

# REDPOINT GLOBAL INFRASTRUCTURE STRATEGY

CAPTURING THE ESSENCE OF THE ASSET CLASS – 31 MARCH 2018

## INVESTMENT OBJECTIVE

Redpoint's global infrastructure strategy invests in a portfolio of core infrastructure securities that provides diversification and more stable inflation-linked growth characteristics relative to global equities.

The strategy aims to outperform its benchmark after fees, and the majority of competing strategies, over rolling five-year periods. Individual client portfolios can be managed on a hedged or unhedged basis.

## ABOUT REDPOINT

Redpoint's experienced team develops and manages global quantitative equity strategies characterized by:

- > **INSIGHT** into the economics of financial markets,
- > **DESIGN** to balance opportunity, cost and risk,
- > **FOCUS** to achieve customized client objectives.

Collaboration, experience and a breadth of knowledge, yield well-engineered solutions.

## INVESTMENT PROCESS

The distinct economic drivers of infrastructure firms create an asset class that has higher dividend yield and lower volatility characteristics relative to global equities. To capture these income and diversification benefits, investors are challenged by the composition of active and passive strategies.

Popular global infrastructure benchmarks appear diversified, with 75, 100 and more than 150 constituents, depending on the index vendor. However, fewer than 20 stocks account for more than half of the index weight in each case – a direct consequence of market-cap weighting.

Most active strategies are concentrated by design. Holding multiple managers has little impact on concentration risk, with the relatively small size of the asset class resulting in common holdings across managers. In practice, an active or passive infrastructure allocation will typically place a significant bet on the performance of just a few firms.

Redpoint's investment insight addresses these challenges. To reduce concentration, the starting point for our strategy is a universe of large, mid

and small-cap stocks focused on core infrastructure activities; systematically weighted to reflect their risk contributions to the asset class.

To bolster the income and risk benefits associated with the asset class, our strategy actively targets sustainable dividend yield, while limiting exposure to firms with excessive leverage and poor 'quality' characteristics. Proprietary sustainability metrics identify poorly managed firms and focus investment in quality companies expected to succeed over the long term.

Quantitative portfolio construction balances these return focused elements against stock specific risk. Since hedging to reduce return volatility is consistent with the defensive nature of the asset class, the strategy can be customized to suit clients' currency management preferences. With insight and design expertise, the Redpoint Global Infrastructure Strategy is a broadly diversified portfolio that captures the essence of the infrastructure asset class.

## INVESTMENT PERFORMANCE

All current portfolios are fully, passively hedged to the Australian dollar. Strategy (representative account) and Benchmark performance are presented fully hedged to the Australian dollar. The Active return is the actual historical excess return realized relative to the index. This is a reasonable approximation of the excess return that could have been achieved if the strategy had been managed on an unhedged basis or hedged into a different currency.

Strategy performance as of 31 March 2018	1 month (%)	3 months (%)	6 months (%)	1 year (%)	2 years (% p.a.)	3 years (% p.a.)	5 years (% p.a.)	Inception (% p.a.)
Fund return (gross) <sup>1</sup>	1.27	-4.74	-3.05	3.05	8.22	5.77	10.57	12.41
Benchmark return <sup>2</sup>	1.81	-4.40	-2.53	2.57	7.61	4.90	9.55	11.68
Active return	-0.54	-0.34	-0.52	0.48	0.61	0.87	1.02	0.74

<sup>1</sup> Composite gross returns are before taxes and management fees, but after transactions costs.

<sup>2</sup> FTSE Developed Core Infrastructure Index with net dividends reinvested – hedged to Australian dollars. Benchmark returns do not allow for management fees and transaction costs.

## TOP 10 HOLDINGS

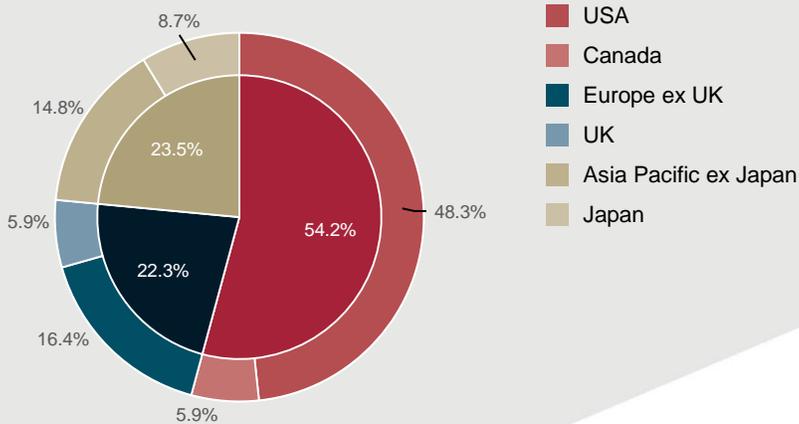
	Fund (%)	Benchmark (%)
Union Pacific Corporation	2.97	5.95
American Tower Corporation	2.69	3.45
Duke Energy Corporation	2.55	3.05
Crown Castle International Corp	2.38	2.48
Enbridge Inc	1.97	2.92
Norfolk Southern Corporation	1.90	2.16
CSX Corporation	1.89	2.67
National Grid Plc	1.83	2.15
East Japan Railway	1.80	1.94
Central Japan Railway	1.79	1.93

