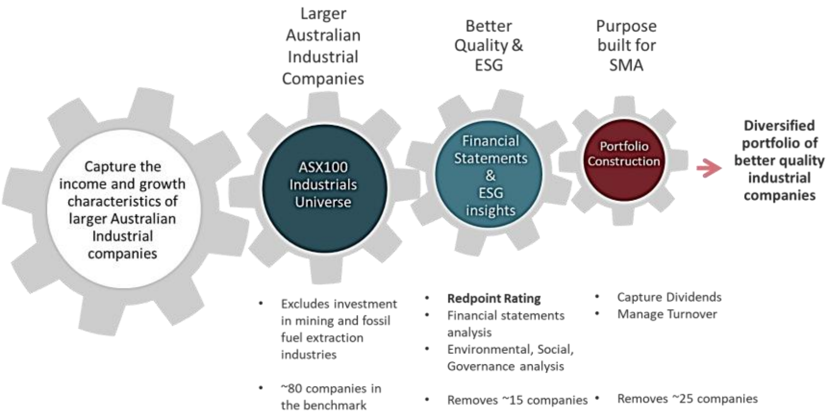
Investment Objective

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.



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.

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	**61.7**	**56.2**	**65.7**
Redpoint ESG Rating	**64.0**	**59.2**	**66.8**
Environmental	*64.2*	*60.1*	*67.0*
Social	*71.4*	*66.3*	*73.2*
Corporate Governance	*58.8*	*55.5*	*63.7*
Carbon Intensity	*121.9*	*89.2*	*253.7*

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

Top 10 Holdings

Company Name	Model Portfolio %
Commonwealth Bank of Australia	12.12
CSL Ltd	7.87
National Australia Bank Ltd	6.98
Westpac Banking Corp	6.57
Australia & New Zealand Banking	6.09
Wesfarmers Ltd	4.83
Macquarie Group Ltd	4.38
Telstra Corp Ltd	4.11
Woolworths Group Ltd	3.19
Coles Group Ltd	2.42

Sector Allocation

Sector	Model Portfolio %
Materials	5.54
Industrials	8.66
Information Technology	4.49
Communication Services	5.42
Financials	40.79
Real Estate	8.21
Consumer Discretionary	8.08
Utilities	1.05
Consumer Staples	5.61
Health Care	12.15

Model Portfolio Facts

Portfolio Code	RISMA
Index	S&P/ASX 100 Industrials Accumulation Index
Inception Date	30 April 2015
Number of Holdings	40
Model Portfolio FUM	$229.3m

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

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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	0.81	-5.04	-6.97	11.94	3.88	6.97	6.30	5.67
Income Return	*0.45*	*0.61*	*1.59*	*3.63*	*3.15*	*3.66*	*4.34*	*4.54*
Price Return	*0.36*	*-5.65*	*-8.57*	*8.32*	*0.73*	*3.31*	*1.96*	*1.13*
Index Return³	1.04	-5.73	-7.47	10.86	5.24	7.90	6.81	6.18
Relative Return	-0.23	0.69	0.50	1.09	-1.36	-0.93	-0.50	-0.50
Estimated Franking Credits	*0.15*	*0.15*	*0.43*	*1.08*	*0.86*	*1.03*	*1.27*	*1.39*
Estimated Gross Income Return⁴	*0.60*	*0.77*	*2.02*	*4.71*	*4.01*	*4.68*	*5.61*	*5.93*

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 %	Monthly Contribution %
Domino's Pizza Enterprises Ltd	0.00	0.44	0.11
JB Hi-Fi Ltd	1.14	0.40	0.07
Block Inc	0.77	0.98	0.07
Computershare Ltd	1.51	0.87	0.07
Orora Ltd	1.13	0.22	0.07

