

Total returns

At 30 April 2016	1 mth %	3 mths %	6 mths %	1 yr %	3 yrs p.a. %	5 yrs p.a. %	7 yrs p.a. %	Inception p.a. (Feb 2008) %
Ralton Leaders	2.54	4.81	1.61	-3.87	9.13	8.89	11.21	6.15
Income return	0.03	1.31	2.11	4.14	3.88	4.30	4.25	4.41
Growth return	2.51	3.50	-0.51	-8.02	5.24	4.59	6.95	1.74
S&P/ASX 100 Accum. Index	3.37	6.09	2.12	-5.57	5.00	6.85	9.75	4.07
Difference	-0.83	-1.27	-0.51	1.69	4.12	2.04	1.46	2.08

Performance review

- The S&P/ASX 100 Accumulation Index rebounded in April, adding 3.37%, with both Materials and Energy posting very strong gains.
- The Ralton Leaders portfolio was up 2.54% for April, underperforming the benchmark by 0.83%.
- For the month, being underweight Materials, specifically metals and mining stocks, weighed heavily on relative performance, offset to some degree by stock selection within Industrials.

Performance attribution

Key contributors

Key contributors	Positioning
Amcort Limited (AMC)	Overweight
Cybg PLC (CYB)	Overweight
Graincorp Limited (GNC)	Overweight

Amcort Limited (AMC, +7.3%) – global packaging company Amcort rallied following the acquisition of South America-based Alusa. The acquisition is AMC’s third largest acquisition, behind the successful acquisitions of Alcon and Ball. Amcort already has a good presence in South America, however this acquisition provides instant scale benefits and boosts its geographic penetration of key countries Peru, Colombia and Argentina. Alusa will increase AMC’s flexible packaging capability within the region, whereas previously its regional presence was biased toward rigid plastic materials. AMC is confident this acquisition will enable the business to grow quickly with its global partners such as Kraft, Nestle, Pepsico and Unilever, who are already major customers across the world. The strong movement in the share price since both the February results and the Alusa acquisition did see us reduce our holding in AMC.

Cybg PLC or “Clydesdale Bank” (CYB, +9.1%) – we received a small allocation of shares in CYB in February as part of the demerger from NAB and increased the holding shortly thereafter. On several financial measures the bank looks inexpensive, particularly if the new

focused management team (freed from being a nuisance asset of a major Australian bank) is able to drive the cost to income ratio lower either by growing revenue or cutting costs. We believe there is room for CYB to grow revenue by re-investing in the franchise, which was lacking under NAB, and taking advantage of the weak position of some of the major retail banks. Also, CYB will be a major beneficiary of any upwards movement in interest rates in the UK. In the short term, a decision by UK voters to leave the European Union as part of the “Brexit” vote would likely be disruptive to the UK financial sector and also Australian shareholders in CYB, as the pound would be expected to weaken. We are closely monitoring this event, although note that current polling suggests a vote to exit seems a relatively low probability.

Graincorp (GNC, +8.6%) – shares in GNC rebounded from recent lows most likely due to the rains which started to arrive near the end of the month in key growing areas. Over the next few months, investors and farmers alike will focus on the rainfall to support the winter crops. Although GNC is less dependent on the size of the grain harvest than it was in the past, it still has some influence on the share price. The other news flow of note related to GNC’s proposed involvement as an investor in a WA grain co-operative, CBH, in the event it looked to take on external investors. The CBH members rejected the proposal to prepare the company for a potential listing. As we discussed last quarter, such processes are typically quite protracted, as GNC well knows, and we expect the efforts to continue.

Key detractors

Key detractors	Positioning
BHP Billiton (BHP)	Underweight
Aristocrat Leisure (ALL)	Overweight
Coca-Cola Amatil (CCL)	Overweight

BHP Billiton (BHP, +22.7%) – having only a modest position in BHP Billiton was the key negative detractor for the portfolio as commodities continue to rise off January lows. The key drivers of the surge in commodities, in our view, has been the weakness in the US dollar, the move by China to stimulate GDP growth through

fiscal and monetary policy aimed at infrastructure and apartment development and speculative fervor on the Chinese commodity exchanges. In the first quarter of this year, China saw credit growth surge by 10% of GDP (or 40% annualized) which is clearly unsustainable. As an illustration, iron ore rallied US\$12 or 23% for April, and peaked above US\$70, up nearly 80% off recent lows and the oil price also rallied off its lows. We doubt China can continue to push the demand lever for very long, although the existing stimulus will support demand for a period. Although, we are continuing to monitor this closely as the Chinese authorities may yet try and push the fiscal and monetary stimulus further. In the medium term, we expect that the continued re-balancing in Chinese GDP growth couple with further new supply of iron ore hitting seaborne markets, such as Australia's Roy Hill project, will place a dampener on the iron ore price.

Having no exposure to fellow resource stocks, Rio Tinto (RIO, +21.0%) and Fortescue Metals (FMG, +33.7%) was also a headwind for the portfolio.

Aristocrat Leisure (ALL, -2.9%) – shares in Aristocrat fell modestly in April and detracted from returns. There was no direct company news flow during the month, although the Australian dollar had been a touch softer which would impact translated earnings. We note that in early May, ALL announced an upgrade of its half-year profit result in May and an increase in profit guidance for the full year. We will update further on this next month.

