Total returns

At 30 November 2017	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	0.57	4.60	3.61	16.29	11.37	13.98	11.20	7.93
Income return	*0.50*	*1.12*	*2.04*	*3.84*	*3.67*	*3.82*	*4.10*	*4.31*
Growth return	*0.07*	*3.48*	*1.57*	*12.46*	*7.70*	*10.17*	*7.10*	*3.62*
S&P/ASX 300 Accum. Index	1.69	5.81	6.86	14.66	8.82	10.46	8.42	5.11
Difference	**-1.12**	**-1.21**	**-3.24**	**1.63**	**2.55**	**3.52**	**2.78**	**2.82**

Performance review

- The S&P/ASX 300 Accumulation Index added to October's gains, finishing up 1.69% for November. Energy and REITs were the top performers for the month, with Telecommunications the only sector to report a negative return.
- The Ralton Australian Shares portfolio returned 0.57% for the month, underperforming the benchmark by 1.12%.
- For November, our overweight to Consumer Discretionary detracted from portfolio returns as did the underweight to Financials.

Performance attribution

Key contributors

Key contributors	Positioning
Vicinity Centres	Overweight
Boral Limited	Overweight
Santos Limited	Overweight

Vicinity Centres (VCX, +5.7%) – shares in retail REIT, VCX added value in November, posting further gains from its mid-year lows. At its AGM in November VCX highlighted progress toward its planned sale of $300m of non-core assets in the current financial year. Further, the recently announced share buyback has repurchased some 2% of issued capital at an average of 6% below net tangible asset value. On the development front VCX continues to advance its pipeline of retail properties with the DFO Perth commencing construction recently, and stage one of both the 'The Glen' and ''Mandurah Forum' recently opening to customers and retailers alike.

Boral Limited (BLD, +5.2%) – a positive trading update, including a modest uplift in FY18 profit guidance at the AGM in November helped BLD shares add value for the month. A little over one year on from what was at the time the somewhat contentious acquisition of US based Headwaters business, BLD shares are up a little over 50% on a rolling one year basis. With the acquisition completing during the middle of the year, FY18 will be a critical year for BLD management to deliver on the synergies from the Headwater's acquisition. We have a positive view on the potential for BLD's merged US operations. This includes a positive outlook for the FlyAsh business, including recent price rises which are expected to benefit the coming year. In Australia, as our regular readers will be aware, we have a constructive view of the ongoing east coast infrastructure pipeline and demand in turn for concrete, aggregates and the like. Rising energy costs remain a headwind and will temper profit growth in Australia, as the need to recover material input cost rises does consume some of the pricing benefits that were expected to accrue at this stage of the cycle.

Santos Limited (STO, +12.9%) – STO's investor day in November provided further confirmation that CEO Gallagher's operational turnaround and strategic reset of the business continues to deliver. Gallagher and his team have delivered impressive results in terms of cost reduction and more efficient drilling processes. Together with a reset of the balance sheet, lower interest costs and focus on core assets, these factors have combined to lower the cash flow breakeven of STO's various assets. At current oil prices, this drives solid free cash flow and further debt reduction and perhaps more importantly, provides a good buffer in terms of cash flows, should oil prices retest recent lows.

STO's share price was boosted late in the month by media coverage suggesting that a group called 'Harbour,' backed by various private equity interests was expected to make a takeover offer for STO. The press speculation remains just that, however, Harbour has certainly approached the STO board in recent times with a takeover offer. The Harbour interest in STO somewhat confirms our own investment thesis, although we hold no particular insights as to whether further corporate activity is likely.

Key detractors

Key detractors	Positioning
Aristocrat Leisure	Overweight
iSelect Limited	Overweight
Tassal Group	Overweight

Aristocrat Leisure (ALL, -6.6%) – ALL reported its half year profit result on the last day of November, falling some 6% and weighing on returns for the period. The share price fall was a touch surprising as we discuss. Firstly, the profit result from our vantage was good quality and in line with expectations. Strong performance by ALL's Americas region, Gaming Ops, Digital and Class 3 outright sales segments contributed to some 36% growth in profit for the period. The market was maybe surprised by the softer tone around management's FY18 guidance – management have traditionally been conservative.

