Total returns

At 30 November 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	-2.43	-7.80	-4.04	-3.12	6.54	7.82	11.59	10.68	6.86
Income return	*0.58*	*1.28*	*2.11*	*4.18*	*4.00*	*3.86*	*4.06*	4.23	*4.29*
Growth return	*-3.01*	*-9.08*	*-6.15*	*-7.30*	*2.54*	*3.96*	*7.53*	6.45	*2.56*
S&P/ASX 300 Acc Index	-2.18	-9.29	-3.85	-1.03	7.69	5.82	9.26	8.92	4.52
Difference	**-0.26**	**1.50**	**-0.19**	**-2.09**	**-1.16**	**2.00**	**2.33**	**1.75**	**2.34**

Performance review

- The S&P/ASX 300 Accumulation Index returned -2.18% for the month of November, with Financials and Information Technology the top performing sectors and Materials and Energy the weakest performers for the period.
- The Ralton Australian Shares portfolio returned -2.43% for the month, underperforming the benchmark by 0.26%.
- For the month of November, being overweight Consumer Staples and Materials added relative value to the portfolio. The portfolio's overweight to Consumer Discretionary and underweight to Real Estate were the key detractors from portfolio returns.

Performance attribution

Key contributors

Key contributors	Positioning
Woolworths Group	Overweight
Nufarm Ltd	Overweight
Mineral Resources	Overweight

Woolworths Group (WOW, +1.72%) – strongly outperformed in November against a backdrop of continued weakness in the Australian equity market following underperformance during the third quarter. Recent trading at Woolworths has been impacted by the highly successful 'Little Shop' campaign at Coles as well as its competitor providing free reusable bags. During November the company confirmed our previous view that sales weakness was transitory and indicated that September and October had seen an improvement in sales momentum. Moreover, WOW announced the sale of the petrol business and we view it is likely that the $1.75bn funds received will be distributed to shareholders in a tax-effective manner. Overall, the outlook for the supermarket industry looks solid with Coles likely to become a rational competitor following its spin-out from WES and indications that food price deflation is beginning to ease. Management execution remains strong. Balance sheet strength offers flexibility and valuation remains undemanding compared to domestic defensive names.

Nufarm Ltd (NUF, +6.32%) – found market support after a period of underperformance as investors looked past recent external issues and focused on the company's multiple growth drivers. Company performance has been impacted by weak seasonal conditions and elevated concern regarding their glyphosate (weed killer) products resulting in the downgrade to its earnings outlook in July. In response to ongoing weakness, the company raised capital at the FY18 result in August, which surprised investors. However, NUF is now well positioned to execute on its growth plans. We remain positive on the medium-term outlook for the group as we perceive the current weakness as a strong buying opportunity given the risks impacting current performance are largely cyclical. Looking forward we are attracted to the diversity of markets the company operates in, the recent European acquisitions and the upside potential from the Omega 3 commercialisation which could contribute materially to earnings in the years ahead.

Mineral Resources (MIN, +7.02%) – announced during November that it entered into a non-binding exclusivity agreement for the sale of a 50% interest in its 100% owned Wodgina lithium asset in Western Australia to Albemarle Corporation for US$1.15bn in cash (A$1.6bn). Importantly, MIN has also retained the rights to build, own, and operate the crushing plant. This transaction is also expected to lead to the commitment for the two parties to jointly develop a lithium hydroxide plant based on Albemarle's proven design. Albemarle will also manage the marketing and sales of the lithium hydroxide. Overall, we view this transaction as an excellent result for MIN. It is a straightforward transaction with limited regulatory approval risk that introduces a value-adding partner that compliments MIN's expertise. We expect increasing market recognition of the value of the Wodgina asset as its development progresses and the project de-risks. A binding transaction agreement with Albemarle is expected to be exercised by 14 December 2018.

Key detractors

Key detractors	Positioning
Aristocrat Leisure	Overweight
Woodside Petroleum	Overweight
Lendlease Group	Overweight

Aristocrat Leisure (ALL, -10.72%) – trended lower during November as investors remained cautious ahead of the company's FY18 result. While the result delivered a better than expected outcome in ALL's core land-based slots business, the company flagged increased spend to support product launches in its digital gaming business. With earnings in 2019 now 2H-weighted, the market marked the stock down due to elevated uncertainty. We remain positive on the outlook for the company as we see the company's willingness to invest behind their strong competitive position as a core driver of ALL's long-term performance. We remain vigilant to key competitors gaining market traction through increasing investment, however, key offshore competitors remain over-indebted and continue to underspend on product development. As such, we remain confident that ALL's current suite of land-based products will continue to take share in a market that is supported by strong US consumer confidence. In addition, at the current valuation we feel the Australian market is discounting the strong earnings outlook supported by multiple growth options within ALL's core slot operations, expansion into adjacent markets, and continued momentum in its digital businesses broadly supported by a strong US economic backdrop.

