

Total returns

At 28 February 2018	1 mth %	3 mths %	6 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	7 yrs % p.a.	10 yrs % p.a.	Inception % p.a. (Feb 2008)
Ralton Leaders	0.28	1.83	6.07	10.14	5.63	10.14	9.53	7.42	7.16
Income return	0.74	0.91	2.10	4.24	3.99	4.01	4.31	4.48	4.51
Growth return	-0.47	0.92	3.97	5.89	1.64	6.13	5.23	2.94	2.65
S&P/ASX 100 Accum. Index	0.37	1.71	6.96	9.22	4.69	8.05	8.19	5.70	5.52
Difference	-0.10	0.13	-0.89	0.92	0.94	2.10	1.34	1.72	1.64

Performance review

- The S&P/ASX 100 Accumulation Index returned 0.37% for February, with Industrials and Utilities the top performing sectors and Materials and Financials the main detractors for the period.
- The Ralton Leaders portfolio returned 0.28% for the month, underperforming the benchmark by 0.10%.
- At a sector level, being overweight Consumer Discretionary and underweight Real Estate added value to the portfolio, offset by our underweight exposure to Industrials.

Performance attribution

Key contributors

Key contributors	Positioning
Lendlease Group	Overweight
Aristocrat Leisure	Overweight
Wesfarmers	Underweight

Lendlease Group (LLC, +12.69%) – performed very strongly over the past month after delivering a result that was much better than the worst fears of the market. As you may recall, LLC announced some losses associated with part of its engineering book near the end of last year. Although management had indicated to us in discussions that a comprehensive review was undertaken and provisions made against the various projects, you can never be sure, particularly when some of the issues related to geotech. The other parts of the LLC group delivered solid results. Of particular note was LLC's move into the build-to-let market in the US with a major Canadian institutional investor as a partner. Also of note was the group's continued success at winning major urban regeneration projects (one in London and the other in Milan). Overall, we believe management is doing a sound job of navigating the changing environment in each of its markets. Our one caution with the stock relates to the impact on its funds management earnings' streams if bond yields continue to rise, and this is reflected in our position size.

Aristocrat Leisure (ALL, +3.14%) – is on a different cycle for reporting than most other companies, so the driver of its performance during February was the release of more industry data which supported the favourable earnings momentum in its US business. For ALL, the next six months will be about investors becoming more comfortable with its investments in its Digital segment. After the acquisition of Big Fish and Plarium, and ongoing organic growth in its own Digital business, this segment will represent 40% of revenue. In the current half year, ALL should see the benefit from the release of the much-anticipated Dragon Link (the early data looks positive) and the signs of how its new stepper product has been received. ALL will also be a beneficiary of the recent US tax cut.

Computershare (CPU, +6.83%) – has again been the top performing stock in the portfolio after delivering strong half-year financial results and benefiting from a continued move higher in global interest rates. CPU upgraded guidance for a second time in recent months following solid momentum in its mortgage servicing business, an improved outlook for corporate actions revenue, improving margin income on its cash balances (given rising interest rates at the right part of the curve) and continued disciplined cost management. Of interest was the comment CPU may not derive much benefit from the change in the US tax rate given the loss of various other deductions. Also, on the positive side, the continued evolution of automation and robotics for repeatable processes looks to offer more cost reduction opportunities into the future. This company continues to have several years of growth in front of it subject to no major market wobbles.

Key detractors

Key detractors	Positioning
Healthscope Limited	Overweight
Vicinity Centres	Overweight
CSL Limited	Underweight

Vicinity Centres (VCX, -7.81%) – underperformed during the month after delivering subdued retail sales metrics and also facing the discussion of sharply higher international long-bond rates. The retail environment is facing challenging conditions due to the low domestic income growth for households suppressing spending, and retail tenants having committed to pay rents that cannot be justified in such a soft retail environment. This will take time to work through, however, with VCX continuing to trade at a discount to NTA, continuing to re-develop its very high grade centres such as Chadstone and the ongoing divestiture of its lower grade centres at attractive prices, we believe it continues to be reasonably well positioned to work through its issues. We would become more cautious on the outlook if we felt domestic long-rates were likely to move sharply higher.

