30 NOVEMBER 2019

MONTHLY REPORT

REDPOINT INDUSTRIALS SMA

Model Portfolio performance as at 30 November 2019	1 month (%)	3 months (%)	6 months (%)	1 year (%)	2 years (% pa) [5]	3 years (% pa) [5]	Since Inception [4] (% pa) [5]
Model Portfolio return (gross) [1]	2.90	4.21	10.18	25.20	10.87	11.47	7.56
– Model Portfolio cash income	*0.68*	*1.11*	*2.34*	*5.52*	*5.40*	*5.30*	*5.24*
– Model Portfolio price return	*2.22*	*3.10*	*7.84*	*19.68*	*5.47*	*6.17*	*2.32*
Benchmark return [2]	2.83	4.32	10.60	25.53	10.75	11.39	7.76
Active return [3]	0.07	-0.11	-0.42	-0.33	0.12	0.08	-0.20

Source: Navigator Australia Limited

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 (calculated by Navigator Australia Limited).
2. S&P/ASX 100 Industrials Accumulation Index – dividends reinvested (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 with a nominal portfolio value of $100,000.
5. Returns for periods of 12 months or more are annualised.

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 holding less than half the companies in the Benchmark. The Model Portfolio combines long horizon sustainable quality metrics and risk management expertise to exclude or underweight poorer rated companies. The Model Portfolio will usually hold 30-40 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

MODEL PORTFOLIO

For the month ending 30 November 2019 the gross return of the Model Portfolio was +2.90%. Over the same time period the total return of the Benchmark was +2.83%. As a consequence, the Model Portfolio outperformed the Benchmark by +0.07% (active return) for the month of November.

The gross return of the Model Portfolio (+2.90%) is comprised of two (2) major components: a cash income (dividend) return of +0.68% (i.e. from dividends paid by companies in the Model Portfolio during November); and a capital (price) return of +2.22%.

MARKET

The Australian equity market, as represented by the S&P/ASX 100 Industrials Index (Benchmark), bounced back strongly from its lacklustre performance in October by posting a total return of +2.83% for the month. By contrast, the total return of the S&P/ASX 200 Index, which includes resources companies, was +3.28%, reflecting the fact that resources companies outperformed their industrials counterparts over the month.

The best performing sectors for the month were Information Technology (+11.1%), Health Care (+9.6%), Consumer Staples (+8.7%), Communication Services (+8.0%), Materials (+7.8%), Consumer Discretionary (+5.5%) and Industrials (+4.2%), which outperformed the broader market, while the worst performing sectors for the month were Financials (-2.3%), Utilities (-0.6%) and Real Estate (+2.7%), which underperformed the broader market, as represented by the Benchmark.

ATTRIBUTION COMMENTARY

The active return for the month (+0.07%) can be decomposed into two (2) key components:

- Benchmark stocks held by the Model Portfolio, due to better sustainable quality metrics, contributed +0.31% to active return; and
- Benchmark stocks not held in the Model Portfolio, due to poorer sustainable quality metrics, detracted -0.24% from active return.

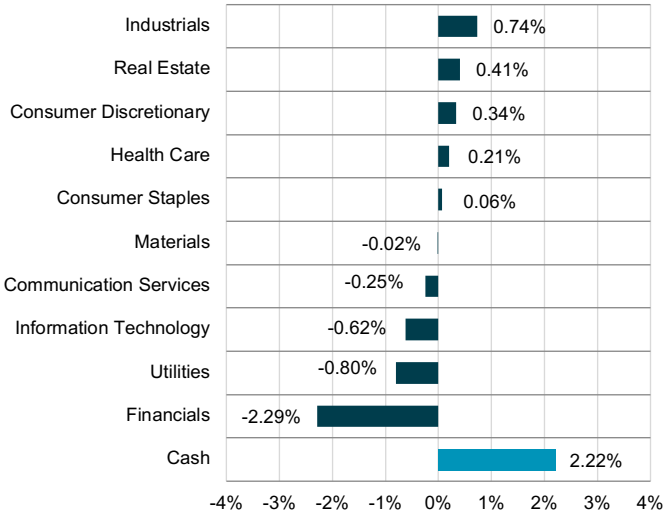
Furthermore, using a returns-based attribution, the active return of the Model Portfolio can be decomposed into two (2) alternative components:

- the sector positioning of the Model Portfolio contributed +0.02% to active return; and
- stock selection within the sectors contributed +0.05% to active return.

