

## 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 S&P/ASX 100 Industrials Accumulation Index returned -0.7% over the month of September, resulting in a gain of 4.6% for the 3rd quarter of 2021. Year to date the index is up 19.4%, outperforming the broader index (S&P/ASX 200) by 4.6%.

Dividend outcomes for investors continued to improve in the third quarter. Reporting season delivered improved earnings results and better than expected provisioning for bad debts from the banking sector. Commonwealth Bank doubled its final dividend to \$2 per share (plus tax credits of \$0.85) and announced a \$6b off market buyback of shares. Our 30 June forecast for a 0.95% cash yield for the 3<sup>rd</sup> quarter was just below the actual yield delivered of 0.97% (plus an estimated 0.29% in tax credits). We estimate that the Model Portfolio has delivered investors a gross yield of 5.2% (4% cash dividend + 1.2% tax credits) over the past twelve months. In price terms the value of the Model Portfolio has risen by almost 30% over the past year reflecting the economic bounce back supported by emergency fiscal and monetary policy initiative both here in Australia and across the world.

Performance across various industry sectors has been mixed over the past month notwithstanding that all sectors delivered a positive return over the September quarter. The Materials and IT sectors performed best over the quarter but were weaker in the month of September. The Financial and Communications sectors were the only one to rise in both the month of September and over the course of the third quarter.

Takeover activity impacted the Industrials and Utilities sectors over the quarter. Bids for Sydney Airport, AusNet and Spark Infrastructure Group saw these companies rise by 42%, 44% and 29% respectively over the quarter. Increasing travel expectations buoyed Qantas which rose by 22% over the quarter as vaccination rates headed towards levels where lockdowns will be repealed through October and November.

The top five performers from the S&P/ASX 100 Industrials Index for the quarter were WiseTech Global Ltd (Enterprise Software, 68.0%), AusNet Services Ltd (Electric Distribution, 44.0%), Sydney Airport (Airport Operators, 42.3%), IDP Education Ltd (Educational Services, 39.0%) and Domino's Pizza Enterprises Ltd (Limited Service Restaurants, 33.2%). The bottom five performers were Magellan Financial Group Ltd (Investment Management, -34.3%), AGL Energy Ltd (Integrated Electric Utilities, -29.5%), Ansell Ltd (Surgical Appliances & Supplies, -21.4%), Crown Resorts Ltd (Casinos, -19.6%) and Reece Ltd (Plumbing Fixtures, -19.0%)

## Position Changes

At the end of the month the Model Portfolio held 40 companies from the benchmark universe. During this period, the Model Portfolio exited out of Downer EDI and Endeavour Group and did not open any new positions. From the existing positions, the Model Portfolio increased its exposure to Commonwealth Bank, ANZ, Suncorp, Carsales, James Hardie, Amcor and Aurizon. In addition, the Model Portfolio decreased its exposure to Ansell and Sydney Airport.

## Dividends

During the September quarter, the Model Portfolio earned a dividend yield of 0.96% and additional franking credits of 0.29%, thus earning a total gross yield of 1.25%. Looking forward into the December quarter, the Model Portfolio is forecasting a dividend yield of 0.89% and franking credits of 0.22%. The upcoming quarter will see dividends declared by the remaining Westpac, ANZ, National Australia Bank, Macquarie Group and retailer Wesfarmers.

## Top 10 Holdings

Company	Model Portfolio %
Commonwealth Bank of Australia	12.16
CSL Ltd	9.29
National Australia Bank Ltd	6.82
Westpac Banking Corp	6.23
Australia & New Zealand Banking	5.91
Wesfarmers Ltd	5.45
Macquarie Group Ltd	3.66
Telstra Corp Ltd	3.61
Woolworths Group Ltd	3.40
Aristocrat Leisure Ltd	2.33

## Sector Allocation

Sector	Model Portfolio %
Consumer Discretionary	8.74
Information Technology	4.40
Industrials	8.72
Communication Services	5.07
Financials	40.11
Materials	5.14
Consumer Staples	5.68
Health Care	13.66
Real Estate	7.66
Energy	0.00
Utilities	0.82

## Model Portfolio Facts

Model Portfolio Code	RISMA
Benchmark	S&P/ASX 100 Industrials Accumulation Index
Inception Date	30 April 2015
Number of Holdings	40
Aggregate FUA (\$)	235,802,227

