Total returns

At 31 March 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. (Mar 2008)
Ralton Concentrated Aus Eq.	-0.06	8.16	-0.57	7.13	10.04	8.94	11.84	11.70	7.38
Income return	*0.76*	*1.83*	*2.61*	*4.88*	*4.23*	*4.00*	*4.12*	4.29	*4.39*
Growth return	*-0.82*	*6.33*	*-3.18*	*2.25*	*5.81*	*4.94*	*7.72*	7.41	*2.98*
S&P/ASX 300 Acc Index	0.73	10.92	1.59	11.74	11.39	7.39	9.79	10.25	5.34
Difference	**-0.79**	**-2.76**	**-2.16**	**-4.62**	**-1.34**	**1.55**	**2.05**	1.44	**2.04**

Performance review

- The S&P/ASX 300 Accumulation Index returned 10.92% for the March quarter, with Materials and Financials the top performing sectors and Utilities and Consumer Staples the weakest performers for the period.
- The Ralton Australian Shares portfolio returned 8.16% for the quarter, underperforming the benchmark by 2.76%.
- For the March quarter, being overweight Healthcare 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
Woodside Petroleum	Overweight
Speedcast International	Overweight
Amcor	Overweight

Woodside Petroleum (WPL, +10.54%) - outperformed the market over the March quarter with support from a 25% gain in the Brent USD oil price. WPL's base business has delivered good operating performance, and its growth projects have continued to advance. Wheatstone LNG Train-1 and Train-2 have both exceeded nameplate production capacity and unit costs at Pluto LNG and North West Shelf LNG projects have been low. While we see Browse tolling agreements and farm-downs at Scarborough as representing positive potential announcements, WPL also faces 2019 headwinds from weaker LNG pricing (spot Asian LNG pricing is currently in the low US$4/mmbtu range), North West Shelf field depletion, and planned LNG facility maintenance. We see increased risk that WPL's 2019 production could end up being towards the low end of its 88-94 mmboe guidance, particularly if Greater Enfield oil output is delayed or less than expected, or if planned downtime for asset maintenance (turnarounds) is extended. Furthermore, WPL's 100 mmboe 2020 production target remains highly dependent on what volume is achieved in 2019.

Speedcast International (SDA, +28.87%) - outperformed during the quarter following a better than expected CY18 result and strong FY19 guidance. SDA's share price has remained depressed since a disappointing 1H18 result that created investor concern over the duration of the recovery in the energy division as well as management's willingness to maintain discipline regarding M&A and balance sheet metrics. Following the share price fall we took the view that the market-implied valuation under-valued the strengthening position of the business as well as the structural growth opportunity arising from the usage of data by corporations and governments in remote locations. Moreover, the rebased earnings expectation provided a more realistic base from which management could regain market confidence. Pleasingly, the portfolio captured the share price re-rate with the prospect of increased confidence in the energy recovery providing upside to future earnings expectations.

Amcor (AMC, +16.15%) - the global packaging company, outperformed the market during the quarter after delivering a solid result which showed incremental improvement on a range of matters which had been concerning investors. Cost pressures have started to ease, North American carbonated soft drink volumes have improved and emerging markets returned to growth. The transformational Bemis acquisition is now expected to close in the second quarter due to the delay in receiving regulatory approvals in the US following the Federal government shutdown during January. As we previously highlighted, following discussions with senior management at the end of last year our confidence improved about the rationale for the transaction, the expected synergy benefits, and potential other upside opportunities from the combination. The acquisition of Bemis is a strategically significant move by AMC as it gives the group a diversified global footprint across Flexible and Rigid Plastics.

Key detractors

Key detractors	Positioning
Nufarm	Overweight
Northern Star Resources	Overweight
Star Entertainment Group	Overweight

Nufarm (NUF, -20.97%) - underperformed the market during the March quarter following the company's 1H19 result in which management downgraded FY19 guidance by 12% at the midpoint and highlighted seasonal working capital build in excess of market expectations. The result also highlighted uncomfortably high net debt. Despite the ongoing unfavourable seasonal conditions weighing on NUF's Australian and European operations as well as some supply issues in Europe, North America and Seeds delivered stronger results. While we remain attracted to the growth driven by the recently expanded operations in Europe, plant efficiency projects and the first contribution from the Omega 3 venture with several key milestones set to be achieved in the coming eighteen months, we remain conscious of the seasonally elevated risks, including near-record high gearing, which could lead to a further equity raising should seasonal conditions fail to improve. We elected to review the position in the March quarter and will look to revisit the stock when we have a clearer view on the outlook for global agricultural chemical demand and the challenges facing NUF's European operations.

Northern Star Resources (NST, -3.14%) - delivered a somewhat volatile share price performance over the March quarter and ended the quarter marginally underperforming the market. We believe this had more to do with shifting investor views towards gold, plus overall share market sentiment driven by economic data / news about US-China trade deal progress and the strength of the USD, rather than any NST specific news. Over the quarter the NST share price ranged from a low of A$8.05/share on 25 January to a high of A$9.90/share on 20 February when the AUD gold price also reached a high of A$1870/oz. Importantly, the AUD gold price has consistently traded above A$1,800/oz over this period. On the operational side, NST's deliberate mine sequencing delivered lower grades and higher costs in the December quarter, however, a turnaround is expected over 2H FY19 from the delivery of higher grades from all three core operating areas. We continue to see potential for NST to deliver/surpass its FY19 production guidance, revitalise Pogo and deliver continued exploration success that underpins growth in resources and reserves.