TOP 10 HOLDINGS

Company	Model Portfolio (%)	Benchmark (%)
Commonwealth Bank of Australia	10.60	10.53
CSL Ltd	9.11	9.49
Westpac Banking Corporation	6.17	6.23
National Australia Bank Ltd	5.31	5.52
Woolworths Group Ltd	4.45	3.86
ANZ Banking Group Ltd	4.31	5.32
Telstra Corporation Ltd	4.19	3.40
Wesfarmers Ltd	4.16	3.56
Macquarie Group Ltd	3.60	3.23
Aristocrat Leisure Ltd	2.39	1.60

SECTOR ACTIVE WEIGHTS



MODEL PORTFOLIO FACTS

Model Portfolio code	RISMA
Model Portfolio size ($)	165,665,966
Number of holdings	40
Inception date	30 April 2015

ATTRIBUTION COMMENTARY (CONT'D)

SECTORS

From a sector allocation perspective, underweight positions in the Financials and Utilities sectors, which underperformed the broader market, and overweight positions in the Health Care and Industrials sector, which outperformed the broader market, contributed +0.04%, +0.02%, +0.02% and +0.01% respectively to active return (i.e. collectively contributed +0.09% to active return).

This positive outcome was partly offset by underweight positions in the Information Technology and Communication Services sectors, which outperformed the broader market, and an overweight position in the Real Estate sector, which underperformed the broader market, and which detracted -0.04%, -0.02% and -0.01% respectively from active return (i.e. collectively detracted -0.07% from active return).

STOCK SELECTION

Stock selection was best in the Communication Services (+0.10%), Consumer Discretionary (+0.08%), Industrials (+0.06%), Utilities (+0.06%) and Real Estate (+0.05%) sectors, which collectively contributed +0.35% to active return.

On the other hand, stock selection was worst in the Materials (-0.13%), Consumer Staples (-0.07%), Information Technology (-0.04%), Health Care (-0.04%) and Financials (-0.02%) sectors, which collectively detracted -0.30% from active return.

ASSETS

On a relative basis, some of the best performing stocks for the month were overweight positions in Qantas Airways Ltd (Industrials), Coca-Cola Amatil Ltd (Consumer Staples), Telstra Corporation Ltd (Communication Services), Computershare Ltd (Information Technology), Aristocrat Leisure Ltd (Consumer Discretionary) and Ansell Ltd (Health Care) and underweight positions in APA Group (Utilities, not held), ANZ Banking Group Ltd (Financials), Medibank Private Ltd (Financials, not held) and Aurizon Holdings Ltd (Industrials, not held), which collectively contributed +0.59% to active return.

Qantas Airways Ltd (ASX: QAN)

Qantas Airways Ltd (ASX: QAN) posted a total return of +13.88% for the month on the back of a series of positive events during November. Firstly, QAN successfully completed its off-market buy-back of 79.7 million shares at $5.56 per share (equivalent to about 5.1% of its issued capital). The Model Portfolio did not participate in this buy-back. Secondly, the company announced a plan to become net carbon neutral by 2050. QAN is looking to slash emissions by way of a $50 million investment over the next 10 years. Thirdly, the Australian Competition and Consumer Commission (ACCC) announced that it is planning to grant authorisation to QAN to further extend its frequent flyer program. The ACCC will allow QAN, BP Australia, and independent BP petrol stations, to collectively participate in the BP Rewards, Qantas Frequent Flyer and Qantas Business Rewards programs. An overweight position in this stock contributed +0.11% to active return for the month.

APA Group Ltd (ASX: APA)

APA Group Ltd (ASX: APA) had a total return of -5.58% for the month after the Australian government rejected the proposed acquisition of the gas pipeline company by a Hong Kong-based consortium led by CK Infrastructure Holdings (CKI) claiming that the proposed takeover would be contrary to the national interest. An underweight position (i.e. not held by the Model Portfolio) in this stock contributed +0.09% to active return for the month.