The main focus however was the acquisition of the BigFish Social Gaming Firm. This may also have had an impact on the share price. At an acquisition price of US$990m, this represents a material transaction for ALL. Once the deal completes ALL will become the No 2 player in social gaming globally, with ''digital'' revenue at ALL accounting for near 40% of revenue. Our initial view is that the transaction makes strategic sense and builds upon ALL's exposure to the broader digital segment, which itself targets a younger demographic than ALL's traditional end customers. The initial share price move (which as we write has somewhat recovered) is likely ''sticker shock" as investors digest the size of the acquisition. Given ALL's track record in terms of integrating large acquisitions, adding growth to the businesses they acquire and rapidly reducing debt, we have confidence, that in time the acquisition can add value for shareholders.

iSelect Limited (ISU, -10.3%) – ISU's shares underperformed in November, continuing the negative pattern since an underwhelming FY17 profit result in August. News that well regarded CFO Daryl Inns had resigned with immediate effect due to health reasons further rattled investors and the share price in turn. Despite this backdrop our discussions with the company confirmed that the CFO had resigned for genuine health reasons. Further, ISU recently provided FY18 profit guidance at its AGM, confirming an outlook that was both in line with our expectations and further, provided good detail in terms of divisional expectations and the like. We look to the coming year to confirm the growth opportunities in non-health verticals as outlined in ISU's detailed guidance. As such we took the share price weakness as an opportunity to add to our ISU holding.

Tassal Group (TGR, -5.2%) – Salmon producer Tassal Group weighed on portfolio returns during the month, essentially reversing last month's gains. There was no company specific news flow of note, during the period. Our investment thesis for TGR is focused on the thematic that consumers will continue to be attracted to salmon as a healthy source of affordable protein. Demand growth has been strong domestically for many years and in Asia, consumers are motivated by the option of eating Tasmania's salmon and the 'large' fish that TGR grow with a view to Asian markets. TGR continue to invest in fish stock, production equipment and aquaculture facilities in a controlled, measured and sustainable manner. With rising scale we expect TGR to benefit in terms of margin in coming years and believe the share price remains attractive at these levels.

Portfolio changes

Key additions and material adjustments

Bought
Nil

There were no outright stock purchases during the month, however we added to existing positions, namely **ISU** following share price weakness (as discussed) and **AGL Energy Limited (AGL)** as clarity around re-regulation and pricing risk in the key Victoria market appears to have eased.

Key disposals and material adjustments

Sold
Nil

There were no outright sales from the portfolio in November.

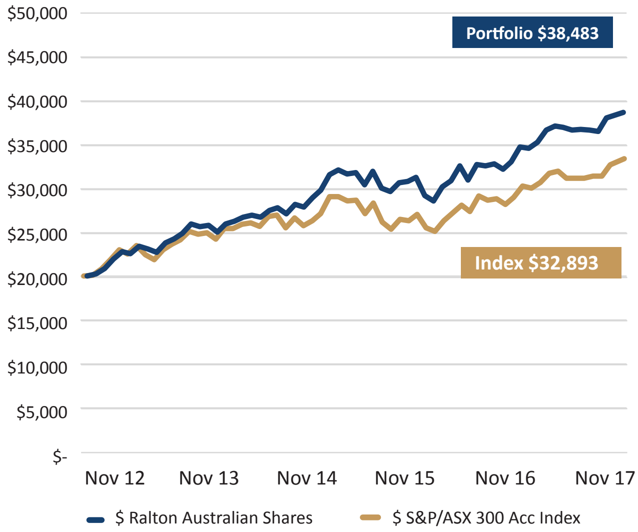
Sector allocation

GICS sector	Ralton	Index	+/-
Consumer Discretionary	8.5%	4.8%	3.7%
Consumer Staples	9.8%	7.5%	2.3%
Materials	18.9%	17.1%	1.9%
Health Care	8.5%	7.2%	1.2%
Utilities	3.2%	2.2%	1.0%
Information Technology	2.9%	2.0%	0.9%
Energy	5.7%	4.9%	0.8%
Telecommunication Services	3.3%	2.9%	0.4%
Real Estate	8.2%	8.4%	-0.2%
Industrials	3.1%	7.5%	-4.4%
Financials	27.8%	35.4%	-7.6%
Total	**100.0%**	**100.0%**	**0.0%**

Top 10 holdings#

Company name	ASX code
BHP Billiton Limited	BHP
Westpac Banking Corp	WBC
ANZ Banking Group Limited	ANZ
National Australia Bank Limited	NAB
Woolworths Limited	WOW
Boral Limited	BLD
Aristocrat Leisure Limited	ALL
Vicinity Centres	VCX
Telstra Corporation	TLS
Commonwealth Bank of Australia	CBA

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.