

## 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.

## 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.

## Market Commentary

The Australian equity market (S&P/ASX 100 Industrials Index) finished the month up 2.97%, hitting it's highest monthly Index close at the end of April. The S&P 500 also performed strongly, rising 5.25% in USD terms, closing above 4000 for the first time ever in April.

At a sector level, the IT and Industrials sectors performed best rising 9.7% and 4.2% respectively in April. Defensive sectors fell the most for the month, down 2.6% and 1.2% respectively as investors maintain a preference for growth exposures.

The portfolio's underweight to the IT sector detracted slightly in April. Stock selection was also negative due to omitting Afterpay for most of the month which was the driver of relative underperformance. Stock selection in Financials was particularly strong due to not holding Challenger and AMP which fell 20.2% and 11.9% respectively, while overweighting Medibank added value with the stock rising 10% for the month.

The Consumer Staples sector slumped in April dragged down by Woolworths, A2 Milk and Treasury Wines Estate. Woolworths was down 3.8% , falling the most in the last two days of April following an overall poor Q3 update showing a drop in food sales in Australia and New Zealand compared to the previous period. A2 Milk continues to decline for the 5<sup>th</sup> consecutive month, falling 7.8%. A2 Milk more recently has been downgraded by multiple brokers over poor outlook and overdependence on Chinese consumers where revenue from China/Asia represents circa-40% of total revenue. The Model Portfolio has no holding of A2 Milk.

The best performing stock from the Index was Cleanaway Waste Management which rose by 29.6% after Suez agreed to sell its Australian operations to Cleanaway.

Challenger was the worst performing stock, down 20.2% for the month. The company disappointed investors revising FY 2021 profit guidance to the lower end of that original expected. The Model Portfolio does not own shares in Challenger.

## Position Changes

At month end the Model Portfolio held 41 companies from the benchmark universe. Afterpay and Bank of Queensland were added whilst Cochlear was removed. Macquarie and Woolworths positions were decreased to align closer to benchmark weights, whilst Orora and Downer were decreased but maintains an overweight. Westpac's exposure was increased but remains underweight.

## Dividends

The expected cash dividend yield of the Model Portfolio is forecasted to be 3.5% over the next 12 months versus 3.3% for the benchmark. Additional franking credits of approximately 1% are also expected over the next year.

## Top 10 Holdings

Company	Model Portfolio %
Commonwealth Bank of Australia	11.51
CSL Ltd	8.94
Australia & New Zealand Bankin	7.23
National Australia Bank Ltd	6.75
Westpac Banking Corp	6.20
Wesfarmers Ltd	5.44
Macquarie Group Ltd	3.90
Woolworths Group Ltd	3.55
Telstra Corp Ltd	3.53
Transurban Group	2.40

## Sector Allocation

Sector	Model Portfolio %
Consumer Discretionary	8.62
Information Technology	4.43
Industrials	9.82
Communication Services	4.74
Financials	40.36
Materials	4.44
Consumer Staples	5.82
Health Care	13.14
Real Estate	7.38
Energy	0.00
Utilities	1.25

## Model Portfolio Facts

Model Portfolio Code	RISMA
Benchmark	S&P/ASX 100 Industrials Accumulation Index
Inception Date	30 April 2015
Number of Holdings	41
Aggregate FUM (\$)	215,665,346

## Available Platforms

### MLC Wrap / MLC Navigator

Email: [info@mlcam.com.au](mailto:info@mlcam.com.au)

Phone: 1300 738 355

### Macquarie Wrap

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

Phone: 1800 501 180

## Investment Manager

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

## Address

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

## Website

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30 APRIL 2021

# MONTHLY REPORT

## REDPOINT INDUSTRIALS SMA



### Performance

Performance (%)	1 month (%)	3 months (%)	6 months (%)	1 year (%)	2 years (%pa)	3 years (%pa)	4 years (%pa)	5 years (%pa)	Since Inception (%pa)
Model Portfolio Total Return <sup>1</sup>	2.36	7.48	17.92	25.69	6.62	7.65	5.61	8.04	5.85
Income Return	0.01	1.02	1.64	3.44	3.68	4.47	4.47	4.66	4.65
Price Return	2.35	6.47	16.28	22.25	2.95	3.19	1.14	3.38	1.20
Benchmark Total Return	2.97	7.31	18.11	28.08	8.31	8.63	6.36	8.60	6.53
Relative Return	-0.61	0.18	-0.18	-2.39	-1.69	-0.98	-0.75	-0.55	-0.68
Estimated Franking Credits	0.00	0.29	0.45	0.84	1.01	1.22	1.30	1.40	1.43
Estimated Gross Income Return <sup>2</sup>	0.01	1.31	2.09	4.28	4.69	5.69	5.77	6.06	6.08

