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 High Yield Australian Shares	0.13	1.85	9.32	15.50	11.91	7.39
Income return	*0.69*	*1.39*	*4.41*	*4.68*	*4.96*	*5.00*
Growth return	*-0.56*	*0.46*	*4.92*	*10.82*	*6.95*	*2.39*
S&P/ASX 300 Accum. Index	-0.68	0.74	2.12	9.23	6.89	3.34
Difference	**0.81**	**1.11**	**7.21**	**6.27**	**5.02**	**4.05**

Performance review

- The S&P/ASX 300 Accumulation Index lost 0.68% in November, with strength in the Financial sector offset by weakness in Materials stocks, largely metals and mining stocks.
- The Ralton High Yield portfolio finished the month up, adding 0.13%, outperforming the benchmark by 0.81%.
- For the month, being underweight metals and mining stocks, together with an overweight position in Industrials, added to portfolio performance.

Performance attribution

Key contributors

Key contributors	Positioning
Asciano Limited	Overweight
Super Retail Group Ltd	Overweight
Sonic Healthcare Limited	Overweight

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.

Super Retail Group Ltd (SUL, +7.8%) - added value to the portfolio, buoyed by a trading update at the AGM in late October. SUL reported solid sales growth in each of its retail formats: automotive, leisure and sports, together with progress on various internal initiatives such as the restructuring of the 'Ray's' format, and ongoing progress on various supply chain and distribution initiatives. These internal or 'self-help' initiatives are a key element in our investment thesis, and hence it's pleasing to see the company making progress. The self-help is largely due to various supply chain, IT and warehouse initiatives SUL has been investing in over the last couple of years. These will make the business more efficient, release inventory (and cash in the process) and allow scope for growth.

Sonic Healthcare Limited (SHL, +5.5%) - pathology provider, SHL, also made a positive contribution to returns for the month following reiteration of profit guidance for the current year at the company's AGM. In Australia, the Federal Government is conducting several reviews into funding the healthcare system, including of course pathology, GP and radiology services in Australia. We expect Sonic to be impacted to some degree across its Australian operations, although we note the majority of Sonic's business is now outside Australia, with major operations in Germany, Switzerland, the UK and the US.

Key detractors

Key detractors	Positioning
QBE Insurance Group	Overweight
Ardent Leisure Group	Overweight
Transpacific Industries 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.

Ardent Leisure Group (AAD, -12.9%) - shares in diversified entertainment company, Ardent Leisure, gave up recent gains following what the market viewed as a mixed trading update for the first quarter of FY16. Investors were perhaps concerned by a reduction in disclosure provided by the company for each business division, however, we view the qualitative commentary around progress at the gyms business following conversion of nearly 50% of gyms to a 24-hour model, as largely positive. Member attrition or churn has been reduced and solid membership growth has been reported from the new models. This has come at a cost as investment was required, however, we believe this was absolutely necessary. We remain positive in terms of our view of this investment, not just the turnaround in the gyms strategy, but also the US Main Event business.

Transpacific Industries Group (TPI, -3.7%) - underperformed during the month and hence continued to weigh on portfolio returns. During the month we attended the TPI investor day, including management presentations and site visits at the Clayton and Werribee landfills. We had three key takeaways from the day, namely:

1. New CEO, Vik Bansal, has significant experience running industrial companies and is heavily focused on business simplification initiatives at TPI.
2. The Clayton landfill is a low-quality asset: poorly planned, short-life asset that was badly managed by TPI in the past. The necessity of a costly remediation (announced in August 2014) to cover these shortfalls is understandable, although frustrating in that it limits free cash flow in the near term.
3. Melbourne Regional Landfill (MRL) in Werribee is a premier asset, with long life, low cost and features many of the ideal traits you would hope to obtain in a landfill asset.

The contrast between the two assets highlights where the company has been and what it is aiming to achieve on a go-forward basis. Critically, the MRL is a scarce asset and hence highly strategic to the future of TPI. Although this has been a frustrating turnaround for our investors, we do believe progress is slowly being made. The market appears to have taken a cautious view here – investors will want to see the results delivered before they are willing to re-rate the stock higher.

Portfolio additions and disposals

Key additions and material adjustments

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

G8 Education Limited (GEM) - we added childcare centre operator, GEM, back into the portfolio in November, having sold the stock some 12 months ago. 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

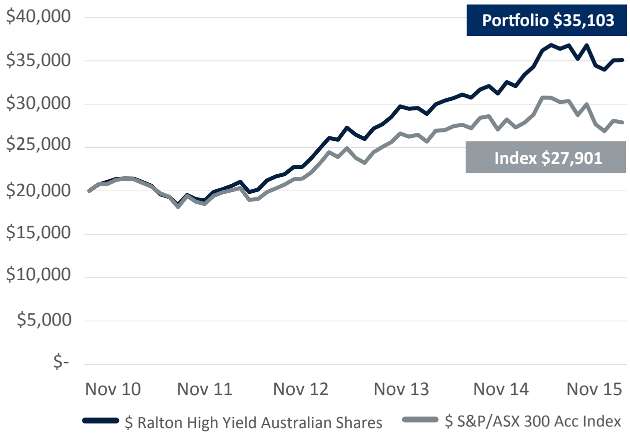
Sold
Asciano Limited (AIO)

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

Sector allocation

GICS sector	Ralton	Index	+/-
Consumer Discretionary	16.6%	4.8%	11.8%
Energy	7.8%	4.4%	3.4%
Health Care	9.1%	7.0%	2.1%
Consumer Staples	8.8%	6.8%	2.0%
Materials	11.7%	12.3%	-0.6%
Financials (ex-Property)	38.7%	39.5%	-0.7%
Information Technology	0.0%	1.1%	-1.1%
Utilities	0.0%	2.3%	-2.3%
Industrials	5.7%	8.2%	-2.5%
Telecommunication Services	0.0%	5.3%	-5.3%
Property	1.5%	8.3%	-6.8%
Total	**100%**	**100%**	

Performance comparison of $20,000*



Top 10 holdings#

Company name	ASX code
National Australia Bank Limited	NAB
Commonwealth Bank of Australia	CBA
Westpac Banking Corporation	WBC
Woodside Petroleum Limited	WPL
QBE Insurance Group Limited	QBE
ANZ Banking Group Limited	ANZ
CSL Limited	CSL
Aristocrat Leisure Limited	AAL
AMP Limited	AMP
Incitec Pivot Limited	IPL

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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 High Yield 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 High Yield 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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