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 Smaller Companies	-2.16	-3.98	2.38	1.04	10.27	9.59	6.49
Income return	*0.07*	*0.33*	*1.48*	*3.14*	*3.32*	*3.53*	*3.71*
Growth return	*-2.23*	*-4.32*	*0.90*	*-2.10*	*6.95*	*6.06*	*2.78*
S&P/ASX Small Ords Accum. Index	0.95	-0.46	6.07	-3.56	-1.41	-3.17	-2.41
Difference	**-3.11**	**-3.52**	**-3.70**	**4.61**	**11.68**	**12.75**	**8.90**

Performance review

- The S&P/ASX Small Ordinaries Accumulation Index gained 0.95% in February, boosted by strong performance from the Materials sector and to a lesser extent, Telecommunications.
- The Ralton Smaller Companies portfolio fell 2.16% for the month, underperforming the benchmark by 3.11% for the period.
- Our underweight position in Materials, together with poor performance from our Consumer Discretionary names contributed to the portfolio's underperformance.

Performance attribution

Key contributors

Key contributors	Positioning
Independence Group	Overweight
COSTA Group Holdings	Overweight
Macquarie Atlas Roads	Overweight

Independence Group (IGO, +16.9%) – base metals mining company IGO's shares surged, buoyed by the rebound in global commodity prices, with prices for nickel, gold and copper bouncing off recent lows. Last year, IGO acquired WA-based Sirius Resources (SIR), a nickel-focused mining company whose key asset is the 'Nova-Bollinger' nickel discovery in WA. Now under IGO's control, the mine is a first-class nickel asset and production costs are expected to be in the bottom quartile of global producers. The mine and associated processing plant is currently under construction with first offtake expected late in 2016. This will see IGO's earnings bias move away from gold being the major profit contributor toward nickel. At present however, the strength in the gold price together with a weaker Australian dollar, is benefiting IGO's other tier one asset: the Tropicana gold mine. Tropicana's total costs for mining an ounce of gold are less than A$700, which means that profit margins are currently very high.

Costa Group Holdings (CGC, +12.2%) – a solid half-year profit result from CGC highlighted the strength in CGC's horticultural production and premium food offering. The tomato category saw price weakness due to extra supply, as the El Nino weather pattern promoted strong growth and yield for tomato crops. However, all other categories were strong, including blueberries, raspberries, mushrooms and citrus. With 75% of all produce grown indoors or undercover, the volatility of CGC's earnings should be lower than many similar agricultural offerings. CGC's commitment to its business model was reaffirmed by an increased capital program: CGC will continue to increase the area of crop planted which should further entrench its quality produce, market share and position as a low-cost producer and supplier of food to customers.

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
Tassal Group Limited	Overweight
Vitaco Holdings	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.

Tassal Group (TGR, -20.2%) – Tassal shares reversed the gains made in January and hence detracted from portfolio returns. TGR shares had performed well as a result of improved pricing for salmon in wholesale fish markets. Export conditions were also more favourable, as both Chile and Norway, major salmon farming countries, have had issues with their fish stock and will likely see lower production and exports for the next two years or so. We sensed that investors expected these factors to drive a better-than-expected profit result for TGR in February, despite the fact that the bulk of TGR's salmon is sold through retail channels with only a modest portion sold in export and wholesale markets. The first-half profit results for TGR were reasonable in our view, and the outlook remains supportive for salmon sales and TGR in general. We took the share price weakness mid-month as an opportunity to add to our position in TGR.

Vitaco Holdings (VIT, -36.5%) – VIT, a recent IPO and portfolio addition, fell heavily in February despite a half-year profit result in line with market forecasts and the company restating its commitment to prospectus forecasts for the full year. In a skittish environment for recently listed small caps, the market appeared to focus on the loss of a distribution contract for skin care company Trilogy in NZ, together with vitamin and dairy sales into China that were perhaps lower than some were hoping. To be fair, VIT reported sales to China growing at 113% for the period. Post the results and our discussion with management, we increased our position in VIT and pleasingly the shares have recovered quite strongly since then.

