

Total returns

At 31 January 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 Leaders	-0.41	2.34	6.13	11.96	7.62	11.04	9.84	7.20	7.19
Income return	0.00	0.77	2.20	4.21	3.97	4.03	4.30	4.47	4.47
Growth return	-0.41	1.56	3.94	7.74	3.65	7.02	5.54	2.73	2.72
S&P/ASX 100 Accum. Index	-0.37	2.78	7.14	11.29	6.87	9.16	8.50	5.53	5.53
Difference	-0.04	-0.45	-1.01	0.67	0.74	1.88	1.33	1.66	1.66

Performance review

- The S&P/ASX 100 Accumulation Index was down 0.37% for January, with Health Care and Information Technology the top performing sectors, with Utilities and Industrials the main detractors for the period.
- The Ralton Leaders portfolio returned -0.41% for the month, essentially in line with the benchmark.
- At a sector level, being overweight Information Technology added value to the portfolio, offset by our underweight exposure to Health Care.

Performance attribution

January is typically a quiet month for stock-specific news flow in Australia as corporates take holidays and companies prepare for the February reporting period. Many of the portfolio's top and bottom performers for January appeared to move on either external factors, or in the absence of any company-specific news flow.

Key contributors

Key contributors	Positioning
Computershare Ltd	Overweight
Boral Limited	Overweight
Link Admin Holdings	Overweight

Computershare (CPU, +2.5%) – shares in CPU added value to the portfolio during the month. Although there was no company-specific news flow, rising global interest rates will have been the key support for the CPU share price. CPU holds billions in client cash (for dividends, IPO or rights proceeds etc.) and is generally entitled to receive the interest on the cash balance. While this is not the key driver for investment in CPU, the upside from rising interest rates has always been there as a benefit which could emerge at some point. 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.

Boral Limited (BLD, +2.7%) – despite the headwind of

a rising Australian dollar, BLD shares continued to rise in January. The upcoming first-half profit results will be an important one for BLD as it represents the first full period during which BLD has owned the US Headwaters business. CEO Kane's ability to confirm synergy targets and progress to date with the integration will be critical for future profit growth and investors' view of BLD.

Link Administration Holdings (LNK, +5.9%) - LNK confirmed the early closure of the previously announced Capita Asset Services (CAS) transaction in January. We have a positive view on the CAS acquisition, noting the accretive benefits and long-term strategic optionality, though note the increased market sensitivity in the earnings CAS brings to LNK. We retain a positive view in respect to the LNK businesses in Australia and expect the core Super Admin business to deliver synergies and over time, grow at low-single digits, based on member growth. Finally, we note the expectations of improved operating results at the online property settlement business, PEXA. With LNK holding a material equity position in PEXA, we believe investors may begin to allocate value to LNK shares in relation to this business, as performance improves.

Key detractors

Key detractors	Positioning
Healthscope Limited	Overweight
Amcor Limited	Overweight
Lendlease Group	Overweight

Healthscope Limited (HSO, -8.1%) – was the portfolio's worst contributor for January, giving back much of the share price gains from the prior quarter. We see HSO as a turnaround opportunity under new CEO Gordon Ballantyne. With Ballantyne having reset near-term earnings last year after becoming CEO, the upcoming half-year results in February are important for investors as we look for the CEO to now stand by the targets he set. This is not just in relation to profit guidance, but also around his plans for non-core assets and some firmer targets

around the cost-out opportunities he has identified. We also gained confidence in its largest development project from attending the recent site tour of the Northern Beaches Hospital site in Sydney. The hospital is set to open later this year and it appears to be on track for the intended opening schedule. In the medium term, we believe this hospital represents an excellent investment opportunity for shareholders.

Amcort Limited (AMC, -5.6%) – long-term portfolio holding AMC underperformed in January, weighed down by current soft trading conditions. With management calling out weak trading conditions for its North American beverage customers, headwinds in Latin America and segments within Asia for its Flexibles customers and finally input cost headwinds at the recent AGM, investors have been warned to expect a flat profit result against the prior corresponding period. Current expectations from AMC's management is that once these factors dissipate, AMC will return to profit growth in the second half of the financial year. We have a long-term view that AMC has a series of well positioned businesses in good markets, with highly capable management that is likely to add value over time, and hence we are comfortable to wear short-term profit variances.

Lend Lease (LLC, -3.1%) – shares in LLC finished the month lower, impacting on portfolio performance. As a property funds manager, the valuation of its managed assets and direct investment is, in part, influenced by long-bond yields. We have seen a substantial move higher in global long-bond yields over the past few months, with an acceleration during January. In our view, the rise in bond yields globally and lingering concerns about further potential losses from incomplete construction projects in Australia has weighed on the LLC share price. As we have previously highlighted, LLC downgraded expectations for its Australian Construction business in mid-October. This was a negative for our investment thesis given it will now take much longer for this division to return to earning an appropriate margin, despite the very favourable infrastructure pipeline. For these reasons, we also elected to trim our holding in LLC during January.

Portfolio changes

Key additions and material adjustments

Bought

Nil

We made no outright new stock additions for the month, although we did add to our holdings in both **Woolworths (WOW)** and **Computershare Limited (CPU)** respectively.

Key disposals and material adjustments

Sold

Evolution Mining (EVN)

We exited our holding in **Evolution Mining (EVN)** during the month. The rising gold price, strength in the share price and strong operating performance of the group was capturing what we believe to be an appropriate valuation for EVN, factoring the long mine life of key assets and in our eyes, an appropriate discount rate.

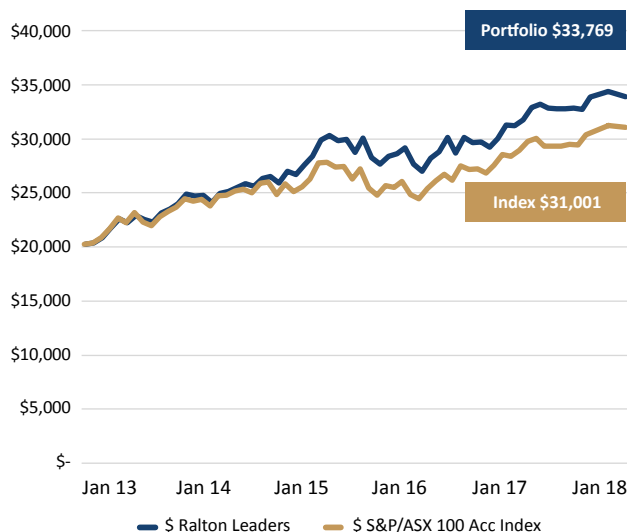
Sector allocation

GICS sector	Ralton	Index	+/-
Consumer Staples	11.8%	7.4%	4.4%
Information Technology	5.2%	1.3%	3.9%
Consumer Discretionary	6.3%	3.3%	3.0%
Health Care	8.3%	7.4%	1.0%
Utilities	2.9%	2.1%	0.7%
Telecommunication Services	3.6%	3.2%	0.4%
Energy	5.1%	4.9%	0.2%
Materials	16.0%	17.8%	-1.8%
Industrials	4.5%	7.0%	-2.4%
Real Estate	4.9%	7.6%	-2.7%
Financials	31.3%	38.0%	-6.7%
Total	100.0%	100.0%	0.0%

Top 10 holdings[#]

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

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 in an index. There is no guarantee these objectives will be met.

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