Woodside Petroleum (WPL, -10.88%) – underperformed the market during the month after the Brent oil price declined by 22%. On a positive note, WPL signed preliminary agreements with the Browse joint venture and Chevron during the month that support the future development of a Burrup gas processing hub, extending the life of WPL's North West Shelf processing facilities. This is a major milestone for the company and adds to the extensive development pipeline. The decline in the oil price was triggered by higher oil production by OPEC (principally Saudi and the UAE), Russia and the U.S., which had been expected to offset the impact of new US sanctions placed against Iran from 4 November. However, the U.S. unexpectedly granted waivers to eight countries importing Iranian oil which implied the sanctions would have a much smaller impact on the oil market in comparison to what was initially expected. At the same time, the outlook for global oil demand has been softening, with OPEC and others reducing 2019 global oil demand forecasts. We now believe oil is trading at a level that will lead to future OPEC output cuts in order to rebalance the market and ultimately support higher oil prices that benefit WPL. We remain attracted to WPL's exposure to Asia's growing demand for gas and its strong pipeline of growth options.

Lendlease Group (LLC, -28.07%) – underperformed the market after announcing another substantial downgrade in relation to its Engineering business (previous provision in late 2017), despite having reassured the market only eight weeks before that there were no grounds for an additional provision top-up. What was more troublesome was the fact a component of the provision related to new contracts the company had taken on. This raises further concerns about the risk management framework in this business. We like the broader LLC business with its global book of urban regeneration projects (akin to the Barangaroo development in Sydney) which provides a long-term back-log of construction work and development profits for the group. Further, it has a large, globally diversified funds management business with a strong reputation amongst its clients. However, these new issues in the Engineering business again bring into question whether management have a firm grasp of the risks being taken on in that section. Management have announced a review of the Engineering business which may well lead to its sale. We decided to exit the position after the announcement and will continue to monitor the situation.

Portfolio changes

Key additions and material adjustments

Bought
Nil

Key disposals and material adjustments

Sold
Lendlease Group (LLC)

The position in **Lendlease Group (LLC)** was disposed of during the month and the rationale is discussed in the commentary above.

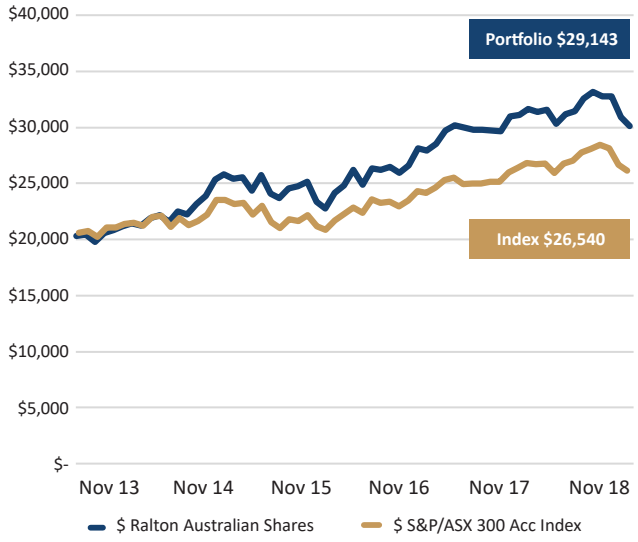
Sector allocation

GICS sector	Ralton	Index	+/-
Materials	26.9%	17.5%	9.3%
Consumer Staples	10.2%	5.6%	4.6%
Consumer Discretionary	10.3%	6.5%	3.9%
Energy	7.2%	5.4%	1.8%
Utilities	3.2%	1.9%	1.3%
Information Technology	2.2%	2.3%	-0.1%
Health Care	6.8%	8.4%	-1.6%
Telecommunication Services	1.3%	3.7%	-2.3%
Real Estate	4.0%	7.9%	-3.9%
Industrials	2.2%	8.0%	-5.8%
Financials	25.6%	32.8%	-7.2%
Total	**100.0%**	**100.0%**	**0.0%**

Top 10 holdings#

Company name	ASX code
BHP Billiton Limited	BHP
Woolworths Limited	WOW
Amcor Limited	AMC
ANZ Banking Grp Ltd	ANZ
Woodside Petroleum	WPL
Commonwealth Bank	CBA
Aristocrat Leisure	ALL
Westpac Banking Corporation	WBC
Suncorp Group Ltd	SUN
Vicinity Centres	VCX

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.