Total returns

At 30 November 2015	1 month %	3 months %	1 year %	3 years p.a. %	5 years p.a. %	Inception p.a. (Feb 2008) %
Ralton Australian Shares	0.56	2.65	10.68	15.52	10.99	6.99
Income return	*0.64*	*1.28*	*3.87*	*4.00*	*4.36*	*4.41*
Growth return	*-0.08*	*1.36*	*6.81*	*11.51*	*6.63*	*2.58*
S&P/ASX 300 Accum. Index	-0.68	0.74	2.12	9.23	6.89	3.34
Difference	**1.24**	**1.90**	**8.56**	**6.29**	**4.11**	**3.65**

Performance review

- The S&P/ASX 300 Accumulation Index lost 0.68% in November, with strength in the Financial sector offset by weakness in the Materials sector, largely resource stocks.
- The Ralton Australian Shares portfolio added 0.56% for the month, outperforming the benchmark by 1.24%.
- For the month, being underweight resource stocks, together with an overweight position in Healthcare, added to relative performance.

Performance attribution

Key contributors

Key contributors	Positioning
CSL Limited	Overweight
Computershare Limited	Overweight
Asciano Limited	Overweight

CSL Limited (CSL, +6.7%) - shares in blood plasma producer, CSL, were the top contributor to performance for the period. Now a $45b company, CSL has grown strongly over many years, benefiting from ongoing demand growth for its mainstay plasma products. At the same time, CSL has invested heavily in research and development (R&D), for both its mainstay blood plasma products, but also ‘specialty’ products for niche diseases, flu vaccines and more recently cancer treatments – the latter mainly with larger drug company partners. The next two years will, however, bring what CSL is hoping is a step change in new product launches with CSL aiming to release two new ‘recombinant’ or bacterially grown products for treatment of haemophilia and related conditions. These ‘new’ products aim to reduce treatment frequency by increasing drug life in the body and also lowering the complication or reaction rate from continued dosing these patients typically suffer from. Our positive view on these new products has been a key reason behind our large holding in CSL.

Computershare Limited (CPU, +7.8%) - has struggled for growth in recent periods, with its core business (focused on data and cash management for individuals and corporates) facing margin pressure and fewer opportunities to acquire similar assets. Margin headwinds are coming as competitors continue to nip at CPU’s heels and corporates continue to seek to extract cost savings from service providers such as CPU. CPU holds considerable cash balances on behalf of clients and in our view, should be a beneficiary of an upward move in the global yield curve. Given the likelihood the US Federal Reserve is about to raise short-term rates for the first time in nearly eight years during December and this should feed through to a lift in rates across the yield curve – to an extent this has already started – CPU is well placed.

Asciano Limited (AIO, sold intra-month) - as we discussed last month, Asciano has become subject of a competitive bidding process, with two parties now in the race to acquire the ports and rail operator. The first bidder, Brookfield, is facing regulatory headwinds after Australia’s competition regulator, the ACCC, raised ‘red light’ concerns as to Brookfield’s acquisition of AIO. The second bidder, specifically a consortium of investors led by Qube Holdings (QUB) and two large global sovereign funds, have made an indicative, non-binding approach to AIO. From our vantage, it appears Asciano is now highly likely to be acquired – it is just a matter of which of the parties succeed. Various options, including asset splits and even the introduction of new investor partners potentially to circumvent ACCC concerns, is also a possibility. As such, with AIO trading at only a modest discount to the implied offers and some water to flow under the bridge, we elected to take profits and sell our position.

Key detractors

Key detractors	Positioning
QBE Insurance Group	Overweight
iSelect Limited	Overweight
Ardent Leisure Group	Overweight

QBE Insurance Group (QBE, -5.9%) - was weaker during November and detracted from returns. The weakness was driven by commentary at the AGM, with QBE flagging softer premium growth in some of its business lines and insurance margin pressure. Irrespective of the market weaknesses highlighted, we have been impressed by cost efficiencies delivered by QBE in recent years and expect there is more to come. Further, QBE has also made major strides in improving the quality of its capital position and reducing the risk associated with its insurance book. Looking forward, QBE also has material exposure to rising interest rates which, given the likelihood the US Federal Reserve is about to raise short-term rates for the first time in 10 years, and assuming some flow through to longer-dated interest rates – to an extent this has already started – QBE is well placed. Finally, after many years of shrinking the business and focusing internally, QBE management is able to target growth across its businesses by acquiring specialist underwriting teams, something that would be well received by investors.