Portfolio additions and disposals

Key additions and material adjustments

Bought
Orora Limited (ORA)

We added one new stock, Orora Holdings (ORA), together with adding to several of our existing holdings, including MQA, TGR and CGC, which we have discussed.

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

Sold
Billabong (BBG)
Myer Holdings Ltd (MYR)
Henderson Group (HGG)

We sold three stock holdings outright in February and describe these below.

Billabong (BBG) – having recently bought into BBG as an advancing turnaround play, we have been disappointed with the sales results in recent months, for both BBG and the broader street or leisure wear industry. This sales pressure, particularly in the US, has likely been impacted to a degree by one-off events, such as port strikes – impacting inventory – however, at a time, when BBG is still looking to pay down debt and grow margins, the timing has been poor. As such, we took a cautious view and exited the position, crystalising a loss for this position. We will revisit BBG when we have more confidence in the direction of the turnaround and once the risks to delivery have reduced.

Myer Holdings Ltd (MYR) – also, in the retail segment, we elected to sell our position in Myer Holdings. To recap, new CEO, Richard Umbers, appears to have made good progress in the turnaround at MYR, including, as we highlighted previously, the stronger balance sheet and the move by MYR to boost concessionaire space within its stores. With some progress being made, and the share price performance beginning to better reflect this in recent trading, we took the decision to exit MYR. We would also flag the headwind the retail sector faces in coming months, with what now appears likely to be a mid-year election, triggering what is often a headwind to trading, consumer confidence and spending patterns in general.

Henderson Group (HGG) – finally, we took profits in our holding in UK-based fund manager, HGG.

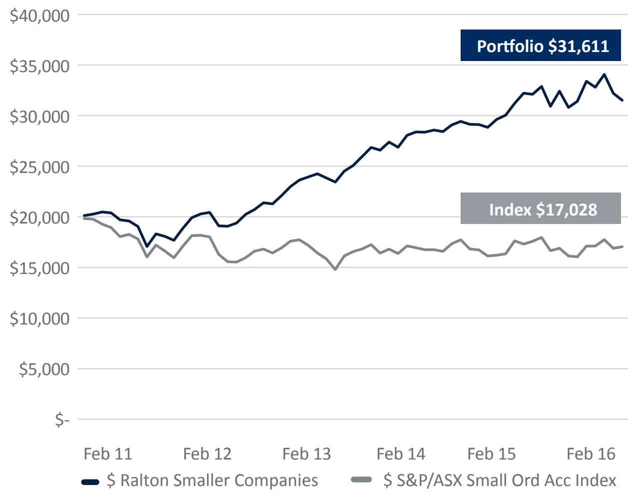
Sector allocation

GICS sector	Ralton	Index	+/-
Consumer Staples	15.8%	7.9%	7.9%
Consumer Discretionary	28.5%	22.1%	6.4%
Industrials	14.2%	10.8%	3.4%
Health Care	10.6%	7.2%	3.3%
Energy	3.1%	2.5%	0.7%
Utilities	0.0%	0.7%	-0.7%
Telecommunication Services	2.4%	4.6%	-2.2%
Financials (ex-Property)	5.3%	8.0%	-2.7%
Materials	14.1%	16.8%	-2.7%
Information Technology	3.0%	6.7%	-3.7%
Property	2.9%	12.7%	-9.8%
Total	**100%**	**100%**	

Top 10 holdings#

Company name	ASX code
Macquarie Atlas Roads Group	MQA
Fisher & Paykel Healthcare Corporation Limited	FPH
Pact Group Holdings Limited	PGH
Tassal Group Limited	TGR
Aristocrat Leisure Limited	ALL
News Corporation	NWS
Virtus Health Limited	VRT
Sky Network Television Ltd	SKT
Ardent Leisure Group	AAD
Fletcher Building Limited (Australia)	FBU

Performance comparison of $20,000*



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 Small Ordinaries 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 Smaller Companies 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 Smaller Companies 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.