Star Entertainment Group (SGR, -8.33%) – share price retraced during the quarter, despite a better than expected result which indicated a strong performance from the core domestic operations amid VIP volatility and a weaker consumer. The major headwind during the quarter was increased uncertainty due the Queensland Government's request for bids to build a second casino in the Gold Coast. We view the move by the Palaszczuk government as a tactical move to extract payment for exclusivity in the region. A negotiated outcome is likely, which we believe will lead to increased certainty and a re-rate in the share price over time. 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. The company is benefiting 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
James Hardie Industries (JHX)
Oil Search (OSH)
Clydesdale (CYB)
Super Retail Group (SUL)

We added a position in **James Hardie Industries (JHX)** during the period as we are seeing evidence of an improving outlook for the US housing market after a period of weakness. JHX has delivered consistent growth and profitability through the cycle and has delivered on its strategy to grow at above-industry growth rates. Following an extended period of underperformance, we foresee strong returns from the current depressed share price.

Having previously owned **Oil Search (OSH)**, we have again added it to the portfolio given the continuing improvement in production since the PNG earthquake, the potential for the Alaskan oil assets to provide material upside (when combined with a partial sell-down to assist funding the future development), and we are expecting significant progress on the proposed development of new LNG trains in PNG (a combination of the new Papua LNG project and PNG LNG expansion).

We added a position in **Clydesdale (CYB)**, the spin-off from NAB in the UK, during the quarter. We are of the view CYB is offering attractive value given the synergy benefits and medium-term growth opportunities

presented to it via the merger with Virgin Money. CYB management have proven themselves adept at stripping out costs and growing the business since the demerger from NAB. The opportunity for the merged group given the constraints on some of the larger competitors is attractive. There are ongoing risks associated with Brexit, however, we are of the view a hard Brexit will not occur and there will be some form of negotiated settlement between the UK and Europe as it is in neither parties' interest for the UK to crash out. We are obviously monitoring these risks closely for this and other investments in the portfolio.

Super Retail Group (SUL) was added to the portfolio during the quarter as we took a view that the current depressed valuation and low earnings expectations offered a strong opportunity to add given the increased likelihood of both fiscal and monetary stimulus. Both sides of government appear to be focused on tax relief in the lead up to the election. Furthermore, the RBA is increasingly likely to begin an easing cycle in the face of weakening consumer trends. Fundamentally we are attracted to SUL's leading brand positions in the Sport, Leisure and Auto markets. We feel recent investment has positioned the company well to compete in an increasingly competitive retail environment.

Key disposals and material adjustments

Sold
Boral Limited (BLD)
Nufarm Limited (NUF)
Rio Tinto (RIO)

While we remain attracted to **Boral's (BLD)** US housing and Fly Ash business, we are becoming increasingly concerned that the Australian business will remain volatile as it manages the transition to the delivery of infrastructure earnings in the face of a slowing domestic housing market. Management under Mike Kane is yet to prove its ability to manage an increasingly complex business. Consequently, we decided to exit the position.

The latest ABARES report indicated the outlook for **Nufarm's (NUF)** Australian crops deteriorated again, which will necessitate another downgrade to earnings. This will likely cause a key component of NUF's global earnings to miss again and pressure the stock further. The balance sheet may also come under pressure given the decline in earnings. As a result of these expectations, we decided to exit the position.

Rio Tinto (RIO) has delivered a very strong share price performance over the March quarter that has exceeded our target price (now at a premium to NPV) and therefore we have elected to exit the position. Post cyclone Veronica, RIO has stated it expects to lose approximately 14 M tonnes of production and it has now guided to the lower end of prior 2019 Western Australia iron ore production guidance of 338-350 M tonnes (100%).

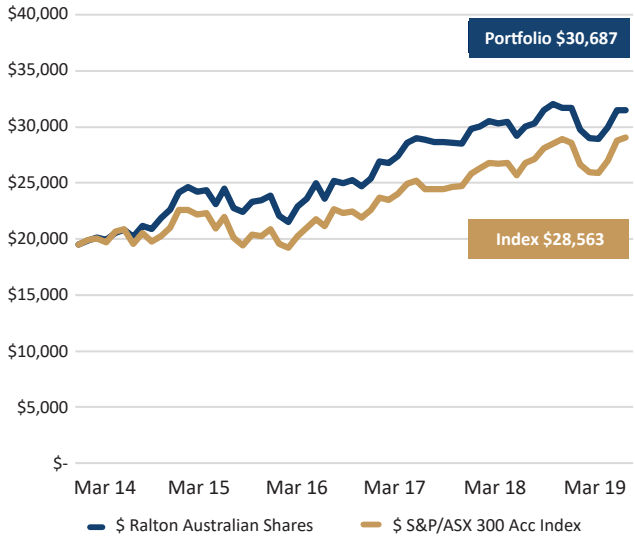
Sector allocation

GICS sector	Ralton	Index	+/-
Consumer Discretionary	13.1%	6.4%	6.7%
Consumer Staples	10.6%	5.4%	5.1%
Materials	22.2%	18.8%	3.3%
Energy	7.4%	5.6%	1.7%
Utilities	2.9%	2.0%	0.9%
Information Technology	2.2%	2.5%	-0.3%
Health Care	7.9%	8.4%	-0.4%
Financials	28.7%	30.8%	-2.2%
Telecommunication Services	1.5%	3.7%	-2.3%
Real Estate	3.7%	8.0%	-4.3%
Industrials	0.0%	8.2%	-8.2%
Total	**100.0%**	**100.0%**	**0.0%**

Top 10 holdings#

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

Performance comparison of $20,000*



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Performance of the Ralton Concentrated Australian Equity Portfolio (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.