Total returns

At 31 July 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 Dividend Builder	1.41	4.05	11.76	7.91	10.95	9.97	13.36	*11.39*	8.43
Income return	*0.00*	*0.84*	*2.52*	*5.47*	*4.91*	*4.77*	*4.83*	*4.90*	*5.01*
Growth return	*1.41*	*3.21*	*9.24*	*2.44*	*6.03*	*5.20*	*8.53*	*6.49*	*3.42*
S&P/ASX 300 Accum. Index	2.97	8.58	18.81	13.25	11.61	8.57	11.64	*9.45*	6.16
Difference	**-1.56**	**-4.54**	**-7.05**	**-5.33**	**-0.66**	**1.39**	**1.72**	*1.94*	**2.27**

Performance review

- The S&P/ASX 300 Accumulation Index returned 2.97% for the month of July, with Consumer Staples and Financials the top performing sectors and Energy and Utilities the weakest performers for the period.
- The Ralton Dividend Builder portfolio returned 1.41% for the month, underperforming the benchmark by 1.56%.
- For the month of July, being underweight Real Estate and overweight Consumer Discretionary added relative value to the portfolio. The portfolio's overweight to Materials and underweight to Health Care were the key detractors from portfolio returns.

Performance attribution

Key contributors

Key contributors	Positioning
Super Retail Group	Overweight
Caltex Australia	Overweight
James Hardie Industries	Overweight

Super Retail Group (SUL, +9.36%) – outperformed in July as investor sentiment was buoyed in the wake of consecutive rates cuts in May and June as well as early indications that the May election result and tax cut expectations are feeding into improved confidence. Industry feedback has been broadly supportive of a rational retail market despite pockets of weakness in the domestic economy, as evidenced by a suite of earnings downgrades in the June quarter. Our preference for SUL centres on the strong positions the company holds in its key markets of Auto, Sports and Leisure. Furthermore, the company has invested heavily in its customer proposition as well as digital and supply chain infrastructure that should see it compete strongly in the increasingly competitive Australian retail environment. The recent management transition to Anthony Hegarty provides strategic stability and we are supportive of his track record managing the Leisure division through a difficult period. Combining these factors with strong valuation support and an above-market dividend yield, we are positive on the company's outlook.

Caltex Australia (CTX, +8.93%) – outperformed the market in July. The company saw a share price recovery in July after the stock became oversold following a weaker than expected 1H19 company profit guidance update provided on 20 June. During July, the market began factoring in an improved 2H19 outlook from expectations of better economic conditions, higher refiner and product margins, and no planned Lytton refinery outage. CTX expects retail market conditions to improve over 2H19 from the "irrational" unsustainable level seen over 1H19, despite the headwinds that remain from increased levels of competition. Despite difficult trading conditions, we view CTX as being somewhat defensive at these levels, as it has an attractive dividend yield based on its guidance to pay out 50% - 70% of its replacement cost operating profit.

James Hardie Industries (JHX, +6.36%) – performed strongly in July as the market responded positively to healthy results from US peers. Interestingly, lead indicators including US House Sales and Starts have been weak whilst mortgage rates continue to decline, resulting in increased affordability and industry confidence. It appears the latter is the appropriate indicator and combined with internal cost out and input cost tailwinds, we remain positive on the outlook for JHX. Most recently, the pleasing Q4 result confirmed our positive thesis and we continue to expect the company to deliver robust growth and increase capital returns, enabling further investment in core operations or, alternatively, increasing distributions to shareholders. We believe the positive US housing outlook is supported by improving housing affordability and will lead to a recovery in home approvals and sales. JHX's strong market position in the US siding market provides a strong long-term opportunity for growth as the company benefits from expected growth in housing formation, which is moving towards long-term growth trends. Further, we are attracted to the company's long-dated growth option in Europe.

Key detractors

Key detractors	Positioning
Amcor	Overweight
Spark Infrastructure Group	Overweight
Woodside Petroleum	Overweight

Amcor (AMC, -4.08%) – the global packaging company, underperformed the market during July as it gave back part of the outperformance following the merger with Bemis. The merged entity began trading from mid-June with the principal listing in the US and a secondary listing in Australia. 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. AMC has the opportunity to continue to take share given its scale benefits (greater resin purchasing scale, manufacturing and innovation capabilities) and it should continue to generate solid organic growth in emerging markets as more sophisticated packaging moves through the supply chain. The combined business is strongly cash generative and has a strong balance sheet, which will support acquisitive growth or buy-backs. The greater scale in the US provides AMC with a base to begin consolidating that market further now as well. The combined group is targeting $180m of synergy benefits, and based on managements' past track record, we believe this is achievable. The company is aware of customer concerns around the use of plastic packaging and is working with them to develop more environmentally friendly options. AMC's scale places it in a far better position than peers to drive this transition. Overall, we believe AMC continues to offer a solid medium-term growth story.

