## Total returns

| At 31 July 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. | 2.15 | 4.43 | 12.50 | 5.81 | 9.68 | 9.54 | 12.95 | 10.66 | 7.84 |
| *Income return* | *0.00* | *0.73* | *2.32* | *4.88* | *4.27* | *4.03* | *4.11* | 4.28 | *4.34* |
| *Growth return* | *2.15* | *3.70* | *10.18* | *0.93* | *5.40* | *5.51* | *8.84* | 6.39 | *3.50* |
| S&P/ASX 300 Acc Index | 2.97 | 8.58 | 18.81 | 13.25 | 11.61 | 8.57 | 11.64 | 9.45 | 6.16 |
| **Difference** | **-0.82** | **-4.15** | **-6.31** | **-7.44** | **-1.93** | **0.97** | **1.32** | 1.21 | **1.68** |

## Performance review

- The S&P/ASX 300 Accumulation Index returned 2.97% for the month of July, with Consumer Staples and Financials the top performing sectors and Energy and Utilities the weakest performers for the period.
- The Ralton Concentrated Equity portfolio returned 2.15% for the month, underperforming the benchmark by 0.82%.
- For the month of July, being overweight Materials and Energy added relative value to the portfolio. The portfolio's underweight to Healthcare and Financials were the key detractors from portfolio returns.

## Performance attribution

### *Key contributors*

| Key contributors | Positioning |
|---|---|
| Northern Star Resources | Overweight |
| Woolworths Group | Overweight |
| WorleyParsons | Overweight |

**Northern Star Resources (NST, +11.67%)** – significantly outperformed the market in July. The company benefited from the realisation of a record AUD gold price over the month that was supported by a combination of strong global equity markets and expectations of rate cuts from central banks due to slowing global economic growth, US-China trade, and other geopolitical issues. NST is positioned to deliver rising gold production volumes, productivity gains (lower costs), and more resources from the Pogo mine in Alaska. Our positive view on NST is based on it being one of Australia's leading gold producers with a strong capital position (net cash) and a proven track record of operational execution and delivery of exploration success that adds value to its portfolio of assets.

**Woolworths Group (WOW, +7.19%)** – delivered strong gains in July, continuing its strong outperformance from the June quarter. The market cheered management as they announced an intention to separate the Endeavour Drinks business. The divestment will further streamline the business around its core supermarkets business as well as please the ESG-focused segment of the investment community. Other positives include continued industry feedback that the underlying business continues to perform well as well as indications that industry inflation may be returning after a long period of deflation. Early indications are that the current Woolworths "Lion King" promotion is outperforming Coles' second "Little Shop" promotion, alleviating the risk seen in the prior year where Coles outperformed Woolworths. 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. Management execution remains strong and the balance sheet's strength offers flexibility.

**WorleyParsons (WOR, +9.79%)** – significantly outperformed the market in July. OPEC's agreement to extend oil production cutbacks for a further 9 months in late June and increased tensions over Iran have provided less support to the oil price than what we would otherwise have expected, mainly due to projections of oversupply and a slowing world economy, which would reduce oil demand growth. Our favourable WOR outlook is based on the successful integration of Jacobs, which is expected to underpin strong FY20 projected earnings growth, realise new cost, margin and revenue synergies, and provide WOR with a more diversified earnings stream (reducing from 62% upstream oil & gas exposure to 44% in FY20e).

### *Key detractors*

| Key detractors | Positioning |
|---|---|
| ANZ Banking Group | Overweight |
| Amcor | Overweight |
| Spark Infrastructure Group | Overweight |

**ANZ Banking Group (ANZ, -1.31%)** – underperformed during the month as investors concerns grew around the impact on the group of the RBA reducing interest rates and the new capital charge from APRA. With a smaller

mortgage book relative to peers, ANZ has less scope to reprice relative to peers for the RBA's reduction in interest rates. Also, its smaller deposit book has historically seen the bank extract less from deposits than peers in contributing to NIM. This is going to require better execution from ANZ management to overcome. During July, ANZ had an additional capital charge of ~20bps imposed by APRA on part of its New Zealand book. This will further reduce ANZ's capacity to buy back stock to offset the loss of earnings from disposed businesses. We continue to like management's execution on the downsizing of the institutional business, slimming down the business lines and the focus on cost management.

