Total returns

At 31 May 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 Leaders	1.04	3.39	11.94	9.50	8.79	8.88	12.69	10.93	7.26
Income return	*0.68*	*1.42*	*2.76*	*5.05*	*4.43*	*4.27*	*4.31*	4.41	*4.61*
Growth return	*0.36*	*1.97*	*9.18*	*4.46*	*4.37*	*4.61*	*8.37*	6.51	*2.65*
S&P/ASX 100 Accum. Index	2.12	5.31	15.93	12.07	10.68	7.70	11.75	10.25	6.03
Difference	**-1.09**	**-1.91**	**-3.99**	**-2.57**	**-1.88**	**1.18**	**0.94**	0.68	**1.23**

Performance review

- The S&P/ASX 100 Accumulation Index returned 2.12% for the month of May, with Financials and Materials the top performing sectors and Consumer Staples and Energy the weakest performers for the period.
- The Ralton Leaders portfolio returned 1.04% for the month, underperforming the benchmark by 1.09%.
- For the month of May, being underweight Consumer Discretionary and Industrials added relative value to the portfolio. The portfolio's overweight to Information Technology and Energy were the key detractors from portfolio returns.

Performance attribution

Key contributors

Key contributors	Positioning
Aristocrat Leisure	Overweight
ANZ Banking Group	Overweight
Northern Star Resources	Overweight

Aristocrat Leisure (ALL, +11.66%) – delivered a strong 1H19 result which saw a restoration of investor confidence in management during May. The key drivers of the result were continued strength in the core slots business, with growth in adjacent markets starting to gain traction. The market was looking for improvement in ALL's Digital business and the better than expected result saw renewed strength in the share price. Digital earnings have been a key area for concern and the 1H19 result revealed that recent investment is driving growth. Further, margins look to be sustainably higher than assumed. The result confirmed positive indications from surveys released during the prior quarter showing the company's gaming machine products continue to be industry leading and continue to take share from over geared competitors. Despite the recent strong performance, at the current valuation we feel the 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. The US economic backdrop remains supportive as low interest rates and recent tax cuts continue to support investment and consumer spending.

Northern Star Resources (NST, +18.56%) – outperformed the market in May. The company remains focused on delivering value from Pogo by growing reserves and production. NST plans to deliver a maiden Pogo JORC reserve in the middle of this year from an active drill program (12 rigs operating). The company is also expected to deliver record production in the June 2019 quarter in order to meet its FY19 gold production guidance of 850,000 – 900,000 ounces. This is to be achieved from a combination of higher volumes and high-grade ore bodies. Management have indicated that they are also expecting a significant fall in costs (AISC), largely due to the final charge of mobile equipment delivering higher production volumes in the June quarter.

ANZ Banking Group (ANZ, +2.50%) – contributed to portfolio returns during April, after delivering a solid result driven mostly by very low impairment charges and a positive market reaction to the Federal election. The key positives from the election result were: (a) no change to the negative gearing rules, which may attract investors back to the market; and (b) a view that the Federal government may be more conciliatory to the banks after the Royal Commission issues are dealt with. ANZ remains our preferred major bank given the de-risking of the balance sheet which has taken place over the past few years, the strong capital position, the sharp focus on costs, and the controlled growth in the domestic mortgage market in the current economic environment. At an industry level, the major banks face slowing credit growth and rising costs from the Royal Commission, which means a keen focus on cost management will be critical in coming periods.

Key detractors

Key detractors	Positioning
Link Administration Holdings	Overweight
Oil Search	Overweight
CYBG Plc	Overweight

Link Administration Holdings (LNK, -21.45%) – was a substantial negative contributor to the performance of the portfolio during the month after the company downgraded earnings substantially just prior to the end of the month. This is the second downgrade in the past 12 months and relates to the Funds Administration (changes to low balance super account laws) and Corporate Markets businesses in Australia, and the impact of Brexit uncertainty on the UK/European businesses. LNK operates a number of back office processes (which are low value, but high volume per transaction) for groups including Industry Funds, companies, fund managers, and debt owners. LNK is also a major shareholder in PEXA, which now plays a key role in the settlement of home sales/mortgages, etc. This mixture of businesses provides a stable annuity-style income stream and good medium-term growth through the European operations and interest in PEXA. The balance sheet is in strong shape which can also be used to drive future earnings growth. We have been surprised by the scale of the fall in the share price and believe the stock offers medium-term value. There is an investor day later this month which may also provide the market with more confidence about the business outlook.