Top 5 Detractors

Company	Model Portfolio Weight %	Index Weight %	Monthly Contribution %
Cochlear Ltd	0.00	0.91	-0.14
Reliance Worldwide Corp Ltd	1.22	0.28	-0.11
Xero Ltd	1.46	0.97	-0.09
Scentre Group	0.00	1.10	-0.08
Endeavour Group Ltd/Australia	0.00	0.58	-0.08

Manager Commentary

In the month of February, the Redpoint Industrials Model Portfolio delivered a total return of 0.81% (before fees) underperforming its benchmark (S&P/ASX100 Industrials) which returned 1.04%. There were several dividends received in February including Commonwealth Bank, Wesfarmers, Amcor, Ansell, Computershare, Resmed, JB Hi-Fi, AGL Energy and Aurizon: the portfolio earning an estimated 0.57% in yield (including tax credits).

Having no position in Domino's Pizza (DMP) contributed the most to performance after its shares fell 23.7% following a poor result which highlighted cost inflation pressures and slow growth in its Japanese subsidiary. Domino's fundamentals have improved recently, however there are more compelling choices in the consumer discretionary space which retain better quality and growth metrics.

One such example is JB Hi-Fi. (JBH) which added value for the Model Portfolio in February. JBH was up more than 10% over the month following its strong result announcement. While much of this was pre-announced in January, the company provided an upbeat sales update and announced a $250m share buyback. JBH has proven to be a resilient and high-quality business and is one of our preferred retailers with strong cashflow, high return on equity and a sound balance sheet. JBH also offers good value at current levels, trading at 12x next year's earnings.

Having no position in Cochlear (COH) detracted most from performance in February. Cochlear rose 15.8% after a better-than-expected result and earnings upgrade. The hearing implant developer is a clear leader in a defensive industry but we have doubts about the quality of its cashflows and prefer other healthcare names such as Resmed at present.

There were two changes to the portfolio in February. The underweight position in Block (formerly Afterpay) was reduced. We bought the stock at $142 just prior to its result which saw the share price rise to $155 at month end. Block's growth metrics have been improving, helped by its access to an enlarged customer base from the recent acquisition by new owner, American payments company by the same name, Block (formerly Square).

The takeover of Sydney Airports (SYD) by a consortium of private equity and superfunds was completed in February at $8.75 per share, the proceeds from which will be realised and re-invested in March.

Reporting Season Summary

Reporting season in Australia has delivered an overall positive assessment for ongoing profitability across the broader S&P/ASX200 universe of companies. Earnings expectations for FY 2022 have increased slightly on the back of solid results delivered in February with 52% of companies reporting earnings above expectations, 26% have disappointing while 22% reported in line with consensus forecasts. Sectors with earnings upgrades were Materials, Energy and Communication Services. The sectors with earnings downgrades were Industrials, Consumer Discretionary and Health Care.

Inflation was a key concern ahead of this reporting season however cost control was impressive across most sectors with few companies citing significant issues managing costs, either by passing on price rises to customers or managing inventory levels to mitigate these pressures.

The earnings outlook appears positive with consensus for FY2022 estimates up 2% overall, albeit against a backdrop of heightened geopolitical risk and increasing inflation concerns stemming from energy price hikes.

Within such an environment we believe that a focus on Quality characteristics such as higher profit margins, strong cashflow, dividend payments and balance sheet strength is well placed to provide better than average outcomes. The underlying strength of the Australian economy is supportive of corporate profits and dividend payments and we forecast that the ASX100 Industrials Index will pay a 3.60% cash dividend yield over the next 12 months (4.65% including tax credits). This is slightly below the forecast yield of the broader ASX200 (4.1% cash yield) which is higher due to the resources sector currently experiencing strong cashflows from higher commodity prices. Investors should remain aware of the higher risk and volatility of the resources sector over time.

The Model Portfolio's exclusive focus on larger, better-quality companies within the well diversified Industrial sector is expected to deliver a slightly higher yield than the ASX100 Industrials Index over the year ahead.