Coca-Cola Amatil (CCL, -2.7%) – shares in CCL underperformed in the absence of any news flow. The global parent company, The Coca-Cola Company (KO), reported mixed operating results during the month as part of its first quarter results. Notably for CCL, KO reported strong growth in sales volumes of non-CSDs (non-carbonated soft drinks). CCL is now selling an increased range of beverages, including water, energy drinks, juices, dairy drinks and beer. In the next few years, we expect these categories can grow at a rate well above GDP and will account for nearly half of CCL's overall sales volumes – the balance, of course, being traditional Coca-Cola and its sub brands. With consumer preferences shifting, we do not expect more than modest annual growth in carbonated soft drink consumption. We do not believe CCL's share price captures the enhanced growth CCL can capture from this shift in its product mix and hence our investment in the stock.

Portfolio changes

Key additions and material adjustments

Bought

Aurizon Holdings (AZJ)

Aurizon Holdings (AZJ) – following a pull-back in the share price, we added AZJ to the portfolio. AZJ is the former QR National or QLD railway company. AZJ has two key divisions, consisting of basically above-rail and below-rail assets. The above-rail assets or 'train sets' are focused on coal haulage for key miners with long-dated take or pay contracts to move both thermal and metallurgical coal from mines to port. AZJ has a dominant market share in QLD, but also a material amount of contract work in NSW. The below-rail division consists of an extensive rail network, the majority of which is regulated and therein, offers a consistent, predictable return profile to shareholders.

Despite the difficulty facing global coal markets and service providers to the industry, we believe AZJ is well placed given a mix of regulated returns, solid contracts for coal haulage and the relative positioning of QLD and NSW coal mines on global cost curves (and hence their ability to endure). Both divisions offer quite consistent returns and represent strategic assets in terms of infrastructure exposure. AZJ management has done a good job in terms of improving productivity and improving margins post government privatisation and we believe it is capable of achieving its longer dated margin targets.

Key disposals and material adjustments

There were no outright sales for the month for the Ralton Leaders portfolio.

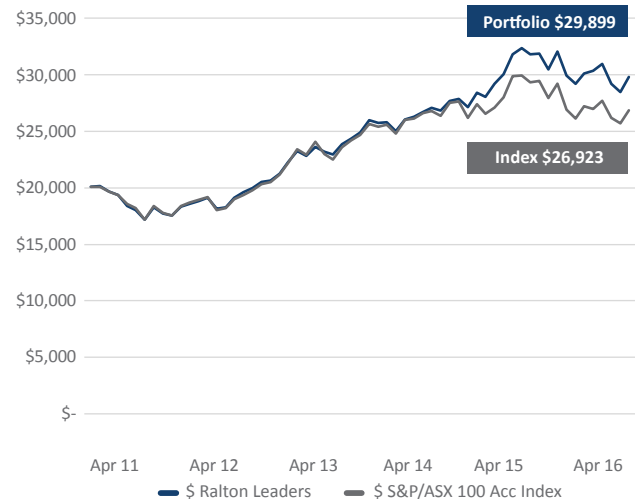
Sector allocation

GICS sector	Ralton	Index	+/-
Health Care	12.0%	6.8%	5.2%
Consumer Staples	11.6%	7.0%	4.6%
Consumer Discretionary	6.8%	3.2%	3.6%
Financials (ex-Property)	42.7%	39.2%	3.5%
Information Technology	2.5%	0.6%	1.9%
Energy	5.2%	4.3%	0.9%
Industrials	7.0%	8.0%	-1.0%
Utilities	0.0%	2.5%	-2.5%
Telecommunication Services	1.4%	5.8%	-4.3%
Materials	8.9%	14.0%	-5.2%
Property	1.8%	8.6%	-6.8%
Total	100.0%	100.0%	

Top 10 holdings[#]

Company name	ASX code
Westpac Banking Corporation	WBC
CSL Limited	CSL
National Australia Bank Limited	NAB
Commonwealth Bank of Australia	CBA
QBE Insurance Group Limited	QBE
AMP Limited	AMP
Brambles Limited	BXB
Sonic Healthcare Limited	SHL
Amtcor Limited	AMC
Star Entertainment Group Ltd	SGR

Performance comparison of \$20,000*



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* The performance comparison of \$20,000 over 5 years is for illustrative purposes only. All returns shown are based on Australian dollar figures. Past performance is not a reliable indicator of future performance. The total returns shown are prepared on an exit-to-exit basis (i.e. they include all ongoing fees and expenses and assume reinvestment of all distributions). They do not take personal taxation into account. The comparison with the S&P/ASX 100 Accumulation Index is for comparative purposes only. Index returns do not allow for transactional, management, operational or tax costs. An index is not managed and investors cannot invest directly in an index. There is no guarantee these objectives will be met.

Portfolio holdings may not be representative of current or future recommendations for the portfolio. The securities listed may not represent all of the recommended portfolio's holdings. Future recommended portfolio holdings may not be profitable.

Past performance is not a reliable indicator of future performance. Performance of the Ralton Leaders Managed Account is based on theoretical portfolio tracking of the model portfolio and is gross of investment management and administration fees, but net of transaction costs. The total return performance figures quoted are historical, calculated using end-of-month mid prices and do not allow the effects of income tax or inflation. Total returns assume the reinvestment of all distributions. This document is for general information purposes only and does not take into account the specific investment objectives, financial situation or particular needs of any specific reader. As such, before acting on any information contained in this document, readers should consider the appropriateness of the information to their needs. This may involve seeking advice from a qualified financial adviser. Copia Investment Partners Ltd (AFSL 229316, ABN 22 092 872 056) (Copia) is the provider of the Ralton Leaders Managed Account model portfolio advisory service. To subscribe to this service please contact Copia by calling 1800 442 129. Any opinions or recommendation contained in this document are subject to change without notice and Copia is under no obligation to update or keep any information contained in this document current.