Total returns

At 31 August 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	-2.89%	-0.20%	3.55%	4.44%	10.09%	9.05%	12.53%	*10.32%*	8.09%
Income return	*0.68%*	*0.88%*	*2.30%*	*5.20%*	*4.85%*	*4.72%*	*4.73%*	*4.87%*	*5.04%*
Growth return	*-3.57%*	*-1.08%*	*1.25%*	*-0.76%*	*5.24%*	*4.33%*	*7.80%*	*5.45%*	*3.06%*
S&P/ASX 300 Accum. Index	-2.27%	4.30%	9.53%	9.14%	11.34%	7.94%	10.93%	*8.50%*	5.90%
Difference	**-0.62%**	**-4.50%**	**-5.98%**	**-4.70%**	**-1.25%**	**1.11%**	**1.60%**	*1.82%*	**2.19%**

Performance review

- The S&P/ASX 300 Accumulation Index returned -2.27% for the month of August, with Health Care and Real Estate the top performing sectors and Materials and Financials the weakest performers for the period.
- The Ralton Dividend Builder portfolio returned -2.89% for the month, underperforming the benchmark by 0.62%.
- For the month of August, being overweight Consumer Discretionary and Financials added relative value to the portfolio. The portfolio's underweight to Health Care and Real Estate were the key detractors from portfolio returns.

Performance attribution

Key contributors

Key contributors	Positioning
Super Retail Group	Overweight
Healius	Overweight
James Hardie Industries	Overweight

Super Retail Group (SUL, +3.89%) – outperformed in August as consecutive rates cuts in May and June as well as improved confidence following the May election result appear to have assisted the company in delivering a better than expected result. In a trading update included in this year's result, management indicated that sales continued to be strong and in line with industry feedback and that competitors remain rational. As such margins look to remain stable. The recent management transition to Anthony Hegarty provides strategic stability and we are supportive of his track record managing the Leisure division through a difficult period. Following a period of strong performance, valuation appears less attractive and as such we are reviewing the position and considering a number of alternative opportunities gleaned from a volatile reporting season.

Healius (HLS, +9.56%) – performed strongly in August as the FY19 result confirmed our view that the turnaround is gathering momentum. Key indicators included better than expected GP hirings in the second half of 2019, a foundation stone that will underpin improved profitability in their underutilised medical centre portfolio. Moreover, the pathology result indicated a return to normal revenue growth trends with the addition of improved EBIT margins as the pathology industry begins to show more rational behaviour. The company indicated that 2020 profitability will be ahead of 2019 and we are forecasting 10% growth which is less than the annualisation of the strong second half. As such we think there is possibility that the company will continue to positively surprise the market. In addition, we retain the view that there is a high likelihood of a takeover by either its major shareholder, Jango, or potential interest from a number of private equity groups. Whether or not a bid is concluded, we continue to back the strategic initiatives of new CEO, Dr Malcolm Parmenter, to deliver a turnaround across the company's operational divisions and see the potential for strong medium-term growth.

James Hardie Industries (JHX, +13.37%) – performed strongly in August as the market responded positively to a better than expected Q1 2020 result. Lead indicators had been mixed going into the result including weakness in US House Sales and Starts while conversely mortgage rates continue to decline, resulting in increased affordability and industry confidence. It appears the latter is the appropriate indicator as JHX delivered a positive outlook for US home construction with the expectation that they will continue to deliver strong growth above the industry average going forward. The company is currently seeing tailwinds from lower input costs as well as momentum in their cost out program and as such JHX has the choice to either supercharge growth from lower pricing or decide to keep margin benefits and pay them to shareholders. We expect management to reinvest margin to deliver longer-term earnings growth. We believe the positive US housing outlook is supported by improving housing affordability and will lead to a recovery in home approvals and sales. JHX's strong market position in the US siding market provides a strong long-term opportunity for growth as the company benefits from expected growth in housing formation, which is moving towards long-term growth trends. Further, we are attracted to the company's long-dated growth option in Europe.

