Total returns

At 30 June 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 Concentrated Aus Eq.	1.61	5.31	13.91	5.38	10.98	9.71	13.36	11.24	7.70
Income return	*0.19*	*0.82*	*2.67*	*4.88*	*4.27*	*4.03*	*4.12*	4.28	*4.37*
Growth return	*1.42*	*4.49*	*11.24*	*0.50*	*6.71*	*5.68*	*9.24*	6.96	*3.33*
S&P/ASX 300 Acc Index	3.64	8.05	19.84	11.42	12.82	8.88	11.83	9.91	5.93
Difference	**-2.04**	**-2.73**	**-5.94**	**-6.04**	**-1.84**	**0.83**	**1.53**	1.33	**1.76**

Performance review

- The S&P/ASX 300 Accumulation Index returned 8.05% for the June quarter, with Financials and Materials the top performing sectors and Energy and Utilities the weakest performers for the period.
- The Ralton Concentrated Equity portfolio returned 5.31% for the quarter, underperforming the benchmark by 2.73%.
- For the June quarter, being overweight Consumer Discretionary and Consumer Staples added relative value to the portfolio. The portfolio's underweight to Financials and Information Technology were the key detractors from portfolio returns.

Performance attribution

Key contributors

Key contributors	Positioning
Aristocrat Leisure	Overweight
Northern Star Resources	Overweight
Woolworths Group	Overweight

Aristocrat Leisure (ALL, +25.34%) – delivered a strong 1H19 result which saw a restoration of investor confidence in management during the quarter. 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 tax cuts continue to support investment and consumer spending.

Northern Star Resources (NST, +30.17%) – gained traction in May (+19%) and June (+20%) to end up significantly outperforming the market and the gold price over the June quarter. In general, gold stocks have attracted buying as a hedge against weakening macro data (geopolitical tensions, US-China trade risks, etc.) and expectations of further easing from central banks (outlook for a weakening USD). NST's sector-leading share price performance further reflects expectations that it will meet its FY19 gold production guidance of 850,000 – 900,000 ounces by delivering record June quarter production from a combination of mining higher volumes and from accessing high-grade ore bodies. NST management is also expecting a significant fall in Pogo costs (AISC), largely due to the final charge of mobile equipment delivering higher production volumes in the June quarter. NST further plans to deliver a maiden Pogo JORC reserve by the middle of this year, backed by data obtained from its active drilling program.

Woolworths Group (WOW, +9.31%) – delivered a strong performance during the quarter, despite a pullback from 4-year highs in May, as the market cheered continued strong sales numbers and indications that industry inflation may be returning after a long period of deflation. As confirmed in the February result, Woolworths remains the best performing supermarket and has now cycled through the competitive headwinds of Coles successful "little shop" promotions and disruptions from the removal of plastic bags. WOW remains our preferred domestic defensive exposure as we believe Coles is facing a significant capital spend ahead that will lower return on capital and cashflow available to shareholders. We remain attracted to the company's strong market position in an industry that should deliver sustainable growth. We also see a strong cashflow outlook as the company is moving into a period of reduced capital expenditure. During the quarter WOW completed its off-market buyback delivering an enhanced post-tax return over and above its strong absolute return in 2019. Management execution remains strong and the balance sheet's strength offers flexibility.

Key detractors

Key detractors	Positioning
Link Administration Holdings	Overweight
Vicinity Centres	Overweight
Mineral Resources	Overweight

Link Administration Holdings (LNK, -32.25%) - was a substantial negative contributor to the performance of the portfolio during the quarter after the company downgraded earnings substantially just prior to the end of June. This is the second downgrade in the past 12 months and relates to the Funds Administration (changes to low balance super account laws in Australia) 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 given it was not trading expensively to begin with, but believe the stock offers sound substantial upside over the next few years.

Vicinity Centres (VCX, -5.77%) – underperformed the market during the quarter after reporting a moderation in total center sales growth early in the quarter. Management recently highlighted that it would look to retain the assets identified for the Keppel fund on balance sheet and invest ~$80m to improve the centers over several years. The failure to complete this $1b of asset sales means the balance sheet is weaker than we had expected. With underlying conditions expected to remain somewhat challenging due to soft retail conditions and expectations of softening cap rates for lower quality assets, the share price has been under pressure. We believe this is more than reflected in the current discount to book value the stock is trading at. Although VCX is not a direct beneficiary of an improvement in the retail sales outlook, the stock should benefit from an improvement in the broader retail sales environment. We expect this improvement to come through with the RBA's cash rate now at 1.00% and with additional support from the tax cuts contained in the Federal Budget. VCX continues to trade at a substantial discount to its NTA and has modest gearing relative to peers.

