Total returns

At 30 April 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 Dividend Builder	2.49	7.41	9.57	11.50	11.79	9.80	12.84	*12.23*	8.25
Income return	*0.09*	*1.67*	*2.86*	*5.61*	*4.92*	*4.77*	*4.85*	*4.98*	*5.05*
Growth return	*2.40*	*5.74*	*6.71*	*5.89*	*6.87*	*5.03*	*7.99*	*7.25*	*3.20*
S&P/ASX 300 Accum. Index	2.46	9.41	10.92	10.32	11.07	7.55	9.96	*9.91*	5.53
Difference	**0.03**	**-2.00**	**-1.35**	**1.17**	**0.72**	**2.25**	**2.87**	*2.32*	**2.72**

Performance review

- The S&P/ASX 300 Accumulation Index returned 2.46% for the month of April, with Financials and Consumer Staples the top performing sectors and Materials and Real Estate the weakest performers for the period.
- The Ralton High Yield portfolio returned 2.49% for the month, outperforming the benchmark by 0.03%.
- For the month of April, being overweight Consumer Discretionary and Materials added relative value to the portfolio. The portfolio's overweight to Consumer Staples and underweight to Information Technology were the key detractors from portfolio returns.

Performance attribution

Key contributors

Key contributors	Positioning
Aristocrat Leisure	Overweight
Amcor Ltd	Overweight
Super Retail Group	Overweight

Aristocrat Leisure (ALL, +6.41%) – added to portfolio performance during April without any real catalysts. The surveys released during the month show the company's gaming machine products continue to be industry leading from a performance perspective and they continue to take share in the participation gaming segment of the market. However, the performance of the Digital business is more mixed. Our key focus when the 1H19 results are released in May will be the progress ALL is making with the implementation of its new digital strategy. 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 solid US economic backdrop.

Amcor (AMC, +4.16%) – the global packaging company, outperformed the market during the month as it continues to step through the final hurdles for the merger with Bemis. The shareholder vote has now passed and the merged entity should begin trading from 15 May. Our confidence improved around the the rationale for the transaction, the expected synergy benefits, and potential other upside opportunities from the combination following our discussion with senior management last year. 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.

Super Retail Group (SUL, 7.85%) – outperformed a consolidating market as investor sentiment was buoyed by both the increasing expectations of an RBA rate cut as early as May as well as both political parties campaigning on a platform of tax-related incentives. Our preference for SUL centres on the strong positions the company holds in its key markets of Auto, Sports and Leisure. Furthermore, the company has invested heavily in its customer proposition as well as digital and supply chain infrastructure that should see it compete strongly with the increased competitive environment in Australian retail led by the entry of Amazon. The recent management transition to Anthony Heraghty provides strategic stability and we are supportive of his track record managing the Leisure division through a difficult period. Combining these factors with strong valuation support and an above-market dividend yield, we are positive on the company's outlook.

Key detractors

Key detractors	Positioning
Regis Resources	Overweight
Suncorp Group	Overweight
Vicinity Centres	Overweight

Regis Resources (RRL, -9.62%) – underperformed the market over the month of April. The mid-April confirmation that Rosemont underground had delivered an updated mineral resource estimate and is proceeding as expected, whilst positive, failed to turn around the downward-trending RRL share price over the month. The March quarter result was also fairly consistent on the production side, and FY19 guidance has been maintained from the company's Duketon North/South operations in Western Australia, along with additional feed from satellite deposits. First ore from Rosemont underground is expected in the September quarter. This implies underground operations are expected to become a significant contributor at Duketon, but it also introduces increased operational risk. We also see risk with respect to the timing and approval for the longer-dated McPhillamys open pit gold mine

development application located 250km west of Sydney, with capital costs estimated to be at the higher end of initial company guidance.

Suncorp Group (SUN, -3.14%) – detracted from portfolio returns during April. There were a couple of forces at work during the month for SUN. Firstly, the company went ex a special dividend following the sale of its Life Business. Secondly, the market was factoring in lower expected investment income in FY20. The inflation data for the March quarter was lower than expected and this reinforced the view that the RBA will begin to cut rates shortly. The market is factoring in at least one rate cut in the next couple of months and economists are now forecasting further cuts as the year progresses. The 1H19 result showed the underlying General Insurance business has solid momentum with further premium increases expected over the next 18 months. The bank is struggling given the tough competitive environment we are seeing in the mortgage market at present. We continue to monitor progress toward managements targets for FY19. The company still has an additional $500m to be returned to investors from the sale of the Life Insurance business which is expected to be done via a pro-rata return of share capital.