The Star Entertainment Group (SGR, -5.7%) - formally known as Echo Entertainment Group, SGR retraced some of its recent gains across November. Mid-month, SGR entered into a formal agreement with the Queensland government for the Queens Wharf Brisbane development, having won the tender process in July this year. Of the $2b project, SGR will fund $1b with its partners funding the balance. With more than 50% of the project funded by debt, we are comfortable SGR can fund its share of the capital requirement without the need to call on shareholders. We also viewed the gaming table allocation as positive and the timetable of 2022 as favourable. SGR's AGM held earlier in November, also confirmed recent trading conditions remained positive and broadly in line with both management and market expectations.

iSelect Limited (ISU, -11.7%) - shares in ISU remained under pressure, with investors concerned about recent management turnover. Although an indicative, non-binding bid from Providence Equity Partners (a US private equity firm) remained on the table, investors were clearly discounting the probability of a formal bid materialising that would, in turn, be acceptable to investors and the board. This discount was confirmed when ISU (in December) confirmed the bid would not proceed. Providence apparently remains interested, however, were unwilling to commit to a bid price ahead of further due diligence and as such, the board closed the process. Our recent meeting with management highlighted the broad opportunities ISU is pursuing across energy, car insurance, telecommunications, life insurance and mortgages. Should ISU be able to gain a small market share in any of these segments, the upside to ISU profits and share price should be attractive. Although ISU has had a series of management changes since listing, we continue to believe the fundamentals of the business and the medium-term opportunity remain sound.

Portfolio additions and disposals

Key additions and material adjustments

Bought
G8 Education Limited (GEM)
IOOF Holdings Limited (IFL)

G8 Education Limited (GEM) - we added a small position in GEM, an owner and operator of childcare centres in Australia and Singapore. Share price weakness in 2015 has been driven in part by regulatory concerns - more specifically, potential for significant changes in government funding following on from a Productivity Commission (PC) review ahead of the Federal Budget. The market was also concerned GEM was paying too high a price to acquire childcare centres and questioned GEM's ability to fund these acquisitions through share issues while simultaneously maintaining its high dividend payout ratio. With the significant decline in the share price, comfort the business operations were on track and finally, having digested the PC draft and final report, we felt the share price weakness was overdone and began to build a position in the stock. We also note GEM has appointed a highly credentialed Chairperson in Mark Johnson, together with the appointment of top tier audit firm, Ernst & Young.

IOOF Holdings Limited (IFL) - we further increased our position in financial stocks, adding IOOF to the portfolio. IFL generates organic growth through its exposure to the flow of investor funds into the various phases of the investment cycle where it now has extensive representation. Further, IFL has also been very successful as a major consolidator in the wealth management space, where its integration skills tend to mean it retains the core value of its acquired businesses while stamping out unnecessary costs. Like other financial service companies, IFL has faced external criticism over internal processes at the organisation. We do not dismiss such issues lightly and, while disappointing, we take comfort from the statements made by management and the board and highlight their favourable track record over many years (i.e. the matters raised appear isolated and not systematic).

Key disposals and material adjustments

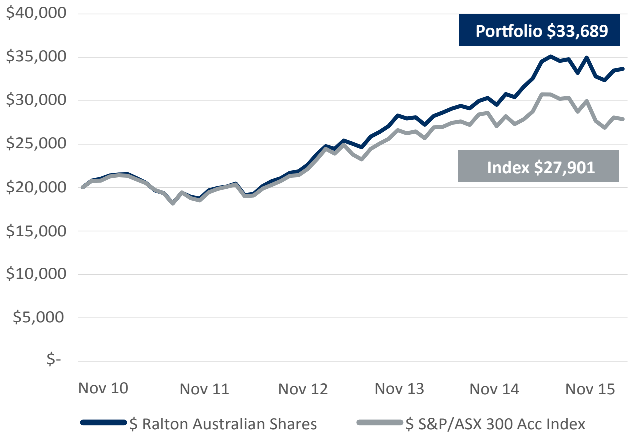
Sold
Asciano Limited (AIO)

Asciano Limited (AIO) - as highlighted in the earlier section, we sold AIO.

Sector allocation

GICS sector	Ralton	Index	+/-
Consumer Discretionary	15.0%	4.8%	10.2%
Energy	8.6%	4.4%	4.2%
Health Care	11.0%	7.0%	4.1%
Information Technology	3.3%	1.1%	2.1%
Consumer Staples	6.8%	6.8%	0.0%
Industrials	7.3%	8.2%	-0.9%
Materials	10.9%	12.3%	-1.4%
Utilities	0.0%	2.3%	-2.3%
Financials (ex-Property)	35.6%	39.5%	-3.9%
Telecommunication Services	0.0%	5.3%	-5.3%
Property	1.5%	8.3%	-6.7%
Total	**100%**	**100%**	

Performance comparison of $20,000*



Top 10 holdings#

Company name	ASX code
National Australia Bank Limited	NAB
CSL Limited	CSL
Commonwealth Bank of Australia	CBA
Westpac Banking Corporation	WBC
QBE Insurance Group Limited	QBE
Aristocrat Leisure Limited	AAL
ANZ Bank Group Limited	ANZ
Incitec Pivot Limited	IPL
Coca-Cola Amatil Limited	CCL
Origin Energy Limited	ORG

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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 300 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 Australian Shares 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 Australian Shares 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.

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