Mineral Resources (MIN, -5.19%) – underperformed the market over the June quarter. In early May, MIN announced new FY19 full year EBITDA guidance of A$360m – A$390m. Although this represented a 22-29% increase on the prior FY19 full year EBITDA guidance range of A$280m – A$320m (22 November 2018), it was below some analyst's expectations. MIN further updated its June quarter spodumene (6%) pricing guidance and this confirmed near-term lithium pricing has been adversely affected by market pressures from new capacity emerging during a period of lower than expected Chinese demand growth. While development of Wodgina lithium remains a key future MIN earnings growth driver, we remain attracted to MIN's diversified asset base. As a medium grade iron ore producer, we see MIN having good leverage to the recent very strong iron ore market conditions (Koolyanobbing expansion from 6Mtpa to 8Mtpa). MIN also operates Australia's largest crushing business and it expects its external crushing business to grow by >20% over the next 12 months.

Portfolio changes

Key additions and material adjustments

Bought
Challenger Group (CGF)
WorleyParsons (WOR)
Ramsay Healthcare (RHC)

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 the volume of AUD and USD annuities to CGF on a medium-term basis

We also added a holding in **WorleyParsons (WOR)** during the month. WOR has become a global E&C leader in hydrocarbons (No. 1), chemicals (No. 1) and metals and mining (No. 2). The future outlook for WOR is positive with EPS accretion from the Jacobs acquisition expected to be at least +50% post run-rate cost synergies of ~A$130m p.a. that are to be delivered within the next 2 years. Cost synergies are expected to mainly come from the areas of IT, property and from G&A savings. This does not include potential revenue synergies which could be material. WOR is already winning new contracts jointly

bidding with Jacobs, plus the pace of new contract awards has increased and margins are on track to improve from better pricing, higher utilisation, greater volume and from leveraging the new contracts through lower overhead rates per chargeable hour. The acquisition of Jacobs Engineering Group's energy, chemicals, and resources business has significantly expanded WOR's geographic and industry footprint and more than doubles the size and scale of WOR's business which means it is now more likely to be the partner of choice for many of its key customers.

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
Speedcast (SDA)
Woodside Petroleum (WPL)
Sonic Healthcare (SHL)
Ansell (ANN)

We elected to exit **Speedcast (SDA)** during the month and shifted the position into **WorleyParsons (WOR)**.

We have elected to reduce our energy sector exposure and have taken profits in **Woodside Petroleum (WPL)**. While we are attracted to WPL's sector-leading dividend yield, we do not expect to see the company grow its overall hydrocarbon production in 2019, with risks that volumes could be below 2018. We see challenges ahead that could affect the timing of commitment to Scarborough and Browse, mainly due to issues related to LNG marketing, JV alignment, and PRRT legislation.

Sonic Healthcare (SHL) has performed strongly in the recent period and has reached out 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.

Whilst **Cybg Plc (CYB)** looks cheap on a medium-term view after the acquisition of Virgin Money, the backdrop has changed since we first acquired the stock. We had expected the resolution of Brexit to occur, with or without an agreement, and to provide a basis for consumers and business to move forward. However, the political wrangling over the exit arrangements continue with no clear sign of a resolution. Our view was further confirmed after attending the investor day. The expected synergies from the merger seem achievable, however, other aspects of the future direction of the group left us concerned.

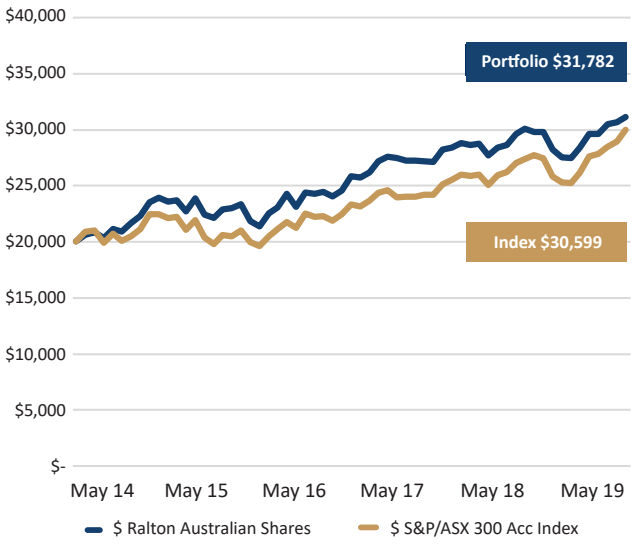
Sector allocation

GICS sector	Ralton	Index	+/-
Consumer Discretionary	12.7%	6.2%	6.6%
Materials	24.5%	18.9%	5.5%
Energy	9.0%	5.3%	3.7%
Consumer Staples	7.9%	5.5%	2.5%
Utilities	4.2%	1.9%	2.3%
Information Technology	1.5%	2.4%	-0.9%
Financials	29.6%	31.5%	-1.9%
Health Care	6.0%	8.6%	-2.6%
Real Estate	4.6%	7.7%	-3.1%
Telecommunication Services	0.0%	3.9%	-3.9%
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
BHP Group Limited	BHP
Westpac Banking Corp	WBC
Amcor PLC	AMC
Woolworths Group Ltd	WOW
Commonwealth Bank.	CBA
Aristocrat Leisure	ALL
Suncorp Group Ltd	SUN
Vicinity Centres	VCX
Spark Infrastructure	SKI

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 Concentrated Australian Equity Portfolio (Ralton Wholesale Australian Shares 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 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.

#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.