Total returns

At 31 March 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 Australian Shares	-3.73	-3.94	2.32	2.05	5.30	10.91	9.68	7.98	7.40
Income return	*0.49*	*1.22*	*1.87*	*3.82*	*3.90*	*3.82*	*4.10*	4.27	*4.30*
Growth return	*-4.21*	*-5.16*	*0.44*	*-1.77*	*1.40*	*7.09*	*5.58*	3.71	*3.10*
S&P/ASX 300 Acc Index	-3.73	-3.78	3.67	2.86	3.92	7.62	7.06	5.25	4.73
Difference	**0.00**	**-0.16**	**-1.36**	**-0.81**	**1.38**	**3.28**	**2.62**	2.74	**2.67**

Performance review

- The S&P/ASX 300 Accumulation Index returned -3.78% for the March quarter, with Health Care and Consumer Staples the top performing sectors and Financials and Materials the main detractors for the period.
- The Ralton Australian Shares portfolio returned -3.94% for the quarter, underperforming the benchmark by 0.16%.
- For the March quarter, the portfolio's overweight to Consumer Discretionary was the key detractor from portfolio returns. Being underweight Financials and overweight Information Technology added relative value to the portfolio.

Performance attribution

Key contributors

Key contributors	Positioning
Computershare Limited	Overweight
Primary Health Care Limited	Overweight
Ansell Limited	Overweight

Computershare (CPU, +6.20%) – has again been the top performing stock in the portfolio during the quarter after delivering strong half-year financial results and benefiting from a continued move higher in global interest rates. CPU upgraded guidance with its results for a second time in recent months following solid momentum in its mortgage servicing business, an improved outlook for corporate actions revenue, improving margin income on its cash balances (given rising interest rates) and continued disciplined cost management. Of interest was the comment that CPU may not derive much benefit from the change in the US tax rate given the loss of various other deductions. Also, on the positive side, the continued evolution of automation and robotics for repeatable processes looks to offer more cost reduction opportunities into the future. We expect to hear more from them on this front at their upcoming investor day.

Primary Health Care (PRY, +7.73%) – delivered a solid return for the quarter as investors gain more comfort about the turnaround under new CEO, Dr Malcolm Parmenter. PRY is one of Australia's largest healthcare service providers, supporting GP medical centres, radiology and pathology. The group had faced a number of headwinds including an outmoded business model for dealing with the doctors, an underinvestment in systems and headwinds from government policy for GP funding and pathology collection centres. The new CEO has laid out a plan for addressing the issues in each of the areas with substantial upside appearing to be present for the Medical Centres division.

Ansell Limited (ANN, +3.95%) – provided a good return for the portfolio over the quarter after upgrading base earnings guidance at the half year results. ANN has been on a journey under CEO Magnus Nicolin to exit commodity product lines and to move up the value chain. This now sees the group well positioned to take share from rivals with specialist offerings for select wholesale distribution partners. ANN is also net cash after the disposal of its Sexual Wellness business last year. This gives the group plenty of financial flexibility to make further accretive acquisitions and/or buy-back further shares.

Key detractors

Key detractors	Positioning
iSelect Limited	Overweight
Vicinity Centres Ltd	Overweight
Star Entertainment Group Ltd	Overweight

iSelect Limited (ISU, -28.92%) – continues to be a perplexing stock for us with what looks to be strong underlying drivers (consumers needing to find better deals and a company able to harvest data), a strong balance sheet with cash or a trail book representing a decent proportion of its market cap, yet a management team that has had more turnover in the past four-and-a-half years than we care to remember. ISU's core vertical

of Health should do better as the private health insurance (PHI) market shows signs of stabilising. The government's recent reforms are positive for the way ISU operates. Also, over the next couple of years we should see the Energy (driven by volatility in gas and electricity prices) and Telco (driven by the shift to the NBN and complexity in mobile offerings) verticals continue to gain traction with ISU users. Management is also working to reduce the cost-to-serve. We expect to get more insight on the company's plans at its upcoming investor day.

Vicinity Centres (VCX, -11.40%) – underperformed during the quarter after delivering subdued retail sales metrics as well as facing the valuation implications of rising long-bond rates. The retail environment is facing challenging conditions due to low domestic income growth for households suppressing spending, and retail tenants having committed to pay rents that cannot be justified in such a soft retail environment. This will take time to work through, however, with VCX continuing to trade at a substantial discount to NTA, continuing to re-develop its high-grade centres such as Chadstone and the ongoing divestiture of its lower grade centres at attractive prices, we believe it continues to be reasonably well positioned to work through its issues. We would become more cautious on the outlook if we felt domestic long-rates were likely to move sharply higher.

Star Entertainment Group (SGR, -12.99%) – was a drag on portfolio performance during the quarter after it delivered a result that did not meet the lofty expectations that the market had built into the share price. SGR operates in a competitive industry environment, but is well positioned given the scale and attractiveness of its offering. In addition, the group has a solid pipeline of growth opportunities with the potential for further accretive investment after the formation of the expanded strategic relationship with Chow Tai Fook and the Far East Consortium (this included a placement of a total of 10% of the equity in SGR to the two parties) late in the quarter. The positives from the recent result were solid growth in VIP arrivals from Asia (following the pull-back after the arrest of the Crown personnel), the improved result on the Gold Coast following the opening of some new facilities and the strong cash flow and balance sheet. The outlook provided by management was more subdued than one would have expected, however Chinese New Year is later this year than prior years and the group will get the benefit of the tourism uplift from the Commonwealth Games.