Key detractors

Key detractors	Positioning
Mineral Resources	Overweight
Orora	Overweight
Tassal Group	Overweight

Mineral Resources (MIN, -17.73%) – significantly underperformed the market in August. MIN's share price was affected by the restructured Albemarle agreement announced on 1 August and the ongoing weak lithium pricing environment. This revised agreement reduced MIN's cash payment from Albemarle, lowered MIN's equity stake in Wodgina to 40% (prior 50%), has likely slowed the ramp up in Wodgina spodumene sales, but has given MIN earlier access to lithium hydroxide production from a facility being built by Albemarle in Perth. MIN produces and ships lithium and iron ore and is Australia's leading provider of mining infrastructure services and equipment solutions, particularly crushing/processing. Although we retain a positive outlook on MIN's FY20 mining services operation, the current weak lithium price environment has increased the risk of holding the stock as we see a potential for the parties to withhold lower quality product from the market which will substantially impact sales over the next 12 months.

Orora (ORA, -17.46%) – detracted from portfolio performance during August after the company produced a weak earnings result. Whilst the core Australasian fibre/beverage packaging assets performed solidly, the North American performance was very weak. This was mainly due to a more challenging macro environment in the US, where volumes were impacted by trade tensions. US earnings were also impacted by increased competition and an inability to pass through raw material and overhead cost inflation. From our perspective, the US result was decidedly worse than we had anticipated. The FY20 year will benefit from two acquisitions in the US, but we are expecting the headwinds to continue in the US given the ongoing trade tensions. We believe much of the risk is now factored into the share price.

Tassal Group (TGR, -16.12%) – underperformed during the month following management's decision to raise additional capital to support and accelerate the rollout of the prawns growth initiative. Whilst salmon industry fundamentals remain positive, more meaningful changes to TGR's production profile will require new leases being made available, implying a slower rate of growth in the core business in the near-to-medium-term. Despite the slowing growth outlook in the salmon business, the prawns opportunity provides favourable geographic and product diversification as well as significantly stronger margin and a faster capital and working capital cycle, which will support returns and PE expansion as cashflow conversion improves. In a fragmented industry, TGR's aquaculture and retail channel experience suggest that the prawns expansion is a sage step by management which we believe will enable TGR to continue to achieve its targeted 10% NPAT growth p.a. in the medium-term. Further, TGR's competitive position has improved in CY19, as key competitor HUO has been having issues with growth. Valuation remains attractive at current levels and TGR offers a sustainable and growing yield. As such, we remain positive on this attractive market opportunity.

Portfolio changes

Key additions and material adjustments

Bought
Transurban Group (TCL)
GPT Group (GPT)

Transurban Group (TCL) was added to the portfolio in August. TCL is Australia's premier toll road operator and it is supported by the defensive nature of its high quality earnings, track record of solid dividend distribution growth, and long duration growth profile. The free cash flow coverage of TCL's 59cps FY19 distribution was 96.8% (includes capital releases). The FY20 distribution guidance of 62cps, implies growth of 5.1% on the FY19 distribution, which will represent the 11th consecutive year that TCL has grown distributions by more than 5% per year.

The portfolio added **GPT Group (GPT)** during the month to diversify its exposure to the AREIT sector and provide an additional element of defensiveness in the current low bond rate environment. GPT's portfolio is spread across Australian retail, office, and logistics/industrial assets, and management has been actively remixing the book away from the troubled retail and toward the structurally supported logistics sub-sector. We are attracted to GPT because of the resilience of its retail portfolio in a soft retail environment, its strongly performing office portfolio, and the operational strength of the growing logistics portfolio. Further, we see the solid growth in GPT's funds management business as a provider of additional earnings certainty, which is a key attraction in an increasingly uncertain economic environment. With solid earnings and distribution growth guided by management and anticipated by the market, GPT's relatively cheap valuation and attractive yield coupled with its strongly performing property portfolio render it an attractive candidate for portfolio inclusion.