1. Model Portfolio Total Return is before management fees and transaction costs (calculated by Navigator Australia Limited).
2. Estimated Gross Income Return is the sum of Income Return and Estimated Franking Credits

### Model Portfolio Commentary

The Redpoint Industrials SMA (Model Portfolio) underperformed the S&P/ASX 100 Industrials Index by -0.61% for the month with a gross return of 2.36% vs 2.97% for the Index. The gross return of the model portfolio is mostly comprised of a price only return of 2.35% and income return of 0.01% reflecting a dividend received from Bank of Queensland.

### Attribution Commentary

#### Contributors

Stock selection added most in the Financial sector thanks to the Model Portfolio having no holding in Challenger which disappointed investors with reduced profit guidance. The company rates poorly on our Growth metrics. Having no holding in embattled AMP also added value in April.

An overweight position in Carsales contributed strongly for the Model Portfolio in April. The stock rose by 11.7% in April and remains a strong diversifying position in the Communications sector along with the Model Portfolio's holding of Telstra.

Reliance Worldwide finished up 9.8% for the month following a positive Q3-2021 update which saw consolidated sales up 14% across all key regions, boosted by increased spending on residential repairs/renovations and demand in the U.S following significant weather freezing in February. The portfolio maintains an overweight position with the stock rating highly across our Quality, Growth and Sustainability metrics.

#### Detractors

Having no holding in Afterpay detracted from relative performance in April. Noting that this position had become the largest individual contribution to risk relative to the index necessitated us to open a small position in April. The Model Portfolio remains underweight in Afterpay but our Growth metrics are now indicating that the company is improving return on its strong revenue acceleration. The growth in the Company's offshore operations (especially the USA) also present a currency exposure which is attractive from a diversification perspective.

While JB Hi-Fi announced a solid sales update at the end of April, this was overshadowed by the sudden resignation of its CEO, Richard Murray. Discretionary retailers in general were weaker in April on expectations that the high retail spending in recent months was set to abate. JB HIFI remains a preferred holding for the Model Portfolio and is one of few stocks to increase their dividends in 2020 and recently rewarded investors with a 100% increase in its interim dividend (versus its 2020 final dividend). Since entering the Model Portfolio in 2020 the stock has delivered a 7.8% cash yield (11% fully franked) on the original cost of the share plus a 30% price appreciation.

Cleanaway was the best performing stock for the month, up 29.6% after Suez agreed to sell its Australian operations to Cleanaway. Despite the stock's strong performance for the month, the portfolio holds no position based on a high valuation and uncertain growth profile which is now further clouded by the integration of the Suez business in Australia.

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### Top 5 Contributors

Company	Model Portfolio %	Index %	Contribution %
carsales.com Ltd	1.19	0.34	0.07
Challenger Ltd	0.00	0.25	0.06
Xero Ltd	1.95	1.20	0.06
Reliance Worldwide Corp Ltd	1.18	0.27	0.06
Medibank Pvt Ltd	1.42	0.57	0.06

### Top 5 Detractors

Company	Model Portfolio %	Index %	Contribution %
Afterpay Ltd	0.30	1.99	-0.26
Incitec Pivot Ltd	1.32	0.38	-0.12
JB Hi-Fi Ltd	1.20	0.42	-0.11
AGL Energy Ltd	1.31	0.41	-0.10
Cleanaway Waste Management Ltd	0.00	0.37	-0.09

### 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. The Model Portfolio has a 25% lower carbon intensity than the index and a 50% lower carbon intensity than the ASX200 Index.

Cohort	Model Portfolio	ASX100 Indl	ASX200
<b>Redpoint ESG</b>	<b>0.69</b>	<b>0.64</b>	<b>0.69</b>
Environmental	0.70	0.67	0.69
Social	0.59	0.56	0.66
Governance	0.58	0.54	0.56
<b>Carbon Intensity</b>	<b>165.67</b>	<b>190.34</b>	<b>295.69</b>

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