Spark Infrastructure Group (SKI, -2.47%) – underperformed the market in July. While we are attracted to SKI's defensive nature and its FY19e distribution guidance of at least 15 cps for a ~6% cash yield, we also see future revenue headwinds from regulatory resets that increase distribution risk moving into the next five-year regulatory period from 1 July 2020. SKI's transition to a tax payable status also constrains future cash flows (SKI expects to pay 11%-20% tax p.a. over the next two years). These factors imply SKI may not have sufficient free cash flow to enable it to grow, or even maintain, its future distributions (introduction of franking credits may help). SKI is a defensive utility stock that has an efficient network of regulated electricity assets that deliver a stable cash flow stream from their existing regulatory determinations.

Woodside Petroleum (WPL, -4.57%) – underperformed the market in July. In late June, WPL announced that extended Pluto LNG plant maintenance will result in 2019 full year production being at the lower end of its 88 – 94 mmboe guidance, despite expectations of rising oil production over 2H19. WPL also guided to higher than expected 1H19 production costs. WPL received relatively weak LNG pricing over the June quarter, which has raised concerns over potential reductions for existing LNG contract repricing. In addition, a decision to commit to the proposed Scarborough to Pluto LNG project now appears to have increased potential for it to be delayed due to joint venture misalignment. WPL is Australia's leading independent energy company with a high quality, project diversified, world class LNG driven earnings base which supports a sector leading ~6% (fully franked) cash dividend yield.

Portfolio changes

Key additions and material adjustments

Bought
Spark New Zealand (SPK)

Spark New Zealand (SPK) is a key player in the NZ broadband and mobiles market and was added to the portfolio in July. The business has undergone a significant cost out exercise which has left Spark in a strong position to benefit from its recently announced growth initiative. The company offers an attractive yield and growth outlook and is trading at a discount to the Australian telco market.

Key disposals and material adjustments

Sold
Nil

Nil

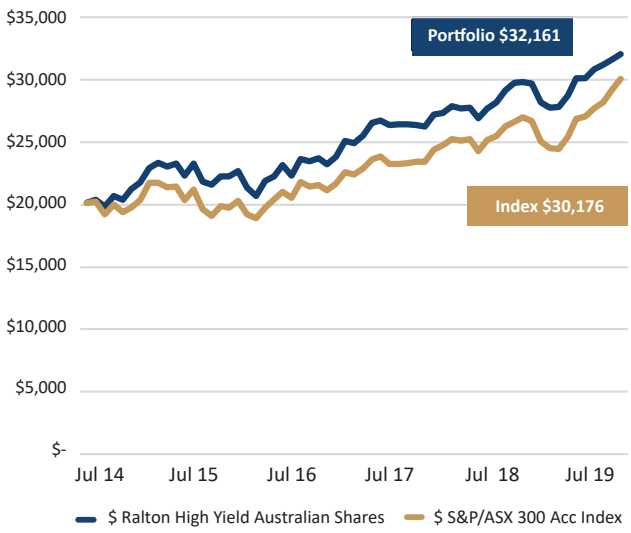
Sector allocation

GICS sector	Ralton	Index	+/-
Financials	34.7%	31.1%	3.6%
Real Estate	5.0%	7.7%	-2.7%
Industrials	0.0%	8.2%	-8.2%
Materials	21.9%	18.6%	3.4%
Energy	6.4%	5.2%	1.2%
Telecommunication Services	5.6%	3.9%	1.7%
Consumer Discretionary	11.6%	6.3%	5.3%
Utilities	3.7%	1.9%	1.9%
Consumer Staples	5.7%	5.8%	-0.1%
Health Care	5.4%	8.8%	-3.4%
Information Technology	0.0%	2.5%	-2.5%
Total	**100.0%**	**100.0%**	**0.0%**

Top 10 holdings#

Company name	ASX code
Westpac Banking Corp	WBC
Commonwealth Bank.	CBA
ANZ Banking Grp Ltd	ANZ
BHP Group Limited	BHP
Amcor PLC	AMC
Vicinity Centres	VCX
Aristocrat Leisure	ALL
Spark Infrastructure	SKI
Woodside Petroleum	WPL
James Hardie Indust	JHX

Performance comparison of $20,000*



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Performance of the Ralton Dividend Builder Portfolio (Ralton Wholesale High Yield 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.