Oil Search (OSH, -9.38%) – underperformed the market in May. An uncertain PNG political situation that culminated in the Prime Minister, Peter O'Neill, being replaced by the Finance Minister, James Marape, has led to market concerns with respect to the potential impact this may have on the new Papua LNG project and PNG LNG expansion. While this change in leadership could affect the close-out of an agreement with the PNG Government for the development of the P'nyang field (later stage gas) and possibly the timing of the commencement of the FEED phase for the Associated Gas Expansion Project, we believe the overall impact on the project will be minimal. We continue to see strong potential for the Alaskan oil assets to provide material upside and expect OSH to exercise the $450m Armstrong option agreement before 30 June. The long-term value added from PNG/Papua LNG and Alaska is very material for OSH - by 2024/25 it could effectively double OSH production and deliver FCF generation of US$2-3bn per annum.

CYBG Plc (CYB, -12.34%) – underperformed the market during the month as the political situation in the UK continued to deteriorate as the players attempted to reach an agreement on Brexit and global yield curves flattened substantially. The company delivered a good set of 1H19 results during the month, underpinned by stronger revenue trends. We made an initial investment in the company as it offered attractive value given the synergy benefits and medium-term growth opportunities presented to it via the merger with Virgin Money. The key assumptions that drove us to make the investment in the stock were that a resolution to Brexit would be reached (whether that was a soft or hard Brexit) and central banks were doing what was required to stimulate growth again. However, as we have seen with LNK, decisions by business are just being put on hold whilst Brexit negotiations are completed, and this has been pushed out until at least October. As such, we think this continued uncertainty will be a negative for UK growth. Further, the flattening of the yield curve we have seen in the past month, which is a negative for a bank like CYB, has further to run as central banks appear to have quite a bit more work to do in the face of the China-US trade war and slowing European growth. Given the change in outlook, we have elected to dispose of the position despite the good underlying result. We will continue to monitor the stock with a view to acquiring a position as the air clears around Brexit and UK growth.

Portfolio changes

Key additions and material adjustments

Bought
Ramsay Healthcare (RHC)

Ramsay Healthcare (RHC) was added to the portfolio in May due to our view that a Liberal leadership will support the private health care industry as well as evidence that offshore markets including France and the UK are showing signs of stabilisation. We are of the view that current management will continue to drive growth from a strong set of assets and global demographic tailwinds.

Key disposals and material adjustments

Sold
Sonic Healthcare (SHL)
Ansell (ANN)

Sonic Healthcare (SHL) has performed strongly in the recent period and has reached our target valuation. Consequently, we have removed the stock and reinvested the funds into other strong investment opportunities.

Ansell (ANN) was removed from the portfolio in May as the return of tariff tensions between the United States and China will likely result in lower growth and higher input costs within Ansell's key manufacturing markets. Furthermore, recent strong performance saw the share price reach our intrinsic valuation.

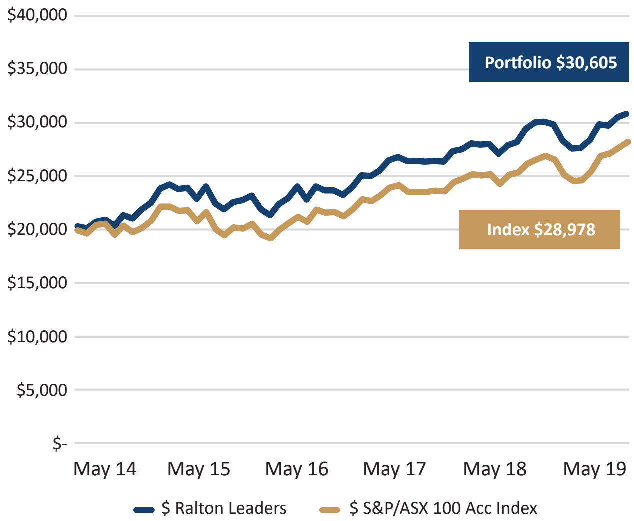
Sector allocation

GICS sector	Ralton	Index	+/-
Energy	11.5%	5.4%	6.1%
Financials	39.6%	34.1%	5.5%
Materials	22.2%	18.4%	3.8%
Information Technology	1.8%	1.4%	0.4%
Utilities	2.2%	2.1%	0.2%
Consumer Staples	5.2%	5.3%	-0.1%
Consumer Discretionary	5.1%	5.5%	-0.4%
Telecommunication Services	2.3%	3.6%	-1.3%
Health Care	6.6%	8.7%	-2.1%
Real Estate	3.4%	7.3%	-3.9%
Industrials	0.0%	8.2%	-8.2%
Total	**100.0%**	**100.0%**	**0.0%**

Top 10 holdings#

Company name	ASX code
Commonwealth Bank	CBA
BHP Group Limited	BHP
ANZ Banking Grp Ltd	ANZ
Westpac Banking Corp	WBC
Woolworths Group Ltd	WOW
Aristocrat Leisure	ALL
Amcor Limited	AMC
Suncorp Group Ltd	SUN
Oil Search Ltd	OSH
Ramsay Health Care	RHC

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

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.