## SUMMARY STATISTICS

	Statistic
Inception Date	3 April 2012
Strategy FUM (USD millions)	\$134.3
Firmwide FUM (USD millions)	\$7,638
Number of Holdings	126
Predicted Beta (relative to benchmark)	0.98
Predicted Tracking Error	2% - 3%
Estimated Annual Turnover (one-way)	25%
Dividend Yield	3.94%



## REGIONAL ALLOCATION



## INVESTMENT TEAM



**Max Cappetta**  
CEO/Senior PM  
Experience:23 Years  
MEc (Macquarie University)



**Eric Smith**  
CIO  
Experience:32 Years  
BSc (Sydney University),  
MBA (University of NSW)



**Ganesh Suntharam**  
Investment Director /Senior PM  
Experience:19 Years  
BEng, BCompSc (Sydney University)



**Alex Stephen**  
Senior Portfolio Manager  
Experience:21 Years  
BA (University of Southampton)



**Anthony Corr**  
Research Director  
Experience:22 Years  
BSc Hons (University of Technology,  
Sydney), PhD (University of NSW)

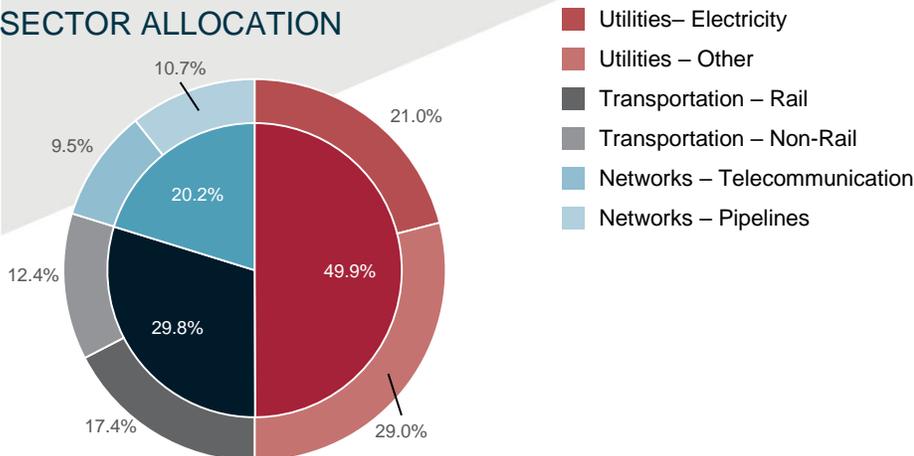


**Nelson Wicas**  
Research Director  
Experience:26 Years  
PhD (University of Pennsylvania)



**Toby Bellingham**  
Portfolio Trader  
Experience:20 Years  
Grad Cert Finance (Macquarie Uni)

## SECTOR ALLOCATION



## INSIGHT: INVESTING IN LISTED INFRASTRUCTURE

Infrastructure firms-utilities, telecom, transportation and energy companies-provide essential services to permit all modern economies to function. Given their critical role and monopolistic nature, infrastructure firms are often regulated to encourage efficient operation and manage consumer pricing. This regulation insulates consumers and other economic sectors from price shocks but in turn, results in more stable, inflation linked revenue streams for these infrastructure companies. For investors, this stability and inflation linked revenue streams provides a diversification opportunity by creating an asset class with enhanced yield and lower volatility characteristics compared to global equities.

Despite the range of infrastructure benchmarks, the number of names within benchmarks tends to be relatively small. The FTSE Developed Core Infrastructure Index, for example, contains 150 stocks. With a small number of stocks to select from, peer group performance tends to be highly correlated reflecting the common holdings among managers. In this circumstance, management fees strongly influence actual performance realized by investors.

The Redpoint Infrastructure Strategy is engineered to account for these asset class characteristics to yield competitive after cost, risk adjusted performance.

## CONTACT REDPOINT

Email: [redpoint@redpointim.com](mailto:redpoint@redpointim.com)

Phone: +61 2 9119 5800 (Australia)

Website: [www.redpointim.com](http://www.redpointim.com)

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