Total returns

At 31 March 2019	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. (Mar 2008)
Ralton Australian Equity ex 50	-0.26	7.35	-5.62	1.92	10.00	9.34	11.93	14.02	7.89
Income return	*0.47*	*0.86*	*1.19*	*2.62*	*2.69*	*2.92*	*3.32*	3.57	*3.70*
Growth return	*-0.73*	*6.48*	*-6.82*	*-0.70*	*7.31*	*6.42*	*8.60*	10.46	*4.19*
S&P/ASX Small Ord Accum. Index	-0.12	12.59	-2.83	5.78	11.40	7.97	4.51	8.36	1.62
Difference	**-0.14**	**-5.24**	**-2.79**	**-3.86**	**-1.40**	**1.37**	**7.42**	5.66	**6.26**

Performance review

- The S&P/ASX Small Ordinaries Accumulation Index returned 12.59% for the March quarter, with Information Technology and Consumer Discretionary the top performing sectors and Consumer Staples and Utilities the weakest performers for the period.
- The Ralton Smaller Companies portfolio returned 7.35% for the quarter, underperforming the benchmark by 5.24%.
- For the March quarter, being overweight Energy and underweight Consumer Staples added relative value to the portfolio. The portfolio's underweight to Information Technology and Consumer Discretionary were the key detractors from portfolio returns.

Performance attribution

Key contributors

Key contributors	Positioning
Independence Group	Overweight
Beach Petroleum	Overweight
Speedcast International	Overweight

Independence Group (IGO, +27.23%) - outperformed the market over the March quarter after the USD nickel price increased by 22% and delivered the second strongest commodity performance over the period (after oil). For the first time IGO provided 1H FY19 financials with its December 2018 quarterly report, with improved output and costs from Nova and Tropicana leading to analyst upgrades. On 20 February IGO announced a modest increase in Nova ore reserves and the company stated a high degree of confidence in its forecasting of future production as a result of IGO's grade control drilling and underground capital development. The mine life for the Nova Operation remains at approximately eight years. The Ore Reserve at Tropicana Gold Mine contains 3.74Moz and also has a mine life of eight years at planned expanded throughput rates. A new shareholder returns policy aims to return 15-25 percent of FCF to shareholders. This is expected to be a mix of fully franked dividends, buy back, and unfranked dividends over time. A positive resolution to the US-China trade war, accelerating Chinese infrastructure stimulus, and VAT tax relief have potential to provide further support to nickel over the remainder of 2019.

Beach Petroleum (BPT, +53.16%) - significantly outperformed the market over the March quarter after increasing FY19 production guidance in the December 2018 quarter result and from reporting a relatively strong 1H FY19 result with most key metrics ahead of market expectations, driven in part by a favourable accounting treatment of the Lattice acquisition and BPT's failure to expense unsuccessful exploration. New FY19 EBITDA guidance increased by $200m to $1.25 - 1.35bn (prior $1.05-1.15bn) with approximately $110m due to a non-cash adjustment. Notable achievements over 1H FY19 included paying down Lattice debt, extracting Lattice operating efficiencies, improved Cooper Basin oil production (Bauer field extension) and reduced Cooper Basin operating costs. BPT also restated its target to be net cash by the end of the March 2019 quarter after A$344m in proceeds from the part sale of the Otway assets, implying room for new corporate activity. This net cash position is two years ahead of the original schedule stated at the time of the Lattice acquisition. The early discharge of the Origin Energy Transitional Services Agreement at the end of December has also advanced BPT's expectation of realising $56m pa of synergies from 31 December 2018. Despite recent outperformance, we believe BPT has potential to add further value over 2H FY19 from increased drilling activity both onshore (more Cooper Basin horizontal wells) and offshore.

Speedcast International (SDA, +28.87%) - outperformed during the quarter following a better than expected CY18 result and strong FY19 guidance. SDA's share price has remained depressed since a disappointing 1H18 result that created investor concern over the duration of the recovery in the energy division as well as management's willingness to maintain discipline regarding M&A and balance sheet metrics. Following the share price fall we took the view that the market-implied valuation under-

valued the strengthening position of the business as well as the structural growth opportunity arising from the usage of data by corporations and governments in remote locations. Moreover, the rebased earnings expectation provided a more realistic base from which management could regain market confidence. Pleasingly, the portfolio captured the share price re-rate with the prospect of increased confidence in the energy recovery providing upside to future earnings expectations.

