Redpoint Investment Management

30 JUNE 2016

The year in review

REDPOINT GLOBAL INFRASTRUCTURE FUND

Fund performance as at 30 June 2016	1 month (%)	3 months (%)	6 months (%)	1 year (%)	2 years (% pa)[4]	3 years (% pa)[4]	Since inception (% pa)[4,5]
Fund return (net)[1]	4.11	6.09	12.49	11.40	7.80	13.74	14.54
Benchmark return[2]	4.36	5.58	12.38	9.34	7.57	12.54	14.37
Active return[3]	-0.25	0.51	0.11	2.06	0.23	1.20	0.17
Global equities return[6]	-1.08	2.03	0.77	0.26	5.80	11.96	13.70
Active return vs global equities[7]	**5.19**	**4.06**	**11.72**	**11.14**	**2.00**	**1.78**	**0.84**

1. Redpoint Global Infrastructure Fund (Fund) – performance is before taxes, but after management fees and transactions costs. Past performance is not a reliable indicator of future performance. Returns are not guaranteed and future returns may vary from any target returns described in this document.
2. FTSE Developed Core Infrastructure Index (Benchmark) with net dividends reinvested – hedged to AUD. Benchmark returns do not allow for taxes, management fees and transaction costs.
3. Active return is the difference between Fund and Benchmark return.
4. All returns are cumulative and annualised for periods of 12 months or more.
5. Inception date is 3 April 2012.
6. Global equities return is represented by the MSCI World Index hedged to AUD and net of withholding tax.
7. Active return vs global equities is the between Fund and global equities return.

COMMENTARY

Over the last 12 months, the volatility of global equity markets has spiked significantly after a more benign period over the preceding 3 years. This has been driven by a number of global concerns:

- expectations of a cycle of US interest rate hikes;
- growth concerns impacting the Chinese stock market;
- a sharp fall in the price of oil; and
- a surprise vote for “Brexit” which now has the UK poised to leave the European Union.

In the face of this uncertainty, Redpoint’s Global Listed Infrastructure Fund has delivered an 11.40% return for investors over the past twelve months. In contrast, the MSCI World Index, which represents around 1,600 stocks globally across 23 developed countries, had a marginally positive (+0.26%) return over the same period. Even more pleasing is that the volatility of returns for the Fund has remained consistent while the broader equity market has been characterised by distinctly higher volatility.

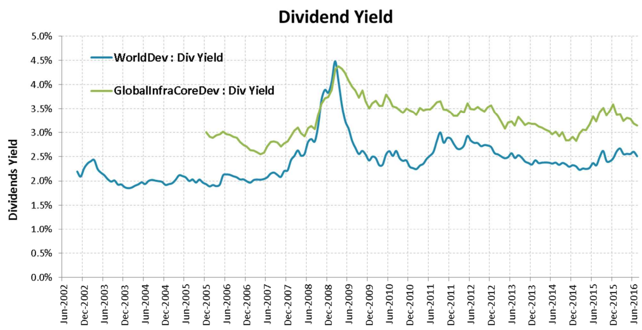
Volatility as at 30 June 2016	1 year (%)	2 years (% pa)	3 years (% pa)	Since inception (% pa)
Fund volatility[1]	9.97	9.30	8.93	9.02
Global equities volatility[1]	14.62	11.63	10.84	10.47
Active volatility[2]	**-4.65**	**-2.33**	**-1.91**	**-1.45**

1. Volatility is calculated by the standard deviations of the monthly returns.
2. Active volatility is the difference between Fund and global equities volatility.

The table above shows that the volatility of the Fund’s returns has remained below 10%pa while the volatility of global equities in general has increased to almost 15%pa over the past year. This increased volatility has seen investors seek higher quality companies with predictable cashflow and good dividend yield as a defence against growing economic uncertainty.

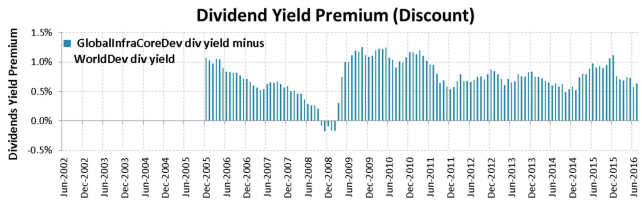
There are a number of factors that point toward lingering uncertainty for global economic growth. Steadily improving economic data in the US is now signalling some further interest rate increases however the timing and path of these hikes is unclear. In contrast, the UK and Australia continue to cut interest rates to multi-year lows and the European Central Bank and Bank of Japan are continuing their liquidity programs to boost their economies. The stable yield and inflation-linked pricing power that characterises many infrastructure companies offers an appealing investment in such an environment.

Furthermore, our analysis shows that the valuation of infrastructure companies remains fair. From a dividend yield perspective, we can see below that yields are back near to pre-GFC levels for both infrastructure and global equities in general.



Source: Redpoint.

At the same time, listed infrastructure continues to have a consistent and positive yield advantage relative to global equities.



Source: Redpoint.

Global listed infrastructure offers equity market returns but with a defensive nature in times of volatility. It does so with a better yield than global equities and, unlike unlisted infrastructure, offers daily liquidity which allows investors access to their capital when they need it. The ability of Redpoint’s Global Listed Infrastructure Fund to deliver the key investment characteristics of the infrastructure asset class make the strategy a valuable component of any retirement solution.

CONTACTS

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