## 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)

30 SEPTEMBER 2021  
**QUARTERLY 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>	-0.74	4.80	13.22	33.89	7.09	9.30	9.35	9.37	7.13
Income Return	0.30	0.97	1.85	4.02	3.38	4.29	4.42	4.56	4.67
Price Return	-1.04	3.83	11.37	29.87	3.71	5.01	4.93	4.82	2.46
Benchmark Total Return	-0.70	4.61	13.89	34.51	8.59	10.34	10.24	9.78	7.77
Relative Return	-0.04	0.19	-0.67	-0.63	-1.50	-1.04	-0.89	-0.41	-0.64
Estimated Franking Credits	0.08	0.29	0.61	1.23	0.93	1.17	1.27	1.36	1.44
Estimated Gross Income Return <sup>2</sup>	0.38	1.26	2.46	5.25	4.31	5.45	5.69	5.92	6.11

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

**Top 5 Contributors**

Company	Model Portfolio %	Index %	Contribution %
carsales.com Ltd	1.67	0.42	0.27
Cochlear Ltd	0.00	1.04	0.18
Incitec Pivot Ltd	1.18	0.34	0.14
Suncorp Group Ltd	2.09	1.02	0.13
Sydney Airport	1.46	1.38	0.13

**Top 5 Detractors**

Company	Model Portfolio %	Index %	Contribution %
AGL Energy Ltd	0.92	0.29	-0.22
WiseTech Global Ltd	0.00	0.41	-0.22
Ansell Ltd	0.94	0.33	-0.18
Domino's Pizza Enterprises Ltd	0.00	0.57	-0.15
Magellan Financial Group Ltd	0.75	0.45	-0.13

**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>0.67</b>	<b>0.62</b>	<b>0.68</b>
Environmental	0.69	0.66	0.69
Social	0.56	0.54	0.62
Governance	0.56	0.53	0.56
<b>Carbon Intensity</b>	<b>152.65</b>	<b>204.33</b>	<b>300.06</b>

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

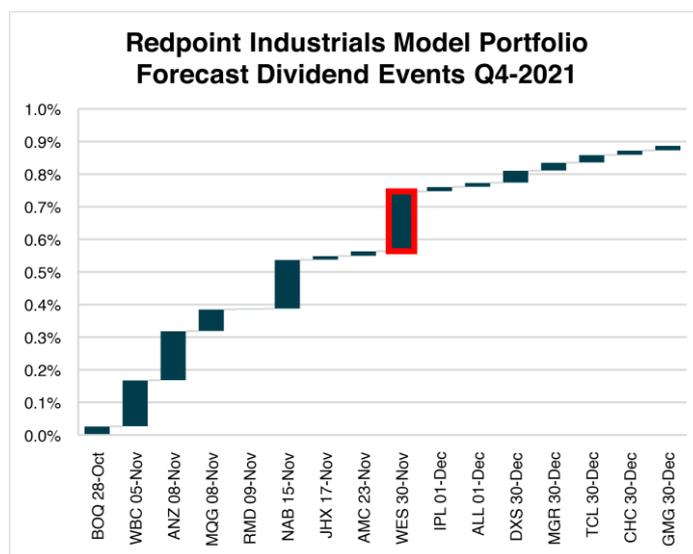
**Manager Commentary**

The SMA Model Portfolio delivered strong absolute performance during the quarter. Most pleasingly the reporting season delivered improved dividend payments for investors versus 2020.

The Model Portfolio delivered a gross yield of 1.26% comprised of a dividend return of 0.97% and additional franking credits of 0.29%. Suncorp and Commonwealth Bank increased their dividends the most relative to the same time last year. Suncorp paid a fully franked final dividend of \$0.40 and special dividend of \$0.08. Similarly, Commonwealth Bank paid a final dividend of \$2 per share: double the amount paid as a final dividend in 2020.

Performance relative to the benchmark was positive over the quarter. Communication and Industrials outperformed with Carsales.com and Sydney Airport contributing the most to relative performance. Carsales.com rose over the quarter following a strong earnings announcement including a higher dividend compared to last year.

The cash yield of the Model Portfolio is forecast to be 0.89% for the December quarter. This includes our expectation that Wesfarmers will make a return or capital to shareholders which will require approval at their upcoming annual general meeting on October 21. This payment has been made possible by the company's divestment of its coal assets as well as interests in Quadrant Energy and retailer Coles.



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