Portfolio changes

Key additions and material adjustments

Bought
Link Administration Services (LNK)
Speedcast International Ltd (SDA)
Steadfast Group Ltd (SDF)

We added a small position in **Link Administration Services (LNK)** to the portfolio during the quarter. LNK is a financial data administrator organised into three core divisions, namely Fund Administration, Corporate Markets and Information, Data and Digital Services (IDDS). Link dominates the market for Fund Administration in the superannuation space in Australia with 42% of the total market and 70% of the outsourced market. This division has been a key driver of profit growth fueled by synergies from the Super Partners acquisition. LNK recently completed the acquisition of Capita Asset Services (CAS) which gives it exposure to similar types of businesses in Europe and the UK and expands its offering. The CAS business (now renamed Link Asset Services) has suffered from a period of underinvestment under its former owner. As such, LNK should be able to allocate capital to improve its operational capability and extract accretive returns. Also, with the benefit of a UK and European base, LNK can look to make bolt-on acquisitions which should be accretive once the base business has been bedded down.

We also purchased a position in **Speedcast International (SDA)** during the quarter. SDA is a global communications service provider that specialises in the provision of network (communications) services to remote customers, such as the maritime and energy sectors. The group has gained scale in the industry through a series of acquisitions, with the HarrisCap Rock business providing a leading position in the energy sector at a time when the energy capex cycle looks to be turning a corner. The most recent result demonstrated SDA can use its scale to generate operating leverage while maintaining a business model that has low capital intensity. If SDA can execute on the opportunities in its two key segments of maritime and energy, we believe there is significant upside.

Finally, we added a position in **Steadfast Group Ltd (SDF)** during the quarter after the market reacted negatively to its recent results, which we believe was an overreaction. SDF is a position we have previously owned and sold out of at a higher level. SDF is Australia's largest general insurance broker - a service provider and equity investor for insurance brokers in Australia, New Zealand and Singapore. SDF's broker network distributes general insurance products and related services to the SME segment of the market. SDF also operates a

number of specialist insurance agencies on behalf of Lloyds syndicates. The group continues to have a range of growth drivers given the continuing rise in insurance premiums (the brokers receive a percentage of these), the ongoing growth in its insurance broking business and the benefits to come through from its investment in IT systems for its network.

Key disposals and material adjustments

Sold
Evolution Mining Ltd (EVN)
Wesfarmers Ltd (WES)
Japara Health Care Ltd (JHC)
Brambles Limited (BXB)

We exited a small holding in **Evolution Mining (EVN)**, as well as our positions in **Wesfarmers (WES)** and **Japara (JHC)** during the quarter to fund the acquisition of the positions discussed above for the portfolio. At the time, these new positions provided a more attractive risk/return in our view.

The disposal of the position in **Brambles (BXB)** arose after a change in the investment thesis for the stock. Whilst we continue to fundamentally like the industry, we are concerned about the ability of BXB to recover costs in a rising inflation environment. Specifically, labour shortages in the US are driving up the cost of trucking, amongst other things, for the group and it appears it will take 6 – 12 months to recover these cost increases. Given we are of the view wage rises and other inflationary pressures are likely to continue to come through in the US, the limited pricing power does concern us. We had expected the group to have more pricing power in this environment. Instead, the group had proposed to invest in the automation of work at its US plants, but this will take some time to deliver the benefits.

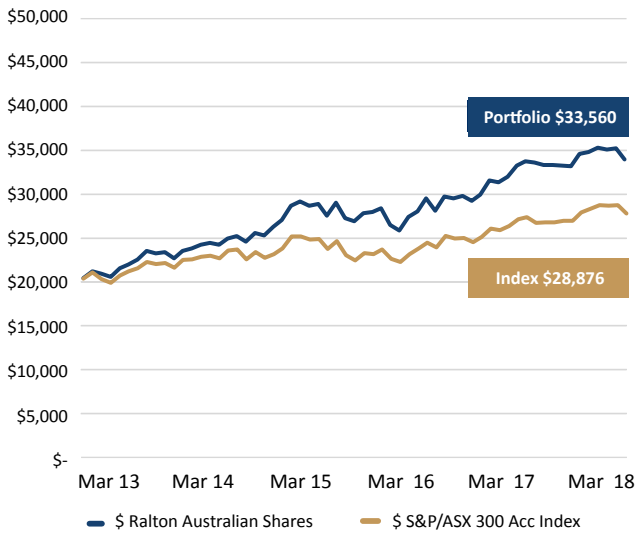
Sector allocation

GICS sector	Ralton	Index	+/-
Consumer Discretionary	8.5%	4.9%	3.7%
Information Technology	5.6%	2.4%	3.3%
Telecommunication Services	5.8%	2.8%	3.0%
Consumer Staples	10.1%	7.8%	2.4%
Materials	19.0%	17.8%	1.2%
Health Care	8.9%	7.8%	1.1%
Energy	5.4%	5.2%	0.3%
Utilities	2.0%	2.0%	0.0%
Real Estate	5.5%	8.0%	-2.5%
Financials	29.1%	34.1%	-5.0%
Industrials	0.0%	7.4%	-7.4%
Total	**100.0%**	**100.0%**	**0.0%**

Top 10 holdings#

Company name	ASX code
BHP Billiton Limited	BHP
Woolworths Limited	WOW
Westpac Banking Corp	WBC
ANZ Banking Group Limited	ANZ
National Australia Bank Limited	NAB
Aristocrat Leisure	ALL
Computershare Ltd	CPU
Telstra Corporation	TLS
Macquarie Group Ltd	MQG
Amcor Limited	AMC

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.