Total returns

At 31 January 2019	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	2.78	0.28	-5.66	1.58	9.25	8.81	11.16	11.33	6.67
Income return	*0.34*	*1.22*	*2.61*	*4.82*	*4.30*	*4.15*	*4.26*	4.39	*4.50*
Growth return	*2.44*	*-0.94*	*-8.27*	*-3.24*	*4.95*	*4.66*	*6.91*	6.94	*2.17*
S&P/ASX 100 Accum. Index	3.66	1.45	-4.39	1.61	9.94	7.02	9.67	10.05	5.16
Difference	**-0.88**	**-1.17**	**-1.27**	**-0.03**	**-0.69**	**1.80**	**1.49**	1.28	**1.50**

Performance review

- The S&P/ASX 100 Accumulation Index returned 3.66% for the month of January, with Materials and Energy the top performing sectors and Financials and Information Technology the weakest performers for the period.
- The Ralton Leaders portfolio returned 2.78% for the month, underperforming the benchmark by 0.88%.
- For the month of January, being overweight Consumer Discretionary and underweight Financials added relative value to the portfolio. The portfolio's overweight to Materials and underweight to Real Estate were the key detractors from portfolio returns.

Performance attribution

Key contributors

Key contributors	Positioning
Aristocrat Leisure	Overweight
Woodside Petroleum	Overweight
Spark Infrastructure	Overweight

Aristocrat Leisure (ALL, +12.77%) – gained support in January as strong underlying product performance was confirmed by industry surveys. This follows a period of underperformance driven by a weaker than expected FY18 result and increased investor uncertainty relating to a period of elevated investment as well as the level and timeline of returns. Given the pullback, we have recently added to our position and 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 solid 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, +9.58%) – outperformed the market in January following a 13% gain in the Brent USD oil price. WPL posted a good December 2018 quarter result with growth in sales and production and full year 2018 realised production of 91.4 million barrels of oil equivalent (mmboe) above the top end of WPL's guidance range. WPL has further demonstrated good operational performance at all of its key production assets, particularly Pluto LNG. Unfortunately, WPL's 2019 production guidance of 88-94 mmboe was below market expectations and has potential to be towards the low end if planned downtime for asset maintenance (turnarounds) is extended. In the absence of the delivery of material production growth, we expect WPL share price performance over 2019 to be largely driven by progress on its next wave of projects, namely Pluto LNG expansion (Scarborough), Browse for North West Shelf LNG backfill, and the Senegal oil FID. In January, WPL further advanced the proposed Scarborough to Pluto LNG facility project towards a targeted 2020 final investment decision after awarding four major contracts for Front End Engineering Design (FEED) related activities.

Spark Infrastructure (SKI, +9.05%) – outperformed the market during January, supported by the stable earnings stream from its high-quality electricity distribution networks. SKI's regulated network businesses have certainty of cash flows from their existing regulatory determinations up until 1 July 2020 when the next five-year regulatory determinations take effect for the SA Power Networks, followed by the Victoria Power Networks from 1 January 2021, and TransGrid from 1 July 2023. SKI's electricity transmission and distribution assets play a key role in enabling utility-scale renewable generation and managing distributed energy sources (solar, household batteries). SKI's capital spend is expected to drive growth in its Regulated Asset Base (RAB), ultimately anchoring long-term revenues and valuation. In December, SKI's Directors reaffirmed 2018 distribution guidance for FY 2018 of 16.0 cps. SKI's distribution growth is expected to be 'at least CPI' to 2020, subject to business conditions.

Key detractors

Key detractors	Positioning
Northern Star Resources	Overweight
Woolworths	Overweight
Star Entertainment	Overweight

Northern Star Resources (NST, -5.09%) – underperformed the market in January. NST December quarter result FY19 cost guidance disappointed the market after it posted new All In Sustaining Cost (AISC) guidance of A$1,125-1,225/oz, up +6.8% from prior guidance of A$1,050-1,150/oz. This was because NST made the deliberate decision to "mine to margin" and take advantage of a strong AUD gold price and mine lower grade gold ore at Kalgoorlie whilst maintaining margins. Early benefits of the productivity drive at Pogo are also beginning to flow through, with mined ore tonnes up 22% and mill throughput up 33% to date. These combined efforts have lowered the total cost per ore tonne by 23% (adoption of a more bulk mining approach). While deliberate mine sequencing over the December quarter has delivered lower grades, this could be partially reversed as the company mine plan expects grades to be higher at all three operating areas in the current half (2H FY19). We continue to expect NST to deliver/surpass its FY19 production guidance, revitalise Pogo and deliver continued exploration success that underpins growth in resources and reserves.

