Total returns

At 30 April 2018	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. (Feb 2008)
Ralton High Yield Australian Shares	3.07	0.00	1.88	3.69	6.49	10.00	10.82	*8.12*	7.94
Income return	*0.00*	*1.36*	*2.22*	*4.40*	*4.47*	*4.58*	*4.81*	*4.95*	*4.94*
Growth return	*3.07*	*-1.36*	*-0.34*	*-0.71*	*2.02*	*5.42*	*6.01*	*3.17*	*2.99*
S&P/ASX 300 Accum. Index	3.78	0.25	3.44	5.71	5.79	7.52	7.68	*5.17*	5.07
Difference	**-0.71**	**-0.25**	**-1.56**	**-2.02**	**0.70**	**2.48**	**3.14**	*2.95*	**2.87**

Performance review

- The S&P/ASX 300 Accumulation Index returned 3.78% for April, with Materials and Health Care the top performing sectors and Financials and Utilities the weakest performers for the period.
- The Ralton High Yield portfolio returned 3.07% for the month, underperforming the benchmark by 0.71%.
- Despite our portfolio overweight, our stock selection in the Materials sector was the main detractor from portfolio returns.

Performance attribution

Key contributors

Key contributors	Positioning
Healthscope Ltd	Overweight
Aristocrat Leisure	Overweight
BHP Billiton Ltd	Overweight

Healthscope Ltd (HSO, +23.00%) – outperformed during the month after a conditional takeover offer was received from private equity group BGH Capital with the support of major shareholder Australian Super. HSO was added to the portfolio in late 2017 following a significant fall in the share price and a de-rate in its trading multiple. We have been cautious regarding the potential for a deterioration in the outlook for the private health insurance segment as affordability concerns impacted health insurance participation. The combination of consumers dropping or downgrading coverage and HSO's rapid expansion plans as well as poor operational execution resulted in an earnings disappointment. The fall provided an opportunity for us to build a position below book value with a reasonable margin of safety factoring a conservative view on top line growth and margin, acknowledging the strategic value of the company's assets. The current share price reflects a takeover premium above our fundamental valuation. However, we see potential for a higher bid should bidders look to separate the property assets from the operating group.

Aristocrat Leisure (ALL, +11.80%) – will report their 1H18 result in May. As such, the driver of strong performance during April was the release of more industry data which supported the favourable earnings momentum in its US business. The data affirms our view that the core US slots business continues to gain market share from indebted competitors and that the more recent entry into digital platforms is a positive move that is currently being discounted by the share market. Post the acquisition of Big Fish and Plarium and ongoing organic growth in its own Digital business, this segment will represent 40% of Group revenue. In the current half year, ALL should see the benefit from the release of the much-anticipated Dragon Link (the early data looks positive) and the signs of how its new stepper product has been received. ALL will also be a beneficiary of the recent US tax cut.

BHP Billiton Ltd (BHP, +10.28%) – continues to benefit from strong prices for copper, iron ore and oil, which saw it add value to the portfolio during April after consolidating through March. We have been progressively adding to our BHP holding since the middle of last year, highlighting since that time the noteworthy election of Ken MacKenzie as Chairman of the BHP Board, succeeding Jac Nasser, effective as of September 2017. As CEO of Amcor Limited (AMC), MacKenzie delivered strong shareholder returns, driving a cultural change and heightening focus on return and the use of capital. While global economic strength continues to support commodity prices, we see the change in focus as an opportunity to provide shareholders with enhanced returns through the sale of the US shale business and an improved capital allocation framework.

Key detractors

Key detractors	Positioning
Boral Ltd	Overweight
Amcor Ltd	Overweight
IOOF Ltd	Overweight

Boral Ltd (BLD, -11.42%) – was a drag on portfolio performance during the month after a disappointing trading update, which provided a headline upgrade but an underlying downgrade for FY18 earnings. While disappointing, we view the downgrade as largely attributable to one-off factors that won't be present in FY19 and as such, we maintain our positive view. The headline upgrade was driven by a property sale in New South Wales and a subsequent lower effective tax rate. However, unfavourable weather in key states and an unscheduled outage of the company's main cement manufacturing plant, which is now resolved, were a drag on the rest of BLD's Australian business. Severe winter conditions impacted the US operations. However, operational issues in the newly acquired Flyash business will be monitored closely as it is a key platform for value creation. Following a review of key drivers and further engagement with management, we remain positive on the potential of BLD's merged US operations and its exposure to the recovering US housing market and infrastructure boom in Australia.

Amcor Ltd (AMC, -3.11%) – has continued to drift lower as major issues raised at the February results including subdued North American volumes and higher input costs weigh on sentiment. News flow out of AMC's key clients Pepsi and Phillip Morris indicated that volumes remain under pressure. However, both AMC and key clients remain confident of a reversion to low single-digit growth. Although resin prices have been a significant headwind, prices appear to have stabilised and moving forward we see headwinds abating. Volatility in emerging market economies has also weighed on sentiment. However, AMC remains well diversified which should limit any impact from a single country. We expect to see AMC pass through higher input prices to key clients as stipulated in their contracts, illustrating the sustainability of the company's business model. With strong market positions, a clear strategy executed by experienced management, a long-term track record and a robust balance sheet, we remain positive on the outlook for the company.