Vicinity Centres (VCX, - 2.31%) – underperformed the market during the month after reporting a 70bp moderation in total center sales growth to 2.0%. The company has still not provided details around the exact timing of the wholesale fund with Keppel other than to say that the fund will not be established prior to the FY19 result, which is to be announced on 14 August 2019. This means the balance sheet is not in as good shape as we had originally anticipated. Given that the equity market implied discount versus VCX's main listed peers is around 40%, management have announced that they would not look to divest assets at such a discount. If the fund is not successfully launched, VCX will embark on a capex program for the assets representing $80m, a level of investment that represents 8% of the asset value. Although not a direct beneficiary of an improvement in the retail sales outlook, VCX should benefit from an improvement in the broader retail sales environment. We expect this should come through with the RBA cutting interest rates later in the year and from any stimulus contained in the Federal Budget. VCX continues to trade at a substantial discount to its NTA and has modest gearing relative to peers.

Portfolio changes

Key additions and material adjustments

Bought
Challenger Group (CGF)
Healius Ltd (HLS)

During the month we added a holding in **Challenger Group (CGF)** which provides investment management services to investors in the accumulation and the pension phases. Through Challenger Life, CGF is a leading provider of annuities and guaranteed income streams for domestic and Japanese investors. Also, CGF operates the multi-boutique funds management group, Fidante. We have taken the opportunity to add the holding after a substantial fall in the share price triggered by a sharp decline in flows into the Life business. We view the drivers of this slowdown as temporary in nature. The medium to long-term outlook for this business is very solid given the aging of the Australian population and the government's desire to see people allocate at least part of their retirement savings to an annuity. On the Japanese annuity investor front, we have seen a deal signed recently with their partner and substantial shareholder, Mitsui Sumitomo Primary Life Insurance Company, which will deliver a substantial uplift in volume of AUD and USD annuities to CGF on a medium-term basis.

During the month we added a holding in **Healius Ltd (HLS)**. HLS has been held in another portfolio and we are becoming increasingly confident in the strategic initiatives of new CEO, Dr Malcolm Parmenter to deliver a turnaround across the company's operational divisions. As such, we see the potential for strong medium-term growth. We look for key indicators of success, such as GP hiring numbers, to gain increased confidence in the turnaround.

Key disposals and material adjustments

Sold
Nil

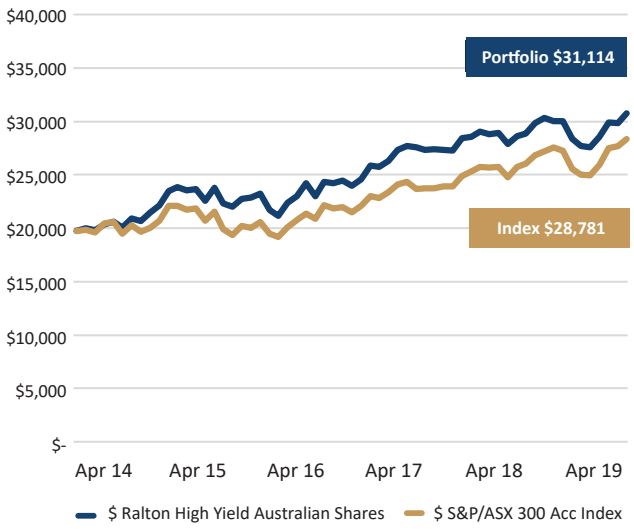
Sector allocation

GICS sector	Ralton	Index	+/-
Materials	23.9%	18.1%	5.8%
Consumer Discretionary	12.0%	6.6%	5.4%
Financials	36.2%	31.5%	4.7%
Consumer Staples	8.5%	5.8%	2.7%
Utilities	3.6%	1.9%	1.7%
Energy	6.6%	5.6%	1.0%
Telecommunication Services	3.0%	3.7%	-0.7%
Information Technology	0.0%	2.5%	-2.5%
Real Estate	4.2%	7.6%	-3.4%
Health Care	2.1%	8.5%	-6.4%
Industrials	0.0%	8.3%	-8.3%
Total	**100.0%**	**100.0%**	**0.0%**

Top 10 holdings#

Company name	ASX code
ANZ Banking Grp Ltd	ANZ
Commonwealth Bank	CBA
Westpac Banking Corp	WBC
BHP Group Limited	BHP
Woolworths Group Ltd	WOW
Amcor Limited	AMC
Suncorp Group Ltd	SUN
Aristocrat Leisure	ALL
Vicinity Centres	VCX
Woodside Petroleum	WPL

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
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

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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 300 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.

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