

Total returns

At 30 April 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 Leaders	2.60	7.64	7.94	9.49	10.22	8.98	11.62	10.91	7.22
Income return	0.07	1.50	2.75	5.13	4.41	4.24	4.30	4.38	4.58
Growth return	2.53	6.14	5.18	4.36	5.82	4.74	7.32	6.53	2.63
S&P/ASX 100 Accum. Index	2.26	9.21	10.80	10.72	11.01	7.39	10.37	10.12	5.88
Difference	0.35	-1.58	-2.86	-1.22	-0.79	1.58	1.26	0.79	1.34

Performance review

- The S&P/ASX 100 Accumulation Index returned 2.26% for the month of April, with Financials and Consumer Staples the top performing sectors and Materials and Real Estate the weakest performers for the period.
- The Ralton Leaders portfolio returned 2.60% for the month, outperforming the benchmark by 0.35%.
- For the month of April, being overweight Materials and Consumer Discretionary added relative value to the portfolio. The portfolio's overweight to Consumer Staples and Energy were the key detractors from portfolio returns.

Performance attribution

Key contributors

Key contributors	Positioning
Aristocrat Leisure	Overweight
Star Entertainment Group	Overweight
James Hardie Industries	Overweight

Aristocrat Leisure (ALL, +6.41%) – added to portfolio performance during April without any real catalysts. The surveys released during the month show the company's gaming machine products continue to be industry leading from a performance perspective and they continue to take share in the participation gaming segment of the market. However, the performance of the Digital business is more mixed. Our key focus when the 1H19 results are released in May will be the progress ALL is making with the implementation of its new digital strategy. 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 solid US economic backdrop.

Star Entertainment Group (SGR, +8.61%) – rallied during April after a potential takeover bid for Crown by Wynn Resorts, the US casino operator. From our perspective, the current share price does not reflect the longer-term value inherent in the company's pipeline. As we highlighted last month, a major headwind this year has been the increased uncertainty arising from the

Queensland Government's request for bids to build a second casino on 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. Otherwise, the company is benefiting from its recently refurbished Gold Coast resort and has proven it can successfully manage 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.

James Hardie Industries (JHX, +6.28%) – outperformed during April as expectations around demand for its products in the US continued to improve. JHX is a provider of fiber cement sheeting for cladding on houses. Building material providers have been under pressure over the past 12 months as new home sales in the US slowed as borrowing costs rose. However, as the borrowing rate has declined we have seen a recovery of new home approvals and sales. We believe there is a long-term opportunity for JHX in this market as housing production is still running well below the rate required for natural population increase. Further, we expect JHX's product will continue to take share from the alternatives and there is a long-dated growth option in Europe.

Key detractors

Key detractors	Positioning
Suncorp Group	Overweight
Northern Star Resources	Overweight
Oil Search	Overweight

Suncorp Group (SUN, -3.14%) – detracted from portfolio returns during April. There were a couple of forces at work during the month for SUN. Firstly, the company went ex a special dividend following the sale of its Life Business. Secondly, the market was factoring in lower expected investment income in FY20. The inflation data for the March quarter was lower than expected and this reinforced the view that the RBA will begin to cut rates

shortly. The market is factoring in at least one rate cut in the next couple of months and economists are now forecasting further cuts as the year progresses. The 1H19 result showed the underlying General Insurance business has solid momentum with further premium increases expected over the next 18 months. The bank is struggling given the tough competitive environment we are seeing in the mortgage market at present. We continue to monitor progress toward managements targets for FY19. The company still has an additional \$500m to be returned to investors from the sale of the Life Insurance business which is expected to be done via a pro-rata return of share capital.

Northern Star Resources (NST, -8.49%) – underperformed the market over the month of April. The March quarter result released on 24 April highlighted strong operational performance in Australia, offset by lower than expected Pogo production due to the late delivery of new equipment and a longer than expected transition time to the new long hole stoping mining technique. Despite a slower than expected result at Pogo, NST has maintained its FY19 production guidance, which implies the company is set to deliver a record production level in the June 2019 quarter from the benefit of higher volumes and high-grade ore bodies. The company is also expecting a significant fall in costs (AISC) due to the final charge of mobile equipment delivering higher production volumes in the June quarter. With 12 rigs operating at Pogo, NST also plans to deliver a maiden JORC reserve in the middle of this year. While NST may now take longer to get the Pogo turnaround running as planned (potentially the full 18 months), we have no reason to believe this will not be achieved. Our positive view is maintained.

Oil Search (OSH, -0.89%) – marginally underperformed the market over the month of April. In our view, OSH has performed very well operationally following the PNG earthquake and, as a result, it has potential to deliver 2019 production growth of more than 18% year-on-year. Furthermore, in coming months we expect to see significant progress on the proposed development of the new LNG trains in PNG (a combination of the new Papua LNG project and PNG LNG expansion). The Alaskan oil assets also look highly promising, with recent drilling evaluation delivering an exceptional result in the southern area. OSH has been working hard on a sharing and tolling agreement with a nearby operator that could bring the Alaska project forward by around one year at reduced capex and still produce an estimated 120,000 bopd (gross). This would be highly value accretive. We see strong potential for the Alaskan oil assets to provide material upside and expect OSH to exercise the \$450m Armstrong option agreement before 30 June. We expect OSH to conduct a partial sell-down of its equity in the Alaska project in the future to assist funding the development. The uncertain direction of PNG politics is a headwind currently facing the company.

