

Total returns

At 30 November 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	-2.58	-8.49	-2.18	0.22	6.76	7.57	11.22	10.30	6.49
Income return	0.67	1.32	2.20	4.42	4.12	4.08	4.24	4.44	4.52
Growth return	-3.24	-9.81	-4.38	-4.20	2.64	3.49	6.99	5.86	1.97
S&P/ASX 100 Accum. Index	-2.40	-9.18	-3.33	-0.95	7.43	5.69	9.63	9.03	4.87
Difference	-0.18	0.69	1.15	1.17	-0.66	1.89	1.59	1.28	1.62

Performance review

- The S&P/ASX 100 Accumulation Index returned -2.40% for the month of November, with Financials and Industrials the top performing sectors and Materials and Energy the weakest performers for the period.
- The Ralton Leaders portfolio returned -2.58% for the month, underperforming the benchmark by 0.18%.
- For the month of November, being overweight Consumer Staples and underweight Health Care added relative value to the portfolio. The portfolio's underweight to Real Estate and overweight to Consumer Discretionary were the key detractors from portfolio returns.

Performance attribution

Key contributors

Key contributors	Positioning
Woolworths Group	Overweight
Amcort Ltd	Overweight
Spark Infrastructure	Overweight

Woolworths Group (WOW, +1.72%) – strongly outperformed in November against a backdrop of continued weakness in the Australian equity market following underperformance during the third quarter. Recent trading at Woolworths has been impacted by the highly successful 'Little Shop' campaign at Coles as well as its competitor providing free reusable bags. During November the company confirmed our previous view that sales weakness was transitory and indicated that September and October had seen an improvement in sales momentum. Moreover, WOW announced the sale of the petrol business and we view it is likely that the \$1.75bn funds received will be distributed to shareholders in a tax-effective manner. Overall, the outlook for the supermarket industry looks solid with Coles likely to become a rational competitor following its spin-out from WES and indications that food price deflation is beginning to ease. Management execution remains strong. Balance sheet strength offers flexibility

and valuation remains undemanding compared to domestic defensive names.

Amcort Ltd (AMC, +0.98%) – the global packaging company, outperformed the market during November. AMC has been under pressure as its key input costs, which are linked to oil prices to a degree, have been rising over the past 12 months. During November the price of oil pulled back by approximately 22%, which likely helped sentiment around the stock. We also met with senior management recently to discuss the acquisition of US-based Bemis in an all scrip bid. We came away from the discussion more confident about the rationale for the transaction, the expected synergy benefits and potential other upside opportunities from the combination. 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. Although 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.

Spark Infrastructure (SKI, +2.17%) – generates a defensive and stable earnings stream from its high-quality electricity distribution networks, which has continued to support its outperformance of the market during November. SKI is an efficient operator that is positioned to increasingly deliver more value-add services as energy systems transfer from a stable, high emission, centralised system to a dynamic, low emission based, decentralised system. Over the coming decades, there is expected to be a transformation of the national energy market driven by significant changes in the generation mix in NSW, VIC and SA that will be increasingly driven by supply from customers' resources within the distribution network. SKI's future capital growth is underpinned by the \$2-4.9bn of contingent capex projects included in Transgrid's recent determination and the optionality in its other networks in Victoria and South Australia. SKI's distribution growth is expected to deliver growth of 'at least CPI' to 2020, subject to business conditions.

Key detractors

Key detractors	Positioning
Lendlease Group	Overweight
Aristocrat Leisure	Overweight
Woodside Petroleum	Overweight

Lendlease Group (LLC, -28.07%) – underperformed the market after announcing another substantial downgrade in relation to its Engineering business (previous provision in late 2017), despite having reassured the market only eight weeks before that there were no grounds for an additional provision top-up. What was more troublesome was the fact a component of the provision related to new contracts the company had taken on. This raises further concerns about the risk management framework in this business. We like the broader LLC business with its global book of urban regeneration projects (akin to the Barangaroo development in Sydney) which provides a long-term back-log of construction work and development profits for the group. Further, it has a large, globally diversified funds management business with a strong reputation amongst its clients. However, these new issues in the Engineering business again bring into question whether management have a firm grasp of the risks being taken on in that section. Management have announced a review of the Engineering business which may well lead to its sale. We decided to exit the position after the announcement and will continue to monitor the situation.

