Total returns

At 29 February 2016	1 month %	3 months %	6 months %	1 year %	3 years p.a. %	5 years p.a. %	Inception p.a. (Feb 2008) %
Ralton Australian Shares	-2.37	-7.53	-5.08	-9.80	7.96	7.83	5.74
Income return	*0.65*	*0.73*	*2.03*	*3.80*	*4.00*	*4.35*	*4.37*
Growth return	*-3.01*	*-8.26*	*-7.10*	*-13.61*	*3.96*	*3.48*	*1.37*
S&P/ASX 300 Accum. Index	-1.72	-4.55	-3.83	-13.45	2.88	4.61	2.64
Difference	**-0.65**	**-2.98**	**-1.24**	**3.65**	**5.08**	**3.23**	**3.09**

Performance review

- The S&P/ASX 300 Accumulation Index was down again in February, falling 1.72%, with falls in Financials and Consumer Staples offsetting large gains in the Materials sector.
- The Ralton Australian Shares portfolio returned -2.37% for the month, underperforming the benchmark by 0.65%.
- For the month, being underweight Materials, combined with stock selection in Consumer Discretionary stocks, detracted from portfolio performance. Being underweight Financials and Telecommunications added to relative returns.

Performance attribution

Key contributors

Key contributors	Positioning
Brambles Limited	Overweight
Origin Energy	Overweight
Macquarie Atlas Roads Group	Overweight

Brambles Limited (BXB, +12.2%) – reporting season for corporates was a key driver of stock movements for February. Brambles' global transport business produced a solid profit result for the first half of its financial year, together with an increase to profit guidance for the full year. Noteworthy features were solid margin results for the core CHEP pallet businesses, together with contract wins in the US for JNJ and Mountain Farms. The company's RPC, or rigid plastic container, business also reported reasonable growth, despite the loss of a key contract for Safeway in the US. At the full-year results in August last year, BXB investors reacted negatively to BXB's decision to boost CAPEX to support future customer growth. To our eyes, these results and the increased future profit guidance vindicated management's decision to boost investment and support customer growth, particularly when you factor in the high incremental margins and return on capital BXB achieves by expanding its pallet pool.

Origin Energy (ORG, +8.1%) – was boosted by a relatively clean half-year profit result in February. Origin's Energy Market business delivered good growth with margin expansion in ORG's domestic gas retailing business a noteworthy feature which we had been expecting for some time. ORG's APLNG plant has finally commenced operations with the first train now operational and targeting mid-2016 for formal completion testing with contractor, Bechtel. The second train is expected to come online shortly. Further, a modest 4% rise in the oil price across February, together with supportive commentary from key oil-producing countries, Russia and Saudi Arabia, about the potential for oil production output freezes, was also supportive of ORG for the period.

Macquarie Atlas Roads (MQA, +10.5%) – shares in the toll road owner rallied again following both solid performance from MQA's core assets, together with the potential for corporate activity at an asset level. Starting with the key toll road, APRR in France, was a beneficiary of solid growth in traffic, particularly the higher fee paying heavy vehicles or trucks. Growth in truck movements in turn, suggests some strength in the French economy, including France's industrial base. On the corporate front, MQA indicated that when its partners, including Macquarie 'sister funds', complete the tender process for their stake in the Dulles Greenway toll road, MQA , who currently owns 50% of Dulles Greenway, has the right of first refusal. Hence, MQA could potentially acquire 100% of this asset, however in the current environment it seems more likely to sell its stake to the highest bidder. In all likelihood, this capital will be returned to shareholders in some form.

Key detractors

Key detractors	Positioning
Super Retail Group Ltd	Overweight
Computershare Limited	Overweight
National Australia Bank Limited	Overweight

Super Retail Group Ltd (SUL, -20.1%) – profit results for the first half of FY16 disappointed overall expectations with the group's leisure businesses, BCF and Ray's, disappointing investors. BCF was the key negative as its offering was not competitively priced versus its main competitor and this led to weak sales in the key pre-Christmas months of November and December.

Both the auto and sports divisions produced very solid results, exceeding most market forecasts, but this was not enough to offset the weakness in leisure. SUL's management has identified strategic shortfalls in the sales program for BCF and has taken steps to improve delivery and ensure sales momentum is not lost in the key sales window again. Early results are positive with strong sales growth highlighted in January and February, yet despite this, we remain cautious on this division and frustrated that management continues to fail to get to grips with the diverse array of businesses.