Woolworths (WOW, -0.17%) – underperformed the market after a period of strong outperformance as the market looked to fund higher risk investments from recent winners in the preceding December quarter pullback. We remain attracted to the company's strong market position in an industry that should deliver sustainable growth. We also see a strong cashflow outlook as the company is moving into a period of reduced capital expenditure. WOW recently announced the sale of the petrol business and the commensurate $1.75bn funds received are likely to be distributed to shareholders in a tax-effective manner through a buyback or special dividend. Moreover, we view the outlook for the supermarket industry as strong as we see further evidence of an increasingly rational competitive environment and the easing of deflation that has weighed on supermarket top line growth. Management execution remains strong and balance sheet strength offers flexibility. Valuation remains undemanding compared to domestic defensive names.

Star Entertainment (SGR, -2.63%) – underperformed on concerns relating to a weakening domestic consumer outlook and lower visitation and spending from offshore visitors as the slowdown in China impacted international arrivals. We view the current weakness and attractive valuation as a strong opportunity to acquire the company's superior industry position and future growth potential, which is driven by its major project pipeline. In past periods of consumer weakness, management has demonstrated its ability to attract customers through incentives and manage operating costs. Additionally, SGR has moved to diversify its VIP players away from China toward other jurisdictions following the 2017 VIP slowdown. The company should benefit from its recently refurbished Gold Coast resort and has proven it is successfully managing disruption to its key Sydney operations. We are becoming increasingly confident that SGR will extract strong returns from its project pipeline due to the quality and position of its assets. The company's strategic relationship with Chow Tai Fook and Far East Consortium not only provides capital and expertise but also access to a deep set of future offshore customers that will drive spend across SGR's integrated resorts. Valuation remains attractive with SGR trading at a discount to domestic and international peers.

Portfolio changes

Key additions and material adjustments

Bought
Nil

Key disposals and material adjustments

Sold
Nil

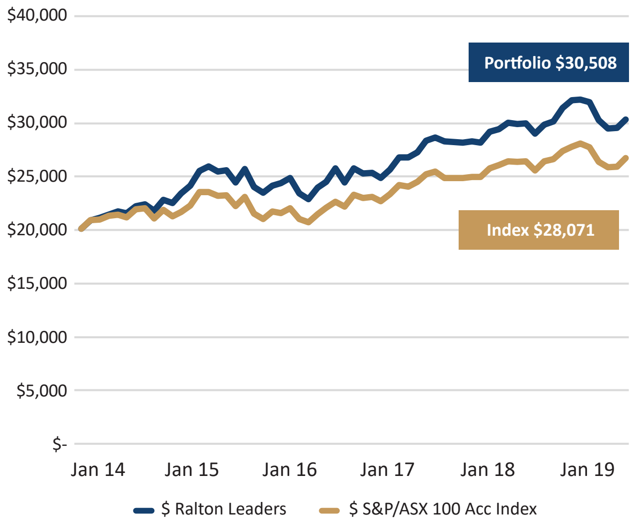
Sector allocation

GICS sector	Ralton	Index	+/-
Energy	9.7%	5.7%	4.0%
Materials	21.8%	18.3%	3.5%
Consumer Staples	7.9%	5.4%	2.5%
Consumer Discretionary	7.3%	5.4%	1.9%
Information Technology	2.3%	1.2%	1.1%
Utilities	2.5%	2.2%	0.3%
Health Care	8.7%	9.1%	-0.5%
Telecommunication Services	2.2%	3.4%	-1.2%
Financials	31.3%	33.8%	-2.5%
Real Estate	3.8%	7.3%	-3.6%
Industrials	2.5%	8.1%	-5.6%
Total	**100.0%**	**100.0%**	**0.0%**

Top 10 holdings#

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

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 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.

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