Total returns

At 30 April 2017	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 Leaders	0.98	7.15	15.45	17.21	10.40	13.58	9.15	7.29
Income return	*0.00*	*1.30*	*1.91*	*4.46*	*4.16*	*4.13*	*4.33*	*4.41*
Growth return	*0.98*	*5.85*	*13.54*	*12.75*	*6.24*	*9.45*	*4.82*	*2.88*
S&P/ASX 100 Accum. Index	1.11	6.87	14.55	18.37	7.33	11.53	8.06	5.53
Difference	**-0.14**	**0.28**	**0.90**	**-1.16**	**3.07**	**2.04**	**1.09**	**1.76**

Performance review

- The S&P/ASX 100 Accumulation Index was up 1.11% for the month with Industrials and Healthcare the top performers and Telecommunications the weakest.
- The Ralton Leaders portfolio returned 0.98% for the period, underperforming the benchmark by 0.13%.
- For the month our overweight to Consumer Discretionary and Information Technology both added value to the portfolio, offset by our underweight to Financials.

Performance attribution

Key contributors

Key contributors	Positioning
Aristocrat Leisure Ltd	Overweight
Computershare Ltd	Overweight
Boral Limited	Overweight

Aristocrat Leisure (ALL, +9.3%) – continued its strong rise, gaining a further 9% for April. Although there was no company-specific news flow in the month, continued industry feedback points to the likelihood of further market share gains for ALL's products in the US, particularly in the participation gaming segment. The company's recent profit upgrade was done early in ALL's financial year, which emphasises management's confidence and visibility in the outlook. We have continued to trim our position in ALL during the period, although retain a material exposure in the portfolio.

Computershare Limited (CPU, +4.8%) – shares in IT company, CPU, rose during the month following a positive investor briefing. Highlights of the briefing were the continued progress in CPU's mortgage service businesses in both the US and UK, in addition to the potential for task automation. With over 13,000 staff performing a range of repetitive, manual tasks, CPU could face significant upside from the implementation of application technologies (apps) and software automation, including the use of robots to process various tasks. The company embarked on this path 18 months ago and currently has a handful of tasks being completed by robots. Medium term, the potential for CPU to automate its processes is immense.

Boral Limited (BLD, +5.5%) – shares in BLD rose in April as investors continue to focus on the fundamentals of the US-based Headwaters acquisition. Boral has received US regulatory approval, completing the final hurdle required to close the transaction in early May. As we emphasised at the time of the acquisition announcement in November last year, the acquisition of Headwaters is consistent with the group's strategy of expanding its presence in the US to gain more exposure to the US housing cycle. With the transaction now having passed all regulatory hurdles, Headwaters' and BLD's existing US operations will account for 45% of BLD's profits. The housing cycle has recovered slowly post GFC but sits well below previous mid-cycle levels, creating potential for significant improvement in demand for Boral's services. This should prove favourable to Boral, combined with its exposure to infrastructure via its FlyAsh business, a key input in concrete products. Cyclical strength could well see US profits account for greater than 50% of total company profits in the near term.

Key detractors

Key detractors	Positioning
Coca-Cola Amatil	Overweight
National Australia Bank	Underweight
Santos Limited	Overweight

Coca-Cola Amatil (CCL, -13.4%) – a profit downgrade at CCL's AGM, driven by weakness in its core Australian beverage division, led to share price losses in April. CCL management called out short-term challenges in its branded water products from private label competition, together with increased price competition in the soft drink (CSD) segment. Pressure from Pepsi has limited the ability of CCL to increase prices to compensate for modest cost increases in inputs such as sugar and aluminum, placing pressure on CCL's margins. Given the progress to date with CCL's turnaround under CEO Watkins, these developments were somewhat frustrating. While we continue to monitor the competitive environment, we expect CCL can offset the broader structural pressures within the CSD segment via cost savings and growth in new branded products (stills/non-CSD) and a recovery in Indonesia. Outside of Australian beverages, CCL's other divisions remain largely in line with expectations. CCL is part way through a share buy-back and remains in a strong phase of cash generation, factors we feel will continue to support the stock.

National Australia Bank (NAB, +2.0%) – being underweight the banking sector overall, and NAB in particular, was a headwind for relative portfolio performance. We struggle with the current valuation given the headwinds all the banks face. However, the banks continue to offer an attractive yield and bad debts remain benign as a result of the very low level of interest rates. With this backdrop, the banks remain well supported. We will reassess our views after the coming reporting period.

Santos Limited (STO, -5.5%) – a fall in the oil price, combined with political overhang from the threat of intervention in its gas export business (GLNG) to ensure supply for the domestic gas markets, weighed on STO shares across the period. With the Prime Minister announcing the government's proposed domestic gas security mechanism, the potential for Santos to be forced to divert export gas cargoes into the domestic market has become very real. The 'energy market crisis' (as politicians have referred to it) has many contributory factors. In short, rising electricity prices have been driven by a shift from coal-powered generation to renewable energy. This has led to gas becoming the marginal fuel source for short-term or peak electricity production. At the same time, the states have restricted drilling for environmental reasons and large portions of gas production have been committed for export to Asia via large LNG gas trains. This squeeze has pressured short-term supply. However, high future gas contract prices are expected, creating political anxiety over the prospect of businesses closing and voters being forced out of work. Turnbull has chosen to intervene to drive down medium-term contract prices to protect industry and retain jobs. More gas supply is one solution, although this will take time.

