Total returns

At 31 August 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	0.15	6.89	7.54	14.06	10.49	10.74	12.40	8.47	7.55
Income return	*0.72*	*0.87*	*2.12*	*4.26*	*4.14*	*4.03*	*4.24*	4.46	*4.50*
Growth return	*-0.57*	*6.03*	*5.42*	*9.80*	*6.36*	*6.71*	*8.16*	4.01	*3.05*
S&P/ASX 100 Accum. Index	1.27	6.44	7.23	14.69	11.01	8.84	10.75	7.00	5.95
Difference	**-1.12**	**0.46**	**0.31**	**-0.63**	**-0.52**	**1.90**	**1.65**	1.47	**1.60**

Performance review

- The S&P/ASX 100 Accumulation Index returned 1.27% for the month of August, with Healthcare and Telecommunication Services the top performing sectors and Materials and Energy the weakest performers for the period.
- The Ralton Leaders portfolio returned 0.15% for the month, underperforming the benchmark by 1.12%.
- At a sector level, being underweight Financials and overweight Energy added value to the portfolio, though this was more than offset by our underweight to Healthcare and overweight to Consumer Staples.

Performance attribution

Key contributors

Key contributors	Positioning
Star Entertainment Group	Overweight
Suncorp Group Ltd	Overweight
Boral Ltd	Overweight

Star Entertainment Group (SGR, +8.67%) – reported a better than expected FY18 result which led to a strong bounce in August. The result highlighted a strong return of VIP players to Stars resorts in line with the result from domestic Casino peers. Pleasingly, the result allayed market concerns that the refurbishment of the Sovereign room at Star Sydney would result in a decline in player activity. Early indications are that player activity remains strong. As such, strong growth in activity at Star and its recently refurbished Gold Coast resort coupled with good cost control was welcomed by investors. We are becoming increasingly confident that SGR will extract strong returns from its project pipeline due to the quality and position of assets. We also have a constructive view on tourism-driven visitation. The company's strategic relationship with Chow Tai Fook and Far East Consortium not only provides capital and expertise but also access to a deep set of future offshore customers that will drive spend across SGR's integrated resorts. Valuation remains attractive with SGR trading at a discount to domestic and international peers.

Suncorp Group Ltd (SUN, +3.47%) – added to portfolio returns during August after the company delivered a stronger than expected FY18 result. SUN has the benefit of a favourable insurance market with premiums for most classes of business continuing to rise. In the eyes of the market, the management team set itself stretched targets for FY19 some time ago. If they continue on their current trajectory, they may well achieve their goals, and this would be a major upside surprise for the market. We continue to monitor progress toward targets. The company also announced the disposal of its Life Insurance business which will see a capital return (most likely as a special dividend).

Boral Ltd (BLD, +5.26%) – gained in August after reporting a better than expected FY18 Result. The drivers of the result were broadly spread across its Australian and United States operations and illustrated that the company continues to manage operations well in the face of increasing input costs, which have impacted peers. The most pleasing part of the result was the ability of the company to increase product prices to offset cost pressures and looking forward we expect margins to expand gradually. Key drivers of the top line remain in place as US housing activity is boosted by road spend and the current government infrastructure spend more than offsetting any housing weakness within BLD's domestic operations. The potential for long-term growth was also evident in the company's expanding US FlyAsh operations. We remain positive on the potential of BLD's expanded US operations post the Headwater acquisition as well as BLD's exposure to the recovering US housing market and infrastructure boom in Australia. BLD is trading at attractive multiples and we remain confident of the company's outlook.

Key detractors

Key detractors	Positioning
Woolworths Group	Overweight
Amcor Ltd	Overweight
Ansell Ltd	Overweight
CSL Ltd	Underweight

Woolworths Group Ltd (WOW, -5.95%) – underperformed in August as the market digested a weaker than expected 1Q update for it supermarket division. In addition, the company indicated that margins were unlikely to expand following a significant recovery. Instead, the company will look to invest to maintain their leadership position. We see the weaker than expected 1Q19 sales number as transitory as sales have moved to Coles due to the highly successful "Little Shop" campaign as well as Coles providing free reusable bags as shoppers struggled to change shopping habits with retailers looking to cease the use of disposable bags. Key drivers of performance within Woolworths remain strong including transaction numbers and customer satisfaction. Overall, the outlook for the supermarket industry looks solid with Coles likely to become a rational competitor after its spin-out from Wesfarmers and food price deflation beginning to ease. Management execution remains strong. Balance sheet strength offers flexibility and valuation remains undemanding compared to domestic defensive names.