Healthscope Limited (HSO, -2.07%) – delivered a result below expectation, which was always a risk as the new CEO, Gordon Ballantyne, sought to address some of the underlying issues in the business. The issues revolved around underperforming hospitals in Victoria and a bloated cost structure which was a legacy of the previous rapid revenue growth in the industry. HSO is having to adapt to revenue growth of 2 - 3%, rather than the previous 5 - 6%, as private health insurance hits a wall of affordability issues. The group has a number of new hospital developments which can drive growth into the future, the largest of which is a PPP for the delivery of the Northern Beaches Hospital in NSW which comes on later in the year. In the medium term, the industry fundamentals are favourable given the ageing of the population and waiting lists in public hospitals.

Star Entertainment Group (SGR, -12.21%) – delivered a result that did not meet the lofty expectations that the market had built into the share price and, as such, the share price pulled back sharply. The positives from the result were the solid growth in VIP arrivals from Asia (following the pull-back after the arrest of the Crown personnel), the improved result on the Gold Coast following the opening of some new facilities and the strong cash flow and balance sheet. The outlook was more subdued than one would have expected, but Chinese New Year is later this year and the group will get the benefit of the tourism uplift from the Commonwealth Games. SGR continues to have a solid slate of growth projects which are to be delivered over the next four years with the culmination being the opening of its new Brisbane casino.

Portfolio changes

Key additions and material adjustments

Bought
Nil

We made no new additions in February.

Key disposals and material adjustments

Sold
Nil

There were no disposals during February.

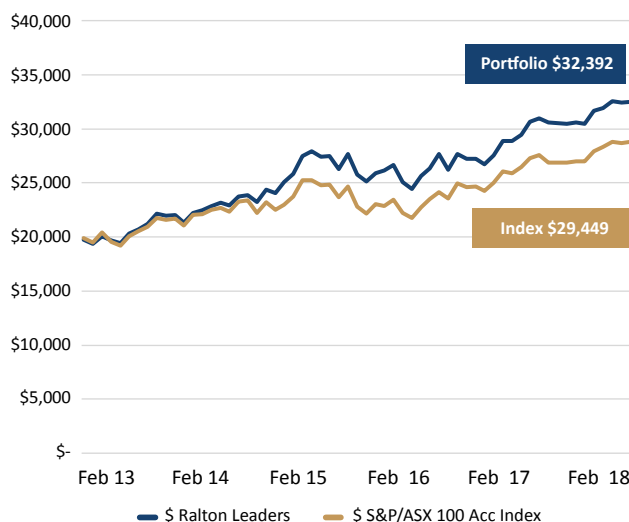
Sector allocation

GICS sector	Ralton	Index	+/-
Information Technology	6.0%	1.4%	4.6%
Consumer Staples	11.0%	7.5%	3.5%
Consumer Discretionary	6.2%	3.2%	3.0%
Telecommunication Services	4.8%	2.9%	1.9%
Health Care	8.5%	7.9%	0.6%
Energy	4.9%	4.8%	0.1%
Utilities	2.0%	2.1%	-0.1%
Materials	15.6%	17.9%	-2.3%
Industrials	4.4%	6.9%	-2.5%
Real Estate	4.8%	7.4%	-2.6%
Financials	31.9%	38.0%	-6.1%
Total	100.0%	100.0%	0.0%

Top 10 holdings[#]

Company name	ASX code
BHP Billiton Limited	BHP
ANZ Banking Group Limited	ANZ
National Australia Bank	NAB
Westpac Banking Corp	WBC
Woolworths Limited	WOW
Telstra Corporation	TLS
Aristocrat Leisure	ALL
Macquarie Group Ltd	MQG
Computershare Ltd	CPU
Boral Limited	BLD

Performance comparison of \$20,000*



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 | spmgoldrick@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

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*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 in an index. There is no guarantee these objectives will be met.

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