Key disposals and material adjustments

Sold
Macquarie Group (MQG)
Super Retail Group (SUL)
Mineral Resources (MIN)

Macquarie Group (MQG) was removed from the portfolio in August. Whilst we remain attracted to the highly successful asset management business, and in particular, the infrastructure assets, we see rising financial market risks which would adversely impact the other areas of the groups business. As such, we elected to dispose of the position.

Super Retail Group (SUL) was removed from the portfolio following a strong FY19 result in which the company indicated that they continue to manage a challenging retail environment better than peers. However, the valuation opportunity at the time of investment has been achieved and we see comparatively greater upside from other opportunities in names exposed to an improving consumer.

We have elected to remove our stake in **Mineral Resources (MIN)** during August as the current weak lithium trading environment has increased offtake risk to the extent that we now see potential for Albemarle to withhold spodumene sales for the next 12 months or until prices firm up. Mount Marion's FY20 lithium shipment volumes and costs are expected to be adversely affected by water supply issues that restricts the ability to produce higher-quality 6% spodumene. The profitability of the Iron Valley operations also becomes marginal at reduced iron ore prices. We retain a positive outlook on MIN's FY20 mining services operation, increased Koolyanobbing iron ore shipments, and expect completion of the Albemarle transaction soon, subject to FIRB and third party approvals.

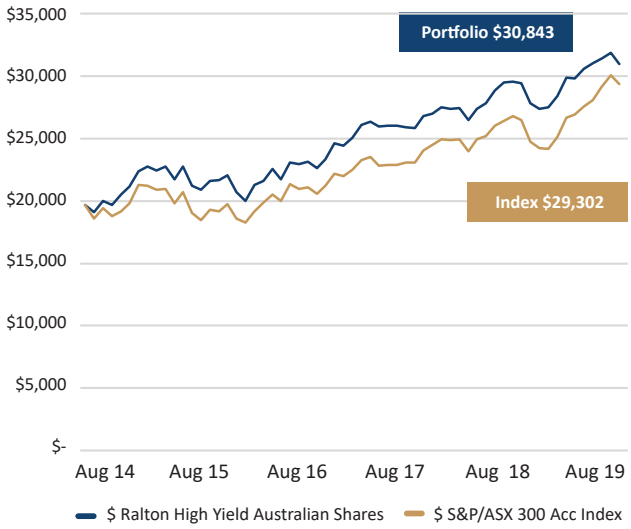
Sector allocation

GICS sector	Ralton	Index	+/-
Financials	30.66%	30.99%	-0.32%
Real Estate	8.60%	8.12%	0.47%
Industrials	2.74%	8.26%	-5.52%
Materials	19.12%	17.49%	1.63%
Energy	6.23%	5.01%	1.22%
Telecommunication Services	6.87%	3.80%	3.07%
Consumer Discretionary	10.31%	6.46%	3.85%
Utilities	3.90%	1.86%	2.03%
Consumer Staples	5.97%	5.98%	-0.01%
Health Care	5.60%	9.42%	-3.82%
Information Technology	0.00%	2.62%	-2.62%
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
Commonwealth Bank.	CBA
Amcor PLC	AMC
Vicinity Centres	VCX
Aristocrat Leisure	ALL
Telstra Corporation.	TLS
James Hardie Indust	JHX
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 Dividend Builder Portfolio (Ralton Wholesale High Yield 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.

This document is for general information only and does not take into account the specific investment objectives, financial situation or particular needs of any specific reader. As such, before acting on any information contained in this document, readers should consider whether the information is suitable for their needs. This may involve seeking advice from a qualified financial adviser. Ralton Asset Management (ABN 45 114 924 382) (Ralton) is the provider of the Ralton Dividend Builder Portfolio (Ralton Wholesale High Yield Australian Shares Model Portfolio) i. To subscribe, contact Copia Investment Partners Ltd (AFSL 229316, ABN 22 092 872 056) (Copia) by calling 1800 442 129 or email clientservices@copiapartners.com.au. Any opinions or recommendations contained in this document are subject to change without notice. Ralton and Copia are under no obligation to update or keep information contained in this document current.