Total returns

At 30 November 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 Australian Shares	2.50	1.43	1.46	7.33	8.95	13.85	9.14	7.02
Income return	*0.51*	*0.92*	*2.39*	*4.48*	*4.13*	*4.35*	*4.36*	*4.42*
Growth return	*1.99*	*0.51*	*-0.93*	*2.86*	*4.82*	*9.50*	*4.77*	*2.61*
S&P/ASX 300 Accum. Index	2.80	1.09	3.26	10.07	5.35	10.38	6.59	4.08
Difference	**-0.30**	**0.35**	**-1.79**	**-2.73**	**3.60**	**3.47**	**2.54**	**2.95**

Performance review

- The S&P/ASX 300 Accumulation Index rose 2.80% in November, buoyed by the optimism around global growth under the next US President. Financials and Energy were the top performing sectors with Healthcare and Telecommunications both declining during the month.
- The Ralton Australian Shares portfolio returned 2.50%, underperforming the benchmark by 0.30%.
- For the month, being overweight Healthcare and underweight Real Estate added relative value to the portfolio, however being underweight Financials detracted from relative and absolute returns.

Performance attribution

Key contributors

Key contributors	Positioning
QBE Insurance Group	Overweight
Incitec Pivot Ltd	Overweight
Computershare Limited	Overweight

QBE Insurance Group (QBE, +11.8%) – rallied strongly during November on the back of the rising global yield curves. We have been expecting a move up in the US yield curve for some time given the rise in the various measures of US inflation over the past 12 months. The trigger for the market's move was the election of Donald Trump as US President. Australian and European rates were also dragged higher with the move in US rates and this also benefits QBE. The US 10-year bond rate gained 56bps for the month (or approximately 30%). This is not as bad as the 1994 bond market crash, but it is still a very extreme move in a month. The Trump election victory and likely US fiscal policy easing along with the flexibility delivered with the Republicans controlling both houses may just be the spark to drive rates. QBE's investment income and claims liabilities both benefit from rising bond yields and this was part of our investment thesis for the stock. Progress on cost reductions, moderate total premium growth, a strong balance sheet and a growing sustainable yield, continue to provide us with confidence in QBE's multi-year turnaround.

Incitec Pivot (IPL, +6.8%) – shares in IPL were boosted by a solid FY17 profit result, supported by cost-out and efficiency returns from IPL's 'BEx' program. IPL operates in tough markets, however its management team continues to drive productivity gains from the businesses. Falling fertiliser and ammonia prices have weighed on IPL for nearly 12 months, with recent data points suggesting prices may finally be basing. The long-awaited US ammonia plant (known as 'Waggaman') recently commenced operations and, subject to various moving parts, we expect it to deliver solid cash flows and likely boost returns to IPL shareholders in turn.

Computershare Limited (CPU, +9.9%) – was another beneficiary of the rise in US yields triggered by the election of Donald Trump as US President. CPU earns interest on the cash balances it holds for companies to pay dividends to investors, the proceeds of rights issues and IPOs etc. CPU also benefits as rising long rates will reduce the incentive for mortgagees to refinance their home loans for which CPU holds the mortgage servicing rights (i.e. it earns a fee for processing payments etc., on these loans). Finally, we continue to like CPU given its positive drivers in the current environment including its productivity agenda, improved capital allocation, growth businesses, such as mortgage processing services, and the benefits accruing from rising interest rates.

Key detractors

Key detractors	Positioning
Boral Limited	Overweight
Aristocrat Leisure Limited	Overweight
Woolworths Limited	Overweight

Boral Limited (BLD, -20.2%) – shares in BLD were under pressure in November following a material capital raising to support the acquisition of US-based Headwaters for US$2.6bn. The acquisition is consistent with CEO Mike Kane's long flagged strategy of boosting BLD's presence in the US and gaining exposure to the US housing cycle. Utah-based Headwaters' products cover a range of construction materials and building products, bolstering and deepening BLD's existing US presence in several sub-markets and geographies. The business has been on

CEO Kane's watch list for some time and assuming the transaction passes all regulatory hurdles, Headwaters' and BLD's existing US operations will then account for nearly 40% of BLD's profits.

The share price response appears to have been driven by both the size of the deal, with BLD issuing a significant amount of new shares, and investor scepticism as to whether Kane can deliver his target of US$100m of synergies, which in turn would go some way to justifying the price paid for Headwaters. We share this scepticism and will be watching closely how these plans will be executed. Revenue synergies, which have been included in the target, have historically been very tough for companies to deliver. What appears to have been overlooked at present is the tax losses BLD holds in the US and the tax shelter that will be created from the amortisation of acquired goodwill in the US. Both of these items will provide a substantial benefit to BLD from a cash flow perspective. Also, assuming the US housing cycle, with volumes currently running below a typical mid-cycle run rate, continues its upward trajectory, these factors should combine to prove supportive of BLD's US acquisition.

