Total returns

At 31 August 2016	1 mth %	3 mths %	6 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	7 yrs % p.a.	Inception % p.a. (Feb 2008)
Ralton Leaders	-1.71	-1.69	11.05	5.50	9.21	12.13	8.85	6.30
Income return	*0.81*	*1.50*	*2.76*	*5.04*	*4.26*	*4.52*	*4.45*	*4.49*
Growth return	*-2.52*	*-3.19*	*8.29*	*0.46*	*4.95*	*7.61*	*4.40*	*1.81*
S&P/ASX 100 Accum. Index	-1.56	1.80	13.52	8.15	6.49	10.07	7.64	4.49
Difference	**-0.15**	**-3.49**	**-2.48**	**-2.65**	**2.72**	**2.06**	**1.21**	**1.81**

Performance review

- The S&P/ASX 100 Accumulation Index lost ground in August, falling 1.56%. Information Technology and Energy were positive contributors, although defensive sectors, such as Telecommunications and Utilities, were the key negatives.
- The Ralton Leaders portfolio fell 1.71% for the month, underperforming the benchmark by 0.15%.
- For the month, being overweight Consumer Staples and Information Technology was a positive contributor to returns while stock selection within Financials detracted from portfolio performance.

Performance attribution

Key contributors

Key contributors	Positioning
Computershare Limited (CPU)	Overweight
Treasury Wine Estate (TWE)	Overweight
Coca-Cola Amatil (CCL)	Overweight

Reporting season was the key driver for many of our portfolio holdings in August. Listed companies report their financial progress for the completed period (half or full-year results) and provide outlook commentary on the year ahead.

Computershare Limited (CPU, +11.3%) – weak expectations, together with a sound profit result, saw CPU rally in August and recoup recent share price weakness. For the first time in many years, CPU delivered top line revenue growth despite the continued easing in interest rates which impacts earnings from its large cash balance. We expect this to continue given productivity measures, improved capital allocation and growth areas such as mortgage processing services. The stock is also highly leveraged to an increase in interest rates.

Treasury Wine Estate (TWE, +16.4%) – TWE's FY16 financial result showed the continued impact of the turnaround under CEO Clarke in recent years. Clarke's strategy has focused on efficiency measures and procurement initiatives in the production and supply chain, together with a revitalised and focused brand and marketing strategy. The recent move to in-source distribution and expand the channels addressed in the Chinese market appears to have gone well. Further, the acquisition of Diageo wine brands in the US and Europe also appears to have been well executed. Also, at the August result, TWE has increased the synergy target from the Diageo acquisition and increased its supply chain savings target to $100m by 2020.

Coca-Cola Amatil (CCL, + 6.1%) – a reasonable half-year earnings result combined with low market expectations saw CCL's shares rally. From our perspective, the half-year result confirmed that CEO Alison Watkin's turnaround of the Australian and Indonesian businesses was gaining traction. In particular, we would highlight the positive results from CCL's growth engines - both Indonesia and domestic non-carbonated soft drink (CSD) products. These non-CSD products or "stills", include sparkling mineral water, dairy, juice and alcohol. By volume, stills account for around one third of CCL's sales, and rising. Each product leverages CCL's impressive infrastructure, such as supply chain, distribution reach and marketing capability. The reason this shift to stills is important is that consumer preferences are shifting. This mix shift coupled with sensible pricing and marketing investment in the core CSD business, should mean CCL can return its business to reliable growth and good cash flows, supporting healthy dividend growth for investors.

Key detractors

Key detractors	Positioning
QBE Insurance Group (QBE)	Overweight
Brambles Limited (BXB)	Overweight
Aristocrat Leisure (ALL)	Overweight

QBE Insurance Group (QBE, -9.6%) – a poor result from QBE's Australian division was a key drag on the half-year results and overshadowed reasonable progress being made in other jurisdictions. QBE's CEO, conscious of recent missteps, has taken decisive action changing leadership in Australia. QBE expects remedial action, including pricing discipline, and government reform in workers' compensation insurance will see the

Australian issues fixed reasonably quickly. Progress on cost reductions, moderate total premium growth and an improved balance sheet provide us with confidence on QBE's multi-year progress. The share price fall together with these factors saw us increase the position.