Computershare Limited (CPU, -12.5%) – expectations for lower interest rates globally appear to have weighed on CPU's share price this year, and hence we decided to reduce our CPU position ahead of the first-half results. Although first half results were broadly as expected, CPU suggested that full-year profit targets may be difficult to achieve given the impact that market volatility may have on transactional revenue. In other words, full-year profit expectations have been slightly tempered. That said, cost control was strong for the period and CPU is advancing discussions and negotiations around two separate contracts for 'mortgage servicing' contracts, one in the UK and one in the US. Successful confirmation of these contract wins under sensible commercial terms together with the ongoing CPU share buy-back, is likely to support earnings growth and the share price in the medium term, although we are still cautious that current market volatility will dampen future rate rises in the US and further weigh on CPU earnings.

Portfolio additions and disposals

Key additions and material adjustments

Bought
Graincorp (GNC)
Orora Limited (ORA)

There were two new stock additions to the portfolio during the month, plus the addition of UK-based bank, CYBG (CYB), following the demerger from NAB.

Graincorp (GNC) – we acquired a position in GNC based on our view of the value of its key assets. GNC has long held strategic port and upstream grain storage assets on the east coast. We would note that these markets have become more competitive since deregulation. GNC is, however, diversifying its business away from pure grain storage and associated marketing and now earns significant profits from both malt and food oil businesses. Pleasingly, it continues to invest in these divisions, whereas many other Australian management teams remain reluctant to invest. These investments will see GNC better able to compete on a global stage with grain handlers and large food trading operations, while also producing a more reliable profit stream with reduced exposure to the vagaries of grain harvests year to year.

We also note GNC has partnered with a series of large Australian superannuation funds and west coast grain farmers in a high profile consortium seeking to demutualise CBH, the west coast grain cooperative. Such demutualisations are typically protracted as GNC well knows, however we note GNC has come up with a structure that allows it to make a material investment, although its partners will contribute to the leg-work required to pursue such an initiative.

Orora Limited (ORA) – we added ORA back to the portfolio following a pull-back in the share price. Since the demerger from Amcor (AMC) in December 2013, ORA's profit growth has been delivered from self-help initiatives largely focused on its Australian operations devoted to Australian-oriented packaging, bottles, cans and paper/fibre packaging. Although the US side of the business makes up only 30% of revenue, it provides growth opportunities given that the US marketplace is more fragmented than Australia. With internal self-help initiatives almost completed, ORA is shifting toward a more active investment phase with two recent announcements involving approximately $150m of committed spending. Firstly, the decision to expand glass manufacturing capacity at Gawler in South Australia to meet growing demand for bottled wine – linked to the weakening Australian dollar – and secondly, the acquisition of IntegraColor, a specialist US-based packaging business. Given its track record to date, we have a supportive view of ORA's management and its decision to invest these funds to grow the business and meet its own investment hurdles.

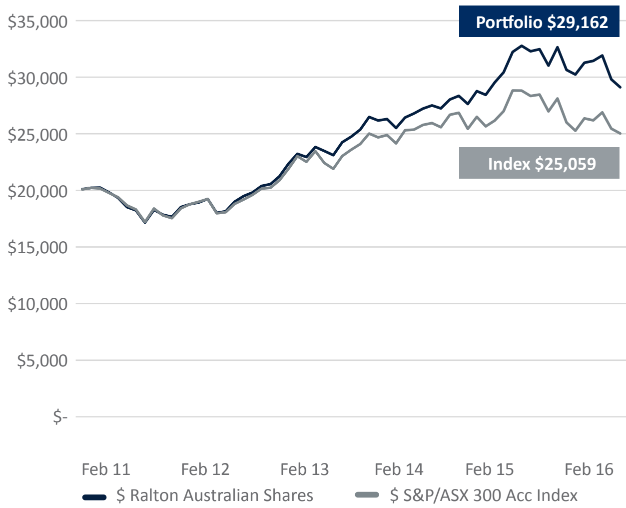
Key disposals and material adjustments

There were no outright sales from the portfolio during February, although we decreased our holding in CPU as discussed.

Sector allocation

GICS sector	Ralton	Index	+/-
Consumer Discretionary	14.9%	5.1%	9.8%
Health Care	11.0%	7.3%	3.7%
Energy	6.0%	4.0%	2.0%
Materials	13.8%	12.9%	0.9%
Consumer Staples	8.2%	7.3%	0.9%
Information Technology	1.3%	1.2%	0.1%
Financials (ex-Property)	35.6%	36.3%	-0.7%
Industrials	7.6%	8.6%	-1.0%
Utilities	0.0%	2.5%	-2.5%
Telecommunication Services	0.0%	5.6%	-5.6%
Property	1.7%	9.2%	-7.5%
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
CSL Limited	CSL
Westpac Banking Corporation	WBC
Aristocrat Leisure Limited	ALL
QBE Insurance Group Limited	QBE
Amcor Limited	AMC
Star Entertainment Group Ltd	SGR
Brambles Limited	BXB
Coca-Cola Amatil Limited	CCL

CONTACT COPIA

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

* 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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