Aristocrat Leisure (ALL, -10.72%) – trended lower during November as investors remained cautious ahead of the company's FY18 result. While the result delivered a better than expected outcome in ALL's core land-based slots business, the company flagged increased spend to support product launches in its digital gaming business. With earnings in 2019 now 2H-weighted, the market marked the stock down due to elevated uncertainty. We remain positive on the outlook for the company as we see the company's willingness to invest behind their strong competitive position as a core driver of ALL's long-term performance. We remain vigilant to key competitors gaining market traction through increasing investment, however, key offshore competitors remain over-indebted and continue to underspend on product development. As such, we remain confident that ALL's current suite of land-based products will continue to take share in a market that is supported by strong US consumer confidence. In addition, at the current valuation we feel the Australian market is discounting the strong earnings outlook supported by multiple growth options within ALL's core slot operations, expansion into adjacent markets, and continued momentum in its digital businesses broadly supported by a strong US economic backdrop.

Woodside Petroleum (WPL, -10.88%) – underperformed the market during the month after the Brent oil price declined by 22%. On a positive note, WPL signed preliminary agreements with the Browse joint venture and Chevron during the month that support the future development of a Burrup gas processing hub, extending the life of WPL's North West Shelf processing facilities. This is a major milestone for the company and adds to the extensive development pipeline. The decline in the oil price was triggered by higher oil production by OPEC (principally Saudi and the UAE), Russia and the U.S., which had been expected to offset the impact of new US sanctions placed against Iran from 4 November. However, the U.S. unexpectedly granted waivers to eight countries importing Iranian oil which implied the sanctions would have a much smaller impact on the oil market in comparison to what was initially expected. At the same time, the outlook for global oil demand has been softening, with OPEC and others reducing 2019 global oil demand forecasts. We now believe oil is trading at a level that will lead to future OPEC output cuts in order to rebalance the market and ultimately support higher oil prices that benefit WPL. We remain attracted to WPL's exposure to Asia's growing demand for gas and its strong pipeline of growth options.

Portfolio changes

Key additions and material adjustments

Bought
Nil

Key disposals and material adjustments

Sold
Lendlease Group (LLC)

The position in **Lendlease Group (LLC)** was disposed of during the month and the rationale is discussed in the commentary above.

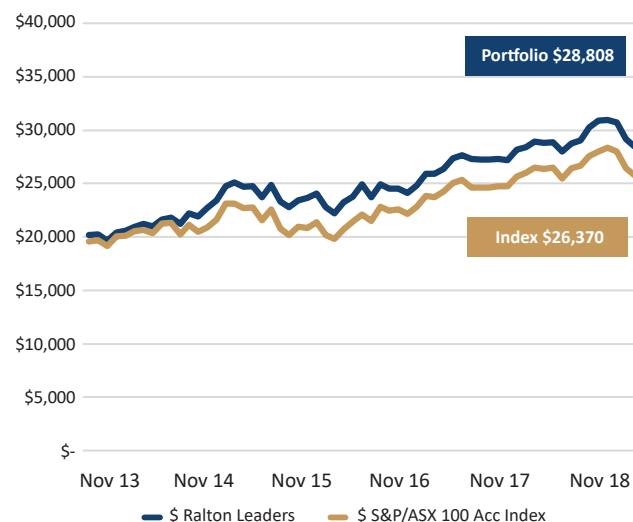
Sector allocation

GICS sector	Ralton	Index	+/-
Materials	21.5%	17.5%	4.0%
Energy	8.9%	5.0%	3.9%
Consumer Staples	7.6%	5.2%	2.4%
Consumer Discretionary	7.0%	5.6%	1.4%
Information Technology	2.2%	1.2%	1.0%
Utilities	2.4%	2.1%	0.3%
Telecommunication Services	2.0%	3.2%	-1.2%
Health Care	7.1%	8.7%	-1.6%
Financials	34.1%	35.8%	-1.7%
Industrials	3.9%	8.1%	-4.2%
Real Estate	3.2%	7.5%	-4.3%
Total	100.0%	100.0%	0.0%

Top 10 holdings[#]

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

Performance comparison of \$20,000*



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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 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.

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