Amcor Ltd (AMC, -5.11%) – global packaging company, declined during August as the market digested the implications of its all-scrip bid for US-based Bemis and its FY18 result came in below investors' expectations. The acquisition of Bemis is a strategically significant move by AMC as it gives the group a diversified global footprint across Flexible and Rigid plastics. While AMC has paid a full price, it has a history of successfully integrating acquisitions and can move to make more accretive bolt-on acquisitions in the US market following the integration of Bemis. By making an all-scrip bid, the group leaves itself with a strong balance sheet after the deal is completed and both businesses are cash generative. At the results, AMC indicated rising raw material costs could continue to be a drag in 1H19 before the cost recovery from customers starts to provide a larger offset in 2H19. This was a disappointment as we had expected there to be a benefit on this front across the full year. Also, the issues the group was facing in North America in its Rigid's business should ease as Pepsi continues to see a lift in volumes after raising its marketing for its key brands. We believe AMC provides an attractively valued exposure in a market which is looking expensive in several segments.

Ansell Ltd (ANN, -12.88%) – underperformed the broader equity market as the recent 1H18 result indicated the company continues to face cost headwinds, limiting short-term margin expansion. While we were pleased with the continued underlying organic growth and strong momentum in the company's cost-out program, the company flagged potential risks as the Trump administration threatens to place tariffs on goods imported from China. In the medium-term, we see the tariffs as likely to enhance ANN's competitive position. Compared to peers, ANN has a more significant US-based manufacturing footprint which enables the company to manage costs while price increases are passed through. ANN remains exposed to a robust global economy and retains a solid balance sheet after the disposal of its Sexual Wellness business, providing scope for some bolt-on acquisitions which will drive additional earnings growth into the future.

CSL Ltd (CSL, +15.61%%) – continued its strong run in August as the FY18 result delivered on elevated expectations of a strong earnings print. The key drivers of the result were continued strong immunoglobulin (IG) market growth and strong sales from CSL's specialty brands, buoyed by manufacturing issues at a key competitor. While we are attracted to CSL's strong industry position and the latent value evident in its R&D pipeline, we remain cautious that the market valuation is capitalising current earnings growth and implied low risk too far into the future. Trading well above historical trading ranges, we feel potential competitor behaviour and the inherent risk in the manufacture and distribution of blood products is not currently reflected in the share price, raising the potential for capital loss should lofty expectations not be met in the future.

Portfolio changes

Key additions and material adjustments

Bought
Nil

Key disposals and material adjustments

Sold
Nil

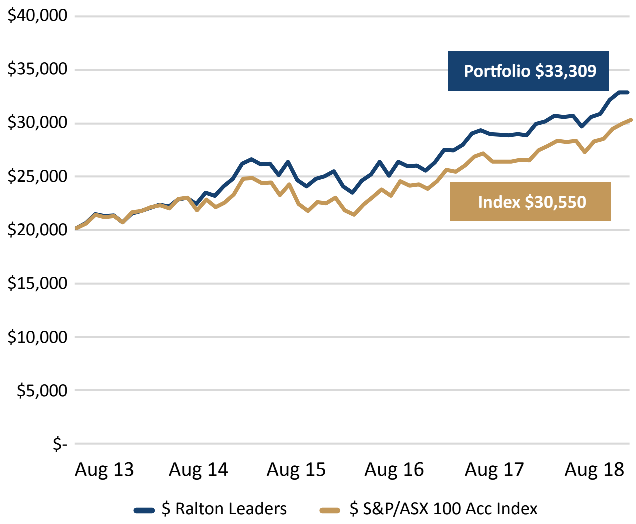
Sector allocation

GICS sector	Ralton	Index	+/-
Consumer Discretionary	7.6%	3.3%	4.3%
Energy	9.5%	5.4%	4.1%
Materials	21.0%	17.2%	3.8%
Information Technology	2.3%	1.8%	0.5%
Consumer Staples	8.2%	7.9%	0.3%
Telecommunication Services	1.9%	2.6%	-0.7%
Financials	34.0%	35.3%	-1.3%
Utilities	0.0%	2.1%	-2.1%
Industrials	5.2%	7.3%	-2.1%
Health Care	6.3%	9.6%	-3.4%
Real Estate	4.0%	7.4%	-3.5%
Total	**100.0%**	**100.0%**	**0.0%**

Top 10 holdings#

Company name	ASX code
BHP Billiton Limited	BHP
Commonwealth Bank	CBA
ANZ Banking Group Limited	ANZ
Woolworths Limited	WOW
National Australia Bank Limited	NAB
Westpac Banking Corp	WBC
Aristocrat Leisure	ALL
Macquarie Group Ltd	MQG
Woodside Petroleum	WPL
Amcor Limited	AMC

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 | spmcgoldrick@copiapartners.com.au
Iain Mason	Director, Institutional Business	0412 137 424 | imason@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.

This document is for general information 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 whether the information is suitable for their needs. This may involve seeking advice from a qualified financial adviser. Ralton Asset Management (ABN 45 114 924 382) (Ralton) is the provider of the Ralton Wholesale Leaders Model Portfolio. To subscribe, contact Copia Investment Partners Ltd (AFSL 229316, ABN 22 092 872 056) (Copia) by calling 1800 442 129 or email clientservices@copiapartners.com.au. Any opinions or recommendations contained in this document are subject to change without notice. Ralton and Copia are under no obligation to update or keep information contained in this document current.