Offsetting these positive stock contributions were overweight positions in Incitec Pivot Ltd (Materials), Atlas Arteria Ltd (Industrials) and Westpac Banking Corporation (Financials) and underweight positions (i.e. not held in the Model Portfolio) in The A2 Milk Company Ltd (Consumer Staples), James Hardie Industries Plc (Materials), Xero Ltd (Information Technology), Virgin Money UK Plc (Financials), Treasury Wine Estates Ltd (Consumer Staples), Cleanaway Waste Management Ltd (Industrials) and ALS Ltd (Industrials), which collectively detracted -0.61% from active return.

LARGEST CONTRIBUTORS

Company	Model Portfolio Average Weight (%)	Benchmark Average Weight (%)	Contribution (%)
Qantas Airways Ltd	1.92	0.79	0.11
APA Group	0.00	0.99	0.09
Coca-Cola Amatil Ltd	1.07	0.41	0.06
Telstra Corporation Ltd	4.06	3.19	0.06
ANZ Banking Group Ltd	4.65	5.54	0.06
Computershare Ltd	1.24	0.63	0.05
Medibank Private Ltd	0.00	0.66	0.04
Aurizon Holdings Ltd	0.00	0.86	0.04
Aristocrat Leisure Ltd	2.39	1.55	0.04
Ansell Ltd	1.18	0.29	0.04

LARGEST DETRACTORS

Company	Model Portfolio Average Weight (%)	Benchmark Average Weight (%)	Contribution (%)
The A2 Milk Company Ltd	0.00	0.69	-0.13
James Hardie Industries Plc	0.00	0.92	-0.12
Xero Ltd	0.00	0.61	-0.08
Incitec Pivot Ltd	1.04	0.43	-0.05
Virgin Money UK Plc	0.00	0.18	-0.05
Atlas Arteria Ltd	0.99	0.41	-0.04
Westpac Banking Corporation	6.99	6.82	-0.04
Treasury Wine Estates Ltd	0.00	0.99	-0.03
Cleanaway Waste Management	0.00	0.29	-0.03
ALS Ltd	0.00	0.31	-0.03

Note: Contributions shown in the above tables are to the active return of the Model Portfolio. Period: 31 October 2019 to 29 November 2019.

The A2 Milk Company Ltd (ASX: A2M)

The A2 Milk Company Ltd (ASX: A2M) bounced back strongly from its relatively poor performance over the previous three (3) months to post a total return of +22.67% for November. This came after its annual general meeting (AGM), which provided a positive half year 2020 business update, highlighting improving margins with strong sales growth for infant nutrition and fresh milk across all key jurisdictions (Australia, New Zealand, China and the United States). An underweight position (i.e. not held by the Model Portfolio) in this stock detracted -0.13% from active return for the month.

James Hardie Industries Plc (ASX: JHX)

James Hardie Industries Plc (ASX: JHX) has been one of the top performers in S&P/ASX 200 Index this year. The building products supplier posted a total return of +16.99% for the month after reporting a 22% increase in adjusted net operating profit (NOPAT) for the September quarter 2020 and a 17% increase in NOPAT for the half year 2020 (both relative to the same time periods last financial year). Management also released promising FY 2020 guidance, which will see further increases in adjusted NOPAT, improvements across all key markets and expanding margins. An underweight position (i.e. not held by the Model Portfolio) in this stock detracted -0.12% from active return for the month.

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POSITION CHANGES

As at month end the Model Portfolio holds 40 of the 80 companies in the Benchmark universe. There were four (4) position changes in the Model Portfolio during the month prompted by net positive investor inflows. The Model Portfolio increased its position in Coles Group Ltd (about 0.50% of portfolio value), Orica Ltd (about 0.30% of portfolio value), Suncorp Group Ltd (about 0.40% of portfolio value) and Wesfarmers Ltd (about 0.30% of portfolio value). Despite these trades, the turnover for the Model Portfolio continues to be low.

The S&P/ASX will review index memberships in March 2020 and any additions to or deletions from the Benchmark may prompt a rebalance of the Model Portfolio at that time.

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