

31 January 2022

Monthly Report

REDPOINT INDUSTRIALS SMA

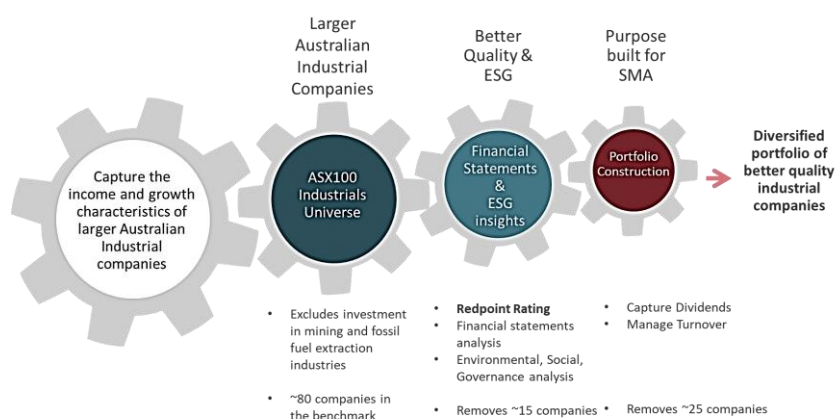
## Investment Objective

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.



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.<sup>1</sup>

See [www.responsiblereturns.com.au](http://www.responsiblereturns.com.au) for details.

<sup>1</sup> 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  | 12.19             |
| CSL Ltd                         | 8.58              |
| National Australia Bank Ltd     | 6.56              |
| Australia & New Zealand Banking | 6.23              |
| Westpac Banking Corp            | 5.86              |
| Wesfarmers Ltd                  | 5.30              |
| Macquarie Group Ltd             | 4.46              |
| Telstra Corp Ltd                | 4.08              |
| Woolworths Group Ltd            | 3.10              |
| Goodman Group                   | 2.39              |

## Sector Allocation

| Sector                 | Model Portfolio % |
|------------------------|-------------------|
| Materials              | 5.72              |
| Financials             | 39.87             |
| Communication Services | 5.50              |
| Real Estate            | 8.20              |
| Information Technology | 4.02              |
| Health Care            | 12.99             |
| Consumer Discretionary | 8.65              |
| Industrials            | 8.68              |
| Consumer Staples       | 5.37              |
| Utilities              | 1.00              |

## 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 (\$m)    | 227  |

## Available Platforms

### MLC Wrap / MLC Navigator

Email: [services@mlc.com.au](mailto:services@mlc.com.au)

Phone: 13 25 52

### Macquarie Wrap

Email: [mppmproduct@macquarie.com](mailto:mppmproduct@macquarie.com)

Phone: 1800 501 180

### HUB24

Email: [admin@hub24.com.au](mailto: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](http://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 Return <sup>2</sup>        | -8.01   | -7.27    | -3.20    | 10.53  | 0.39         | 8.75         | 6.94         | 5.62                 |
| Income Return                              | 0.00    | 0.88     | 1.83     | 3.88   | 3.19         | 3.88         | 4.42         | 4.53                 |
| Price Return                               | -8.01   | -8.15    | -5.03    | 6.65   | -2.80        | 4.87         | 2.52         | 1.09                 |
| Index Return <sup>3</sup>                  | -8.46   | -8.08    | -3.35    | 9.46   | 1.41         | 9.51         | 7.32         | 6.09                 |
| Relative Return                            | 0.45    | 0.81     | 0.15     | 1.08   | -1.02        | -0.76        | -0.38        | -0.47                |
| Estimated Franking Credits                 | 0.00    | 0.20     | 0.49     | 1.14   | 0.86         | 1.11         | 1.30         | 1.39                 |
| Estimated Gross Income Return <sup>4</sup> | 0.00    | 1.08     | 2.32     | 5.02   | 4.05         | 4.99         | 5.72         | 5.91                 |

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 % |
|------------------------|--------------------------|----------------|------------------------|
| Afterpay Ltd           | 0.36                     | 0.77           | 0.14                   |
| WiseTech Global Ltd    | 0.00                     | 0.57           | 0.14                   |
| Ramsay Health Care Ltd | 0.00                     | 0.83           | 0.10                   |
| Cochlear Ltd           | 0.00                     | 0.89           | 0.10                   |
| Reece Ltd              | 0.00                     | 0.46           | 0.09                   |

## Top 5 Detractors

| Company                     | Model Portfolio Weight % | Index Weight % | Monthly Contribution % |
|-----------------------------|--------------------------|----------------|------------------------|
| Reliance Worldwide Corp Ltd | 1.37                     | 0.31           | -0.18                  |
| Sonic Healthcare Ltd        | 2.22                     | 1.34           | -0.16                  |
| Charter Hall Group          | 1.37                     | 0.58           | -0.15                  |
| Xero Ltd                    | 1.62                     | 1.07           | -0.11                  |
| carsales.com Ltd            | 1.40                     | 0.44           | -0.11                  |

## 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 |
|----------------------------|-----------------|-------------|-------------|
| <b>Redpoint Rating</b>     | <b>65.6</b>     | <b>60.1</b> | <b>67.2</b> |
| <b>Redpoint ESG Rating</b> | <b>69.7</b>     | <b>64.2</b> | <b>69.6</b> |
| Environmental              | 67.8            | 63.9        | 68.3        |
| Social                     | 76.7            | 71.9        | 75.3        |
| Corporate Governance       | 62.2            | 58.9        | 65.8        |
| Carbon Intensity           | 124.8           | 96.6        | 266.2       |

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

## Manager Commentary

In the month of January, the Redpoint Industrials Model Portfolio delivered a total return of -8.08% (before fees) outperforming its benchmark (S&P/ASX100 Industrials) which returned -8.46%. There were no dividends declared in January for the Model Portfolio or the benchmark.

Underweight positions in technology stocks Afterpay and Wisetech Global contributed most to relative performance in January. The IT sector fell by 18.7% in aggregate over the month following similar falls in this sector across the globe. This was caused by share price valuations commencing to incorporate the impact of rising interest rates and this has impacted the expensive / high growth expectation sectors such as IT the hardest.

Overweight positions in plumbing suppliers Reliance Worldwide and healthcare provider Sonic Healthcare detracted most to performance in January. Both performed strongly in 2021 with total returns of 49.4% and 59.4% respectively, but saw some profit taking as the overall market pulled back. The longer-term outlook for both stocks is promising. Sonic scores highly on quality and growth, with superior margins gained through large scale operations, a sensibly leveraged balance sheet and strong cashflow generation via a capital light business model. Reliance is also highly-rated overall and we continue to see growing earnings as it builds out product ranges across a number of offshore markets.

Real estate funds manager Charter Hall also detracted from relative performance in January. The share price fell on news that the company had moved to diversify its activities via the purchase of equities fund manager Paradise Investment Management. Their main businesses in real estate development and investment continues to perform well and this was confirmed with an earnings upgrade at the end of January. Charter Hall remains highly rated on both our growth and quality metrics.

There were no changes to the portfolio in January. Turnover is typically low in the lead up to reporting season in February/March.

February and March are important dividend months for the Model Portfolio. We expect a cash yield of almost 0.8% to be earned in the next two months. Holdings in Commonwealth Bank, Wesfarmers, Telstra, CSL and Woolworths amongst the largest of 22 dividend payments expected.