Medium-term solutions will be found, particularly if governments allow market forces to prevail. Santos already provides material quantities of gas to domestic customers at prices less than $5/GJ and could provide more if it is able to justify more drilling through commitments from either wholesale or direct customer contracts. In the short term, Santos is at risk of having to direct gas to domestic markets at the cost of its LNG exports. With this heightened political risk for Santos, we have reduced our holding. Finally, we have taken some profits in **AGL Energy (AGL)** given the share price movement and the overhang of government intervention over the broader sector.

Portfolio changes

Key additions and material adjustments

Bought
Macquarie Atlas Roads (MQA)

We added a position in **Macquarie Atlas Roads (MQA)** to the portfolio, with the stock having recently entered the top 100 index. MQA is a fund manager whose two key assets are ownership stakes in major toll road networks. MQA's French Toll Road, APRR, is more integral to the French economy than the Transurban (TCL) assets in Australia. MQA recently moved to 100% ownership in the Dulles Greenway (DG) in Washington, Virginia.

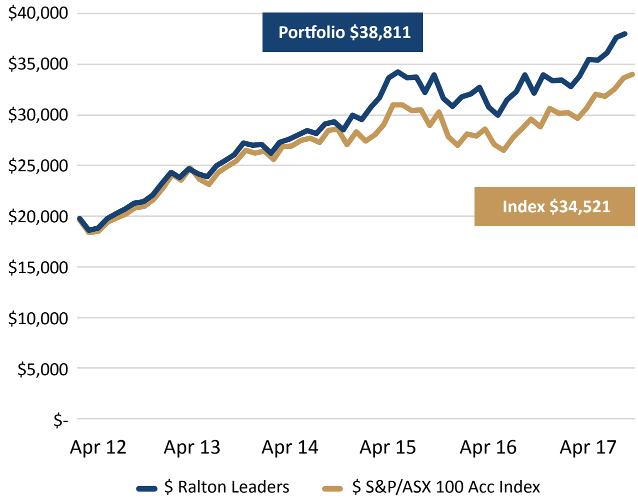
MQA's corporate structure and assets have been steadily cleaned up in recent years, driving greater investor transparency and steady growth in distributions. The debt structure is understandable and the level of gearing is steadily decreasing. For the APRR toll road network, the steady growth in traffic volumes and tolls drive modest top-line growth across the road network. Combined with progressive debt reduction and a shift toward lower interest rates, this is driving very solid growth in earnings and distribution growth for shareholders. The DG structure is also simplifying and is expected to begin cash distributions in 2019. This combination of drivers is expected to provide solid growth in investor dividends for several years.

Key disposals and material adjustments

Sold
Newcrest Mining (NCM)

Newcrest Mining (NCM) - seismic activity at Newcrest's underground Cadia mine in April caused considerable damage to both mine equipment and possibly mine structure and was the trigger for us to exit our position. Gold production guidance for the current year was understandably reduced. In a subsequent announcement following the initial incident, NCM estimated that parts of the mine will be unable to resume gold production for up to 10 weeks. Understandably, NCM remains uncertain as to the true extent of damage and the time and expense necessary to restore both safety and mining to appropriate levels. History tells us that such incidents often take longer to resolve than first envisaged, involve higher-than-expected costs to fix and reduce mine output for a significant period. The incident also limits the ability of NCM to plan and execute on Cadia expansion plans at the mine which, if done properly, would be a key driver of NCM shares.

Performance comparison of $20,000*



Sector allocation

GICS sector	Ralton	Index	+/-
Consumer Staples	11.9%	6.8%	5.1%
Energy	7.7%	4.0%	3.7%
Consumer Discretionary	7.1%	3.4%	3.7%
Information Technology	4.0%	0.9%	3.2%
Utilities	3.2%	3.0%	0.2%
Telecommunication Services	3.8%	3.7%	0.1%
Industrials	5.5%	6.7%	-1.2%
Health Care	5.4%	6.9%	-1.5%
Financials	39.0%	41.5%	-2.5%
Materials	12.3%	15.2%	-2.9%
Real Estate	0.0%	7.8%	-7.8%
Total	**100.0%**	**100.0%**	**0.0%**

Top 10 holdings#

Company name	ASX code
Commonwealth Bank of Australia	CBA
ANZ Banking Group Limited	ANZ
BHP Billiton Limited	BHP
Westpac Banking Corp	WBC
Woolworths Limited	WOW
Aristocrat Leisure Limited	ALL
QBE Insurance Group Limited	QBE
Computershare Ltd	CPU
Suncorp Group Ltd	SUN
Telstra Corporation	TLS

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 Leaders 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 100 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.

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