Aristocrat Leisure (ALL, -2.2%) – ALL's full-year profit results delivered on the last day of November were well received seeing the stock rally, although it still finished down for the month in a rising market. Within the results, we saw continued gains in ALL's participation in its installed-machine base in the US, further market share gains in Australia and ongoing growth in ALL's online gaming offer. Further, strong growth in cash flow and reduced debt levels were positive. Many of ALL's US-focused peers continue to be encumbered by high debt levels, limiting product investment and allowing ALL to gain market share with new leading product launches. Altogether we continue to see value in ALL shares despite the strong valuation uplift in recent years.

Woolworths Limited (WOW, -3.2%) – WOW shares gave back some recent gains in a rising market. As we have highlighted in recent monthly reports, we have been impressed by improving sales trends at WOW's core Australian supermarkets since mid-year. In the short term, this sales growth is still coming at the cost of profit margin as WOW continues to invest in both product pricing and staff. As WOW begins to cycle price investment – now passing its peak – sales trends are expected to improve and this should drive a welcome return to profit growth for the supermarket business. These results have reinforced our positive view in the turnaround CEO Banducci is undertaking.

Portfolio changes

Bought
Independence Group (IGO)

Independence Group (IGO) – we added a position in base metals mining company, IGO, to the portfolio in November. In 2015, IGO merged with Sirius Resources (SIR) (a nickel-focused mining company) whose key asset was the 'Nova-Bollinger' nickel discovery in WA. Nova-Bollinger is a first-class nickel asset and production costs are expected to be in the bottom quartile of global producers. The mine and associated processing plant has recently begun commissioning with the project on time and budget. Curtailment of global nickel supply is being supported by environmentally focused production cuts in both the Philippines and Indonesia. Should these production cuts remain in the near term, we would expect current excess inventories to be drawn down and nickel prices to remain supported. In the medium term, we expect IGO to target becoming a mid-tier mining house with potential for further acquisitions as IGO begins to generate solid cash flows and prove to the market its skills in acquiring larger assets.

Key disposals and material adjustments

Sold
Clydesdale Bank (CYB)

Clydesdale Bank PLC (CYB) – we exited our position in mid-tier UK bank, Clydesdale Bank, during November. Post the UK's Brexit decision in June, the outlook for all UK-domiciled businesses, including CYB, has become less clear. Since the demerger from NAB, CYB's new management team has been focused on right-sizing its cost base with an early increase in the overall target. However, with the high level of uncertainty around the regulatory and economic impact of Brexit likely to persist for perhaps a couple of years, and the ongoing weakness of the pound – which lowers the Australian dollar share price – we elected to take a cautious stance and exit our holding in CYB.

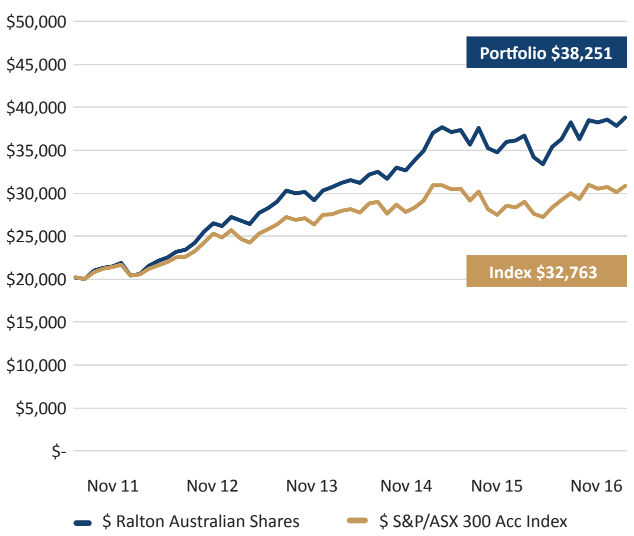
Sector allocation

GICS sector	Ralton	Index	+/-
Consumer Discretionary	11.0%	5.2%	5.9%
Information Technology	3.6%	1.4%	2.2%
Utilities	4.0%	2.5%	1.5%
Telecommunication Services	5.9%	4.7%	1.2%
Consumer Staples	8.0%	7.0%	1.1%
Energy	4.4%	4.1%	0.3%
Health Care	6.0%	6.4%	-0.4%
Materials	15.4%	16.2%	-0.8%
Industrials	6.2%	7.0%	-0.9%
Financials	35.4%	37.1%	-1.7%
Real Estate	0.0%	8.5%	-8.5%
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
Woolworths Limited	WOW
Aristocrat Leisure Limited	ALL
Telstra Corporation	TLS
QBE Insurance Group Limited	QBE
ANZ Banking Group Limited	ANZ
CSL Limited	CSL
BHP Billiton Limited	BHP

Performance comparison of $20,000[*]



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Performance of the 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.

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