Brambles Limited (BXB, -8.4%) – the retirement of long-standing CEO, Tom Gorman, overshadowed the FY16 profit results and led to a pull-back in BXB shares. Gorman has been a central figure in BXB's turnaround since 2009 and can be credited with the success of a series of strategic, cultural and operational initiatives. He will remain CEO until next year, when he will be replaced by an external candidate, Graham Chipchase, former CFO and CEO of UK-listed company, Rexam. Gorman and BXB's management team have set themselves a target of 20% ROIC by 2019 and have indeed made good progress towards this target. CEO change is always a point at which we pause to consider investments. So, although Gorman's resignation brings into question whether there will be a change in direction under new leadership, it appears at this stage as if the board wants someone to execute on the existing strategy. We will continue to monitor the position. The strength of the business was highlighted by the full-year results and confident growth in profit outlook for the coming year.

Aristocrat Leisure (ALL, -5.3%) – shares in ALL drifted lower in August in the absence of any material news flow. The shares are however, up approximately 80% for the rolling 12-month period and our positive outlook for ALL is unchanged.

Portfolio changes

Key additions and material adjustments

Bought
DUET Group (DUE)
Newcrest Mining (NCM)

DUET Group (DUE) – was the only new stock addition to the model portfolio during August. DUE owns a series of long-life infrastructure assets including the Dampier to Bunbury Pipeline (DBP) and gas and electricity networks in south east Australia and last year's purchase, Energy Developments (ENE). ENE in turn owns and operates a series of long-life, contracted utility assets. Included in ENE's portfolio are a series of low greenhouse gas emission, energy and remote energy generation plants for multiple clients. The company is likely to have opportunities to add to its asset base in time and we expect further opportunities will be examined under DUE's ownership. DUE has also embarked on a material cost-out story, which we believe offers value to shareholders. The cost and efficiency program will focus on all assets, although we expect efficiencies are most likely to be obtained from the power networks and former government-owned assets. DUE offers a solid, cash-covered yield of circa 7%.

Newcrest Mining (NCM) – we added NCM to the portfolio to increase the total Materials' exposure, and, in particular, to introduce a gold exposure. NCM offers exposure to long-life and high-margin gold assets. NCM has been focused on reducing its operating costs, repairing its balance sheet and completing capital projects at two of its major projects, Cadia East and Lihir. Sandeep Biswa (CEO) has focused on self-help initiatives to reduce operating costs (like much of the mining sector) and to improve the balance sheet.

Key disposals and material adjustments

There were no outright sales from the portfolio during the month.

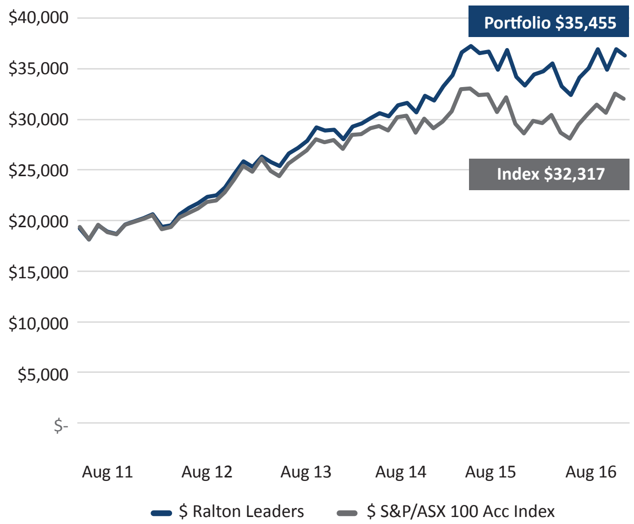
Sector allocation

GICS sector	Ralton	Index	+/-
Consumer Discretionary	8.3%	3.7%	4.7%
Consumer Staples	11.4%	7.2%	4.2%
Information Technology	3.1%	0.6%	2.5%
Utilities	4.8%	2.8%	2.0%
Health Care	8.2%	7.3%	0.9%
Energy	4.5%	4.1%	0.4%
Telecommunication Services	5.5%	5.5%	0.0%
Financials (ex-Property)	37.3%	38.4%	-1.1%
Industrials	5.5%	6.9%	-1.4%
Materials	11.4%	14.3%	-2.9%
Property	0.0%	9.2%	-9.2%
Total	**100.0%**	**100.0%**	**0.0%**

Top 10 holdings#

Company name	ASX code
Commonwealth Bank of Australia	CBA
Westpac Banking Corporation	WBC
National Australia Bank Limited	NAB
Telstra Corporation	TLS
Woolworths Limited	WOW
Aristocrat Leisure Limited	ALL
QBE Insurance Group Limited	QBE
Sonic Healthcare	SHL
CSL Limited	CSL
Brambles Limited	BXB

Performance comparison of $20,000*



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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.

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