Key detractors

Key detractors	Positioning
OceanaGold Corp	Overweight
Nufarm	Overweight
Northern Star Resources	Overweight

OceanaGold Corp (OCG, -8.44%) - underperformed the market over the March quarter. In its 2018 full year result in late February OGC stated its 2019 outlook was for flat production and higher costs at all of its gold mining operations. Above average rainfall over the December 2018 quarter adversely impacted Haile gold production volumes. Didipio gold production was also impacted at the end of 2018 after it reached its mill feed permit limit. This sanguine outlook was offset by the positive 8 March announcement of a significant increase in mineral resources at Waihi in New Zealand with the Martha Total Indicated Resource increasing by +136% to 331,000 ounces of gold and Total Inferred Resource also increasing by +97% to 667,000 ounces of gold. OGC plans to continue to invest in an extensive drill program from the two underground drill drives at Waihi and have allocated a budget of over $11 million for 2019 to go with the $8 million planned spend for the newly discovered WKP prospect. Longer-term production growth is driven by Haile and from Macraes demonstrating an ability to deliver a life-extension.

Nufarm (NUF, -20.97%) - underperformed the market during the March quarter following the company's 1H19 result in which management downgraded FY19 guidance by 12% at the midpoint and highlighted seasonal working capital build in excess of market expectations. The result also highlighted uncomfortably high net debt. Despite the ongoing unfavourable seasonal conditions weighing on NUF's Australian and European operations as well as some supply issues in Europe, North America and Seeds delivered stronger results. While we remain attracted to the growth driven by the recently expanded operations in Europe, plant efficiency projects and the first contribution from the Omega 3 venture with several key milestones set to be achieved in the coming eighteen months, we remain conscious of the seasonally elevated risks, including near-record high gearing, which could lead to a further equity raising should seasonal conditions fail to improve. We elected to review the position in the March quarter and will look to revisit the stock when we have a clearer view on the outlook for global agricultural chemical demand and the challenges facing NUF's European operations.

Northern Star Resources (NST, -3.14%) - delivered a somewhat volatile share price performance over the March quarter and ended the quarter marginally underperforming the market. We believe this had more to do with shifting investor views towards gold, plus overall share market sentiment driven by economic data / news about US-China trade deal progress and the strength of the USD, rather than any NST specific news. Over the quarter the NST share price ranged from a low of A$8.05/share on 25 January to a high of A$9.90/share on 20 February when the AUD gold price also reached a high of A$1870/oz. Importantly, the AUD gold price has consistently traded above A$1,800/oz over this period. On the operational side, NST's deliberate mine sequencing delivered lower grades and higher costs in the December quarter, however, a turnaround is expected over 2H FY19 from the delivery of higher grades from all three core operating areas. We continue to see potential for NST to deliver/surpass its FY19 production guidance, revitalise Pogo and deliver continued exploration success that underpins growth in resources and reserves.

Portfolio changes

Key additions and material adjustments

Bought
Seven Group (SVW)
Clydesdale (CYB)
Saracen Minerals (SAR)

We added **Seven Group (SVW)** to the portfolio in January as we sought to take the opportunity to invest in strong companies that had de-rated to attractive valuations during the December quarter pullback. SVW has traditionally operated as a conglomerate; however, we see the current management team moving towards a more operational model which should result in a higher valuation. Moreover, the key operating divisions of Westrac and Coates hold leading industry positions and are exposed to attractive end markets of domestic mining investment and government sponsored infrastructure.

We added a position in **Clydesdale (CYB)**, the spin-off from NAB in the UK, during the quarter. We are of the view CYB is offering attractive value given the synergy benefits and medium-term growth opportunities presented to it via the merger with Virgin Money. CYB management have proven themselves adept at stripping out costs and growing the business since the demerger

from NAB. The opportunity for the merged group given the constraints on some of the larger competitors is attractive. There are ongoing risks associated with Brexit, however, we are of the view a hard Brexit will not occur and there will be some form of negotiated settlement between the UK and Europe as it is in neither parties' interest for the UK to crash out. We are obviously monitoring these risks closely for this and other investments in the portfolio.

