Total returns

At 31 August 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 Australian Shares	-0.52	0.03	14.43	8.62	10.53	13.02	9.96	7.06
Income return	*0.74*	*1.46*	*2.77*	*4.85*	*4.19*	*4.45*	*4.41*	*4.44*
Growth return	*-1.26*	*-1.43*	*11.66*	*3.77*	*6.33*	*8.58*	*5.55*	*2.62*
S&P/ASX 300 Accum. Index	-1.56	2.15	14.07	9.69	6.61	9.48	7.31	4.07
Difference	**1.04**	**-2.11**	**0.36**	**-1.07**	**3.92**	**3.55**	**2.65**	**2.99**

Performance review

- The S&P/ASX 300 Accumulation Index decreased 1.56% in August, retracing part of July's gain. Information Technology was the strongest sector followed by Energy, with most sectors in negative territory. Defensive sectors, such as Telecommunications and Utilities, were the key underperformers.
- The Ralton Australian Shares portfolio returned -0.52% for the month, outperforming the benchmark by 1.04%.
- For the month, being overweight Information Technology, together with stock selection within Industrials, led to the portfolio's outperformance.

Performance attribution

Key contributors

Key contributors	Positioning
Cleanaway Waste Ltd (CWY)	Overweight
Computershare Ltd (CPU)	Overweight
Orora Limited (ORA)	Overweight

Reporting season was the key driver for many of our portfolio holdings in August. Listed companies report their financial progress for the completed period (half or full-year results) and provide outlook commentary on the year ahead.

Cleanaway Waste (CWY, +32.2%) – shares in CWY rallied strongly on a clean set of profit results, improved capital position and evidence that CWY's strategy is correct. The three highlights we would call out are: 1) very strong cost control as forecast by new CEO, Vik Bansal, particularly in the Industrials segment, 2) improved operating margins and cash flow outlook for the Melbourne Regional Landfill (MRL), and 3) improved sales trends. On this last point, CWY has lost market share in waste collection in recent years, however various initiatives now appear to be gaining traction, boosting the top line. Given CWY has been a medium-term turnaround for some time, this was a particularly pleasing result.

Computershare Limited (CPU, +11.3%) – weak expectations, together with a sound profit result, saw CPU rally in August and recoup recent share price weakness. For the first time in many years, CPU delivered top line revenue growth despite the continued easing in interest rates which impacts earnings from its large cash balance. We expect this to continue given productivity measures, improved capital allocation and growth areas such as mortgage processing services. The stock is also highly leveraged to an increase in interest rates.

Orora Limited (ORA, +8.01%) – shareholders in ORA benefited from a clean set of profit figures and a well-received strategic plan. Since demerging from Amcor (AMC) in late 2013, ORA's management has delivered on promised synergies for the pulp mill in Australia and demonstrated an ability to expand ORA's footprints in reasonably low-growth markets, such as glass bottling and dairy processing. With Australian operations under control, ORA's real success has been in the US. The corrugated paper and packaging products division has achieved strong profit growth, aided by strong gains in market share, organic geographical expansions, a huge boost in operating margins and targeted acquisitions. The US division has further expanded with the acquisition of IntegraColor earlier this year, a specialist package producer. IntegraColor's key focus is the design and supply of various pop-up packaging (POP) products – the type seen at the bookend of supermarket aisles displaying products on promotion. ORA intends to expand further in the US$10bn POP North American market. With a well-capitalised balance sheet, we expect ORA has considerable scope to consolidate what is currently a largely unconsolidated market, often dominated by local players and no real national leader.

Key detractors

Key detractors	Positioning
Aristocrat Leisure (ALL)	Overweight
QBE Insurance Group (QBE)	Overweight
Brambles Ltd (BXB)	Overweight

Aristocrat Leisure (ALL, -5.3%) – shares in ALL drifted lower in August in the absence of any material news flow. The shares are however, up approximately 80% for the rolling 12-month period and our positive outlook for ALL is unchanged.

QBE Insurance Group (QBE, -9.6%) – a poor result from QBE's Australian division was a key drag on the half-year results and overshadowed reasonable progress being made in other jurisdictions. QBE's CEO, conscious of recent missteps, has taken decisive action changing leadership in Australia. QBE expects remedial action, including pricing discipline, and government reform in workers' compensation insurance will see the Australian issues fixed reasonably quickly. Progress on cost reductions, moderate total premium growth and an improved balance sheet provide us with confidence on QBE's multi-year progress. The share price fall together with these factors saw us increase the position.

Brambles Limited (BXB, -8.4%) – the retirement of long-standing CEO, Tom Gorman, overshadowed the FY16 profit results and led to a pull-back in BXB shares. Gorman has been a central figure in BXB's turnaround since 2009 and can be credited with the success of a series of strategic, cultural and operational initiatives. He will remain CEO until next year, when he will be replaced by an external candidate, Graham Chipchase, former CFO and CEO of UK-listed company, Rexam. Gorman and BXB's management team have set themselves a target of 20% ROIC by 2019 and have indeed made good progress towards this target. CEO change is always a point at which we pause to consider investments. So, although Gorman's resignation brings into question whether there will be a change in direction under new leadership, it appears at this stage as if the board wants someone to execute on the existing strategy. We will continue to monitor the position. The strength of the business was highlighted by the full-year results and confident growth in profit outlook for the coming year.

