

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 Leaders	-3.28	-3.41	3.04	2.33	3.90	9.84	8.94	7.41	6.75
Income return	0.48	1.23	2.01	4.04	4.02	4.03	4.28	4.48	4.52
Growth return	-3.76	-4.64	1.03	-1.71	-0.12	5.81	4.66	2.93	2.23
S&P/ASX 100 Accum. Index	-3.90	-3.90	2.90	1.57	3.27	7.66	7.46	5.63	5.06
Difference	0.62	0.49	0.14	0.76	0.63	2.18	1.48	1.78	1.69

Performance review

- The S&P/ASX 100 Accumulation Index returned -3.90% for the March quarter, with Health Care and Consumer Staples the top performing sectors and Financials and Real Estate the main detractors for the period.
- The Ralton Leaders portfolio returned -3.41% for the quarter, outperforming the benchmark by 0.49%.
- At a sector level being underweight Financials and overweight Information Technology added value to the portfolio, somewhat offset by our overweight exposure to Healthcare.

Performance attribution

Key contributors

Key contributors	Positioning
Computershare	Overweight
Aristocrat Leisure	Overweight
Coca-Cola Amatil	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

Aristocrat Leisure (ALL, +1.52%) – was a positive contributor to the portfolio during the quarter, with the key driver of its performance during February being the release of industry data which supported the favourable

earnings momentum in its US business. For ALL, the next six months will be about investors becoming more comfortable with its investments in its Digital segment. After the acquisition of Big Fish and Plarium and ongoing organic growth in its own Digital business, this segment will represent almost 40% of revenue in FY19. In the current half year, ALL should see the benefit from the release of the much-anticipated Dragon Link (the early data looks positive) and the signs of how its new stepper product has been received. ALL will also be a beneficiary of the recent US tax cut.

Coca-Cola Amatil (CCL, +1.88%) – delivered a solid result in the face of tough market conditions resulting in the continued re-rating of the stock. CEO Alison Watkins and her team have been on a journey to transform the business after she was left with a portfolio of mis-positioned products – both in terms of price and as an overall suite of products. The core Australian business had too much exposure to overpriced carbonated soft drinks (CSDs) as consumers became more health conscious. A lot of the re-positioning has been done in conjunction with the Coca Cola Company (the US brand owner) to improve the product offering in Stills (i.e. water, dairy, energy drinks) and the pricing and marketing for the CSD products. While the business has not yet based, much has been invested into the business which should eventually deliver a turn. The Indonesian business has also been re-shaped and has improved in the face of a very tough local environment. It is likely positioned now to see the benefits of an improving macroeconomic environment for its customers.

Key detractors

Key detractors	Positioning
Vicinity Centres	Overweight
Telstra Corporation	Overweight
Santos	Overweight

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.

Telstra Corporation (TLS, -13.50%) – was a drag on portfolio performance during the quarter, and this was driven by two unrelated matters. Firstly, the opposition announced proposed reform to the dividend imputation system to close a concession in the event they win office. This saw a number of the companies which pay substantial franked dividends underperform during March, including Telstra. Secondly, in February, Telstra delivered an uninspiring profit result, but it did manage to maintain its dividend guidance. TLS is experiencing massive change in its underlying business as the government seizes its core fixed-line network business and transfers the customers to its own network, the NBN. The peak shift of customers is underway at present and the market is intensely competitive with the margins on the NBN appearing unsustainably low. Simultaneously, the group is investing in its other businesses to drive growth to offset the lost earnings from the NBN. The group is also working to remove \$1.5bn+ in costs which will also assist on this front. The TLS that emerges from the other side of this transition will be very different, with a strong balance sheet (subject to the level of capital return) and a dramatically improved operating platform. However, there will be a lot of noise as we move through three halves which cover the key period for the transfer of customers to the NBN.

Santos (STO, -6.97%) – drifted lower through the quarter as there was a pull-back in the oil price and the result missed expectations. The operational turnaround continues and the group is again discussing its growth options as debt heads back towards the groups target level. CEO Gallagher and his team have delivered impressive results in terms of cost reductions including a more efficient drilling process. We believe the market would appreciate more details around the growth plans, although most of the options are going to be reasonably long dated. We exited this position late in the quarter to fund the increase in the holding in Woodside, which saw its share price depressed after a capital raising during the quarter.

Portfolio changes

Key additions and material adjustments

Bought
Nil

We made no new additions this quarter.

Key disposals and material adjustments

Sold
Evolution Mining (EVN)
Wesfarmers (WES)
Santo (STO)

We exited the small holding in **Evolution Mining (EVN)** and the position in **Wesfarmers (WES)** during the quarter to fund the acquisition of additional holdings in existing stocks. Further, as discussed above, we also disposed of the holding in **Santos (STO)** during the quarter.

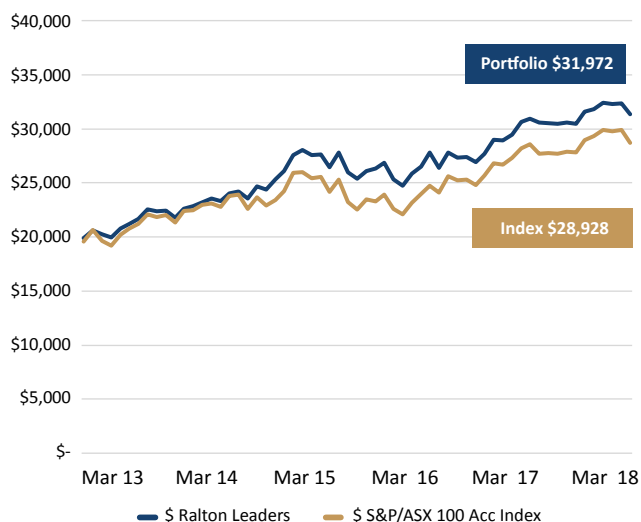
Sector allocation

GICS sector	Ralton	Index	+/-
Information Technology	6.2%	1.7%	4.6%
Consumer Discretionary	6.5%	3.1%	3.3%
Telecommunication Services	4.8%	2.8%	2.0%
Consumer Staples	8.7%	7.6%	1.1%
Energy	5.6%	4.9%	0.8%
Utilities	2.1%	2.2%	-0.1%
Health Care	7.8%	7.9%	-0.1%
Materials	17.3%	17.5%	-0.2%
Industrials	4.7%	7.3%	-2.6%
Real Estate	3.9%	7.7%	-3.8%
Financials	32.4%	37.4%	-5.0%
Total	100.0%	100.0%	0.0%

Top 10 holdings[#]

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

Performance comparison of \$20,000*



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*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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