Saracen Minerals (SAR) was added to the portfolio after it was sold down on the 1H FY19 result which contained unclear accounting disclosure with respect to higher than expected costs from a temporary program of third-party ore purchasing. We met with the company and it confirmed this reporting is to be improved going forward. SAR is well positioned to deliver improved production as well as a decline in costs. The company also has a relatively large exploration budget (FY19: A$60m) targeting relatively low risk close-in opportunities around operating assets.

Key disposals and material adjustments

Sold
ALS Ltd (ALQ)
Viva Energy REIT (VVR)

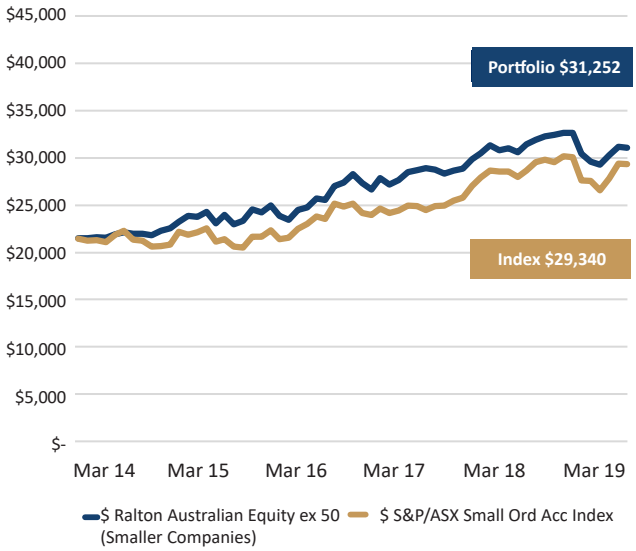
We removed **ALS Ltd (ALQ)** from the portfolio as we looked to fund more attractive opportunities while maintaining the exposure to increased investment in mining and related industries. The outlook for the mining exposed division remains attractive. As such, we will look to revisit the stock when we see stronger operational execution in the adjacent Life Sciences division.

We decided to dispose of the position in **Viva Energy REIT (VVR)** during the quarter as the stock is now trading at a material premium to NTA at a point in the cycle when cap rates for these types of assets would be expected to come under pressure.

Sector allocation

GICS sector	Ralton	Index	+/-
Energy	11.0%	5.5%	5.5%
Materials	23.7%	19.0%	4.7%
Health Care	9.1%	6.3%	2.8%
Utilities	3.2%	0.4%	2.8%
Telecommunication Services	8.2%	5.9%	2.3%
Financials	9.2%	9.0%	0.3%
Industrials	6.4%	7.2%	-0.8%
Consumer Staples	6.2%	7.5%	-1.2%
Information Technology	9.5%	12.7%	-3.2%
Consumer Discretionary	11.2%	15.4%	-4.2%
Real Estate	2.3%	11.2%	-8.9%
Total	**100.0%**	**100.0%**	**0.0%**

Performance comparison of $20,000*



Top 10 holdings#

Company name	ASX code
Mineral Resources Ltd	MIN
Tassal Group Limited	TGR
Nufarm Limited	NUF
OceanaGold Corp.	OGC
Bapcor Limited	BAP
Regis Resources	RRL
Independence Group	IGO
Steadfast Group Ltd	SDF
Cooper Energy Ltd	COE
Nextdc Limited	NXT

CONTACT COPIA 1800 442 129 | clientservices@copiapartners.com.au | copiapartners.com.au

John Clothier	General Manager, Distribution	0408 488 549 | jclothier@copiapartners.com.au
Iain Mason	Director, Institutional Business	0412 137 424 | imason@copiapartners.com.au
Mani Papakonstantinos	Distribution Manager	0439 207 869 | epapakonstantinos@copiapartners.com.au
Matthew Roberts	Distribution Manager	0438 297 616 | mroberts@copiapartners.com.au
Jude Fernandez	Distribution Manager	0414 604 772 | jfernandez@copiapartners.com.au
Sam Harris	Distribution Manager	0429 982 159 | sharris@copiapartners.com.au