Portfolio changes

Key additions and material adjustments

Bought
DUET Group (DUE)

DUET Group (DUE) – was the only new stock addition to the model portfolio during August. DUE owns a series of long-life infrastructure assets including the Dampier to Bunbury Pipeline (DBP) and gas and electricity networks in south east Australia and last year's purchase, Energy Developments (ENE). ENE in turn owns and operates a series of long-life, contracted utility assets. Included in ENE's portfolio are a series of low greenhouse gas emission, energy and remote energy generation plants for multiple clients. The company is likely to have opportunities to add to its asset base in time and we expect further opportunities will be examined under DUE's ownership. DUE has also embarked on a material cost-out story, which we believe offers value to shareholders. The cost and efficiency program will focus on all assets, although we expect efficiencies are most likely to be obtained from the power networks and former government-owned assets. DUE offers a solid, cash-covered yield of circa 7%.

Key disposals and material adjustments

There were no outright sales from the portfolio during the month.

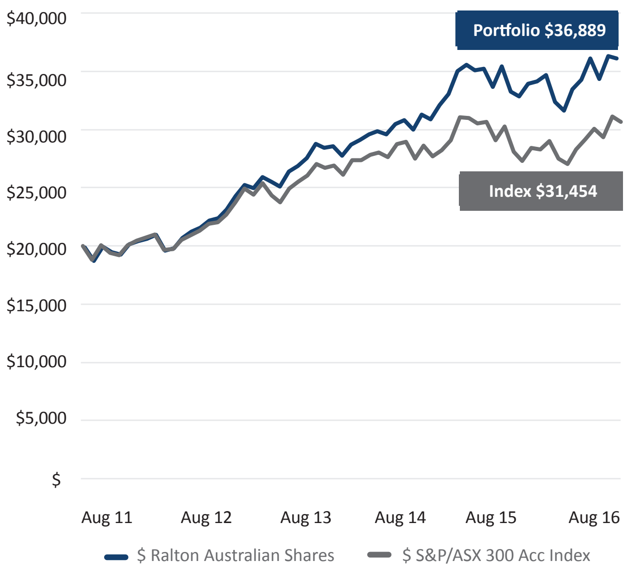
Sector allocation

GICS sector	Ralton	Index	+/-
Consumer Discretionary	12.1%	5.5%	6.6%
Industrials	10.4%	7.4%	3.0%
Information Technology	2.9%	1.3%	1.6%
Utilities	3.1%	2.6%	0.5%
Health Care	7.7%	7.3%	0.5%
Telecommunication Services	5.5%	5.1%	0.4%
Consumer Staples	7.3%	7.2%	0.1%
Energy	4.0%	4.1%	0.0%
Financials (ex-Property)	35.0%	35.4%	-0.4%
Materials	11.9%	14.7%	-2.8%
Property	0.0%	9.4%	-9.4%
Total	**100.0%**	**100.0%**	**0.0%**

Top 10 holdings[#]

Company name	ASX code
Commonwealth Bank of Australia	CBA
Westpac Banking Corporation	WBC
Aristocrat Leisure Limited	ALL
National Australia Bank Limited	NAB
QBE Insurance Group Limited	QBE
Telstra Corporation	TLS
Woolworths Limited	WOW
ANZ Banking Group Limited	ANZ
CSL Limited	CSL
Star Entertainment Group Ltd	SGR

Performance comparison of $20,000*



CONTACT COPIA

1800 442 129 | clientservices@copiapartners.com.au | copiapartners.com.au

John Clothier	General Manager, Distribution	0408 488 549 | jclothier@copiapartners.com.au
Adam Tweedale	State Manager, Southern Region	0425 804 727 | atweedale@copiapartners.com.au
Angela Vincent	State Manager, Northern Region	0477 347 260 | avincent@copiapartners.com.au
Sean Paul McGoldrick	Account Manager, Northern Region	0421 050 370 | spmcgoldrick@copiapartners.com.au
Iain Mason	Director, Institutional Business	0412 137 424 | imason@copiapartners.com.au
Jacinta King	Business Development Associate	0413 962 922 | jking@copiapartners.com.au

Performance of the Ralton Wholesale Australian Shares Model Portfolio is based on a model portfolio and is gross of investment management and administration fees, but net of transaction costs. The total return performance figures quoted are historical and do not allow the effects of income tax or inflation. Total returns assume the reinvestment of all portfolio income. Past performance is not a reliable indicator of future performance.

*The performance comparison of $20,000 over 5 years is for illustrative purposes only. Performance is calculated on a gross basis. Actual performance will vary depending on the amount of fees charged by the relevant platform that a client uses to implement the portfolio. The comparison with the S&P/ASX 300 Accumulation Index is for comparative purposes only. Index returns do not allow for transaction, management, operational or tax costs. An index is not managed and investors cannot invest directly an in 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.