IOOF Ltd (IFL, -10.61%) – traded lower in the month of April as the focus of the Royal Commission turned from the major Banks and their lending practices to the Financial Planning space and vertical integration. We see IFL as differentiated from its competitors, and as such, see it facing lower risk from any potential fallout from the Royal Commission due to the company's "open architecture" commitment and lower risk-multiple platform model. IFL has also been very successful as a major consolidator in the wealth management space, where its integration skills allow it to retain the core value of its acquired businesses while stamping out unnecessary costs. The recent acquisition of the ANZ wealth management platform provides a strong growth platform for the next few years and we were pleased to see IFL confirm during the month that ANZ has provided indemnities in relation to any future liabilities stemming from the Royal Commission. We like IFL's focus on the customer which differentiates it from the big banks and other large financial institutions, particularly at a time when community trust in the banks is increasingly questioned.

Portfolio changes

Key additions and material adjustments

Bought
Super Retail Group (SUL)
Star Entertainment Group (SGR)
Sydney Airports (SYD)

Super Retail Group (SUL) was added to the portfolio in April. SUL has de-rated significantly as the market has looked to factor in the impact of increased competition from online and international groups as well as a subdued consumer. At the time of acquisition, we perceived that a significant level of Amazon-related risk is factored into its current valuation. At the same time, forward earnings have been reduced to a point where we see low risk of further earnings disappointment. We are increasingly confident that the company is building an effective strategy to maintain its relevance in a post-Amazon retail environment. With a solid growth outlook and a strong yield of around 7%, we viewed SUL as an attractive stock for the portfolio.

We added **Star Entertainment Group (SGR)** to the portfolio in April as we saw the recent decline in the share price as an opportunity to build a position in a company with several medium-term drivers of growth. In late March the company deepened its strategic partnership with its Asian-based Brisbane project partners by issuing shares to both parties. While the issuance of shares to one entity does give rise to a potential blocking stake in the event of a takeover, we view the long term benefits of greater access to capital and enhanced ability to market into key growth areas in Asia as underpinning the strong outlook for the company. Strong project driven growth drivers, a well established management team and an attractive dividend yield were key reasons for its addition.

We also purchased a holding in **Sydney Airports (SYD)**, which had de-rated as the market has moved to price in an increase in bond yields. The current price represents an attractive opportunity to gain exposure to the positive thematic of middle-class income growth in Asia, the growth of low cost airlines and Asian carriers and the repurposing of airport property to higher value functions. These drivers should lead to medium-term sustainable growth and subsequently a growing distribution outlook.

Key disposals and material adjustments

Sold
Ansell (ANN)
Pact Group (PGH)
Japara Healthcare (JHC)

We exited our holding in **Ansell (ANN)** as recent outperformance had driven the yield down to a level where we chose to pursue other opportunities with better yields. The **Pact Group (PGH)** holding was removed from the portfolio as headwinds from rising input costs which cannot be passed through to customers in an increasingly competitive environment outweighs the strong yield attributes of the stock. Continued uncertainty in the funding environment resulted in us exiting **Japara Healthcare (JHC)** during the month.

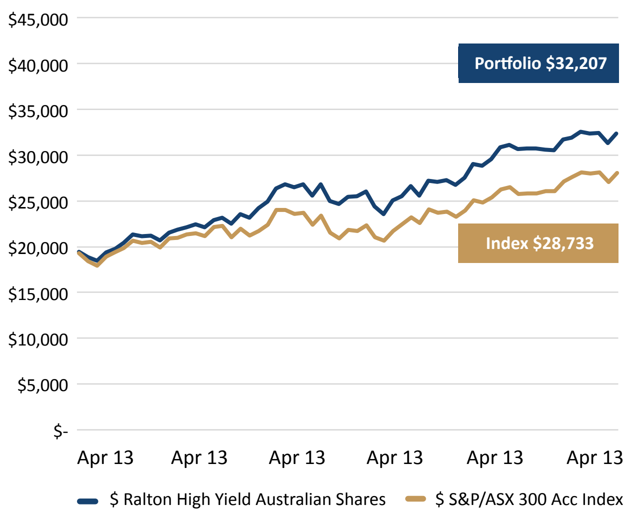
Sector allocation

GICS sector	Ralton	Index	+/-
Consumer Discretionary	10.7%	4.8%	5.9%
Consumer Staples	11.8%	7.9%	3.9%
Materials	19.4%	18.4%	1.0%
Information Technology	3.0%	2.4%	0.6%
Telecommunication Services	3.1%	2.7%	0.4%
Financials	32.8%	32.9%	0.0%
Energy	5.4%	5.5%	-0.1%
Utilities	1.6%	1.9%	-0.3%
Real Estate	7.5%	8.0%	-0.5%
Industrials	2.2%	7.4%	-5.2%
Health Care	2.4%	8.0%	-5.6%
Total	**100.0%**	**100.0%**	**0.0%**

Top 10 holdings#

Company name	ASX code
BHP Billiton Limited	BHP
National Australia Bank	NAB
ANZ Banking Group Limited	ANZ
Woolworths Group Ltd	WOW
Westpac Banking Corp	WBC
Macquarie Group Ltd	MQG
Aristocrat Leisure	ALL
Amcor Limited	AMC
Vicinity Centres	VCX
Boral Limited	BLD

Performance comparison of $20,000*



CONTACT COPIA 1800 442 129 | clientservices@copiapartners.com.au | ralton.copiapartners.com.au

John Clothier	General Manager, Distribution	0408 488 549 | jclothier@copiapartners.com.au
Adam Tweedale	State Manager, Southern Region	0425 804 727 | atweedale@copiapartners.com.au
Angela Vincent	State Manager, Northern Region	0477 347 260 | avincent@copiapartners.com.au
Sean Paul McGoldrick	Account Manager, Northern Region	0421 050 370 | spmcgoldrick@copiapartners.com.au
Iain Mason	Director, Institutional Business	0412 137 424 | imason@copiapartners.com.au
Jacinta King	Business Development Associate	0413 962 922 | jking@copiapartners.com.au