Portfolio changes

Key additions and material adjustments

Bought
Challenger Group (CGF)
WorleyParsons (WOR)

During the month we added a holding in **Challenger Group (CGF)** which provides investment management services to investors in the accumulation and the pension phases. Through Challenger Life, CGF is a leading provider of annuities and guaranteed income streams for domestic and Japanese investors. Also, CGF operates the multi-boutique funds management group, Fidante. We have taken the opportunity to add the holding after a substantial fall in the share price triggered by a sharp decline in flows into the Life business. We view the drivers of this slowdown as temporary in nature. The medium to long-term outlook for this business is very solid given the aging of the Australian population and the government's desire to see people allocate at least part of their retirement savings to an annuity. On the Japanese annuity investor front, we have seen a deal signed recently with their partner and substantial shareholder, Mitsui Sumitomo Primary Life Insurance Company, which will deliver a substantial uplift in volume of AUD and USD annuities to CGF on a medium-term basis

We also added a holding in **WorleyParsons (WOR)** during the month. WOR has become a global E&C leader in hydrocarbons (No. 1), chemicals (No. 1) and metals and mining (No. 2). The future outlook for WOR is positive with EPS accretion from the Jacobs acquisition expected to be at least +50% post run-rate cost synergies of ~A\$130m p.a. that are to be delivered within the next 2 years. Cost synergies are expected to mainly come from the areas of IT, property and from G&A savings. This does not include potential revenue synergies which could be material. WOR is already winning new contracts jointly bidding with Jacobs, plus the pace of new contract awards has increased and margins are on trend to improve from better pricing, higher utilisation, greater volume and from leveraging the new contracts through lower O/H rates per chargeable hour. The acquisition of Jacobs Engineering Group's energy, chemicals, and resources business has significantly expanded WOR's geographical and industry footprint and more than doubles the size and scale of WOR's business which means it is now more likely to be the partner of choice for many of its key customers.

Key disposals and material adjustments

Sold
Star Entertainment Group (SGR)
Transurban (TCL)

While we remain attracted to the strong growth outlook driven by expansionary investment, we removed **Star Entertainment Group (SGR)** from the portfolio to enable reinvestment into more attractive opportunities.

We have elected to take profits in **Transurban (TCL)** after it delivered +20% outperformance over the last 6 months from the relative yield play that makes TCL a more attractive investment in an environment with the potential for a further decline in interest rates (0.7% contraction in the US and AU bond yields over this period).

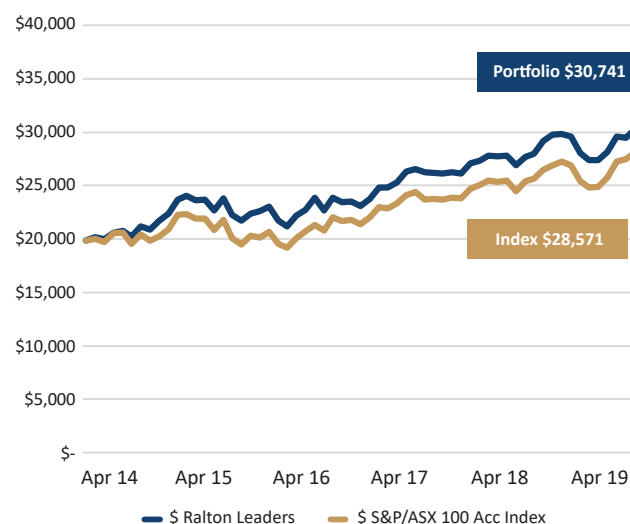
Sector allocation

GICS sector	Ralton	Index	+/-
Energy	11.6%	5.6%	6.0%
Financials	37.9%	34.3%	3.6%
Materials	20.9%	18.1%	2.7%
Consumer Staples	7.5%	5.5%	2.0%
Information Technology	2.2%	1.2%	0.9%
Utilities	2.1%	2.1%	-0.1%
Health Care	8.2%	8.7%	-0.5%
Consumer Discretionary	4.4%	5.4%	-1.0%
Telecommunication Services	2.0%	3.4%	-1.4%
Real Estate	3.2%	7.1%	-3.9%
Industrials	0.0%	8.3%	-8.3%
Total	100.0%	100.0%	0.0%

Top 10 holdings[#]

Company name	ASX code
BHP Group Limited	BHP
Commonwealth Bank	CBA
ANZ Banking Grp Ltd	ANZ
Woolworths Group Ltd	WOW
Westpac Banking Corp	WBC
Amcor Limited	AMC
Aristocrat Leisure	ALL
Suncorp Group Ltd	SUN
Oil Search Ltd	OSH
James Hardie Industries	JHX

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 in an 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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