**Amcor (AMC, -4.08%)** – the global packaging company, underperformed the market during July as it gave back part of the outperformance following the merger with Bemis. The merged entity began trading from mid-June with the principal listing in the US and a secondary listing in Australia. 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. AMC has the opportunity to continue to take share given its scale benefits (greater resin purchasing scale, manufacturing and innovation capabilities) and it should continue to generate solid organic growth in emerging markets as more sophisticated packaging moves through the supply chain. The combined business is strongly cash generative and has a strong balance sheet, which will support acquisitive growth or buy-backs. The greater scale in the US provides AMC with a base to begin consolidating that market further now as well. The combined group is targeting $180m of synergy benefits, and based on managements' past track record, we believe this is achievable. The company is aware of customer concerns around the use of plastic packaging and is working with them to develop more environmentally friendly options. AMC's scale places it in a far better position than peers to drive this transition. Overall, we believe AMC continues to offer a solid medium-term growth story.

**Spark Infrastructure Group (SKI, -2.47%)** – underperformed the market in July. While we are attracted to SKI's defensive nature and its FY19e distribution guidance of at least 15 cps for a ~6% cash yield, we also see future revenue headwinds from regulatory resets that increase distribution risk moving into the next five-year regulatory period from 1 July 2020. SKI's transition to a tax payable status also constrains future cash flows (SKI expects to pay 11%-20% tax p.a. over the next two years). These factors imply SKI may not have sufficient free cash flow to enable it to grow, or even maintain, its future distributions (introduction of franking credits may help). SKI is a defensive utility stock that has an efficient network of regulated electricity assets that deliver a stable cash flow stream from their existing regulatory determinations.

## Portfolio changes

***Key additions and material adjustments***

| Bought |
|---|
| OZ Minerals (OZL) |
| Flight Centre (FLT) |

We have added **OZ Minerals (OZL)** to our portfolio for its quality assets and growth in copper and gold production. OZL has a portfolio of long life / low cost assets that generate robust cashflows backed by the Prominent Hill operating mine. Future growth in copper and gold production is driven by Carrapateena, which clocked its first ore in April 2019 and is on track for commissioning from 4Q 2019.

**Flight Centre (FLT)** was added to the portfolio in July. The business is part way through a multi-year turnaround. During FY19, the company has faced macroeconomic headwinds with the domestic leisure market declining along with a number of self-inflicted problems impacting corporate profitability. The domestic market should improve with the tax and rate cuts, whilst a number of last year's headwinds will not repeat, setting the company up for an improved outlook. We see valuation as attractive, with FLT trading at a significant discount to its own historical trading range and the broader market.

***Key disposals and material adjustments***

| Sold |
|---|
| Nil |

Nil

## Sector allocation

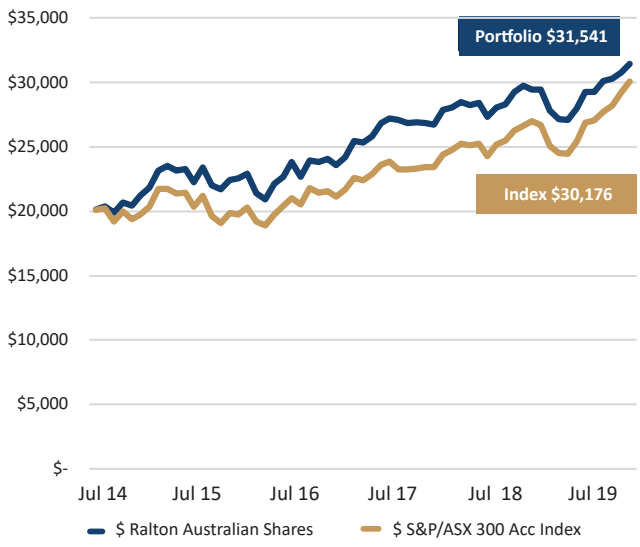
| GICS sector | Ralton | Index | +/- |
|---|---|---|---|
| Financials | 27.6% | 31.1% | -3.5% |
| Real Estate | 4.5% | 7.7% | -3.2% |
| Industrials | 0.0% | 8.2% | -8.2% |
| Materials | 25.8% | 18.6% | 7.2% |
| Energy | 8.8% | 5.2% | 3.6% |
| Telecommunication Services | 0.0% | 3.9% | -3.9% |
| Consumer Discretionary | 14.8% | 6.3% | 8.5% |
| Utilities | 3.8% | 1.9% | 1.9% |
| Consumer Staples | 7.8% | 5.8% | 2.0% |
| Health Care | 5.5% | 8.8% | -3.3% |
| Information Technology | 1.4% | 2.5% | -1.2% |
| **Total** | **100.0%** | **100.0%** | **0.0%** |

## Top 10 holdings#

| Company name | ASX code |
|---|---|

| | |
|---|---|
| Westpac Banking Corp | WBC |
| ANZ Banking Grp Ltd | ANZ |
| BHP Group Limited | BHP |
| Amcor PLC | AMC |
| Woolworths Group Ltd | WOW |
| Commonwealth Bank. | CBA |
| Vicinity Centres | VCX |
| Aristocrat Leisure | ALL |
| Northern Star | NST |
| 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.