Total returns

At 31 August 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	-3.32%	1.36%	4.80%	3.84%	9.91%	8.54%	9.17%	7.22%	7.22%
Income return	*0.45%*	*0.60%*	*2.03%*	*4.76%*	*4.33%*	*4.20%*	*4.34%*	4.56%	*4.56%*
Growth return	*-3.77%*	*0.76%*	*2.77%*	*-0.92%*	*5.58%*	*4.34%*	*4.83%*	2.66%	*2.66%*
S&P/ASX 100 Accum. Index	-2.09%	4.64%	10.19%	10.18%	11.70%	7.97%	11.27%	8.84%	6.31%
Difference	**-1.23%**	**-3.28%**	**-5.39%**	**-6.34%**	**-1.79%**	**0.58%**	**-2.10%**	**-1.62%**	**0.91%**

Performance review

- The S&P/ASX 100 Accumulation Index returned -2.09% for the month of August, with Health Care and Information Technology the top performing sectors and Materials and Financials the weakest performers for the period.
- The Ralton Leaders portfolio returned -3.32% for the month, underperforming the benchmark by 1.23%.
- For the month of August, being underweight Consumer Staples and Financials added relative value to the portfolio. The portfolio's overweight to Energy and Materials were the key detractors from portfolio returns.

Performance attribution

Key contributors

Key contributors	Positioning
James Hardie Industries	Overweight
Woolworths Group	Overweight
Link Administration Holdings	Overweight

James Hardie Industries (JHX, +13.37%) – performed strongly in August as the market responded positively to a better than expected Q1 2020 result. Lead indicators had been mixed going into the result including weakness in US House Sales and Starts while conversely mortgage rates continue to decline, resulting in increased affordability and industry confidence. It appears the latter is the appropriate indicator as JHX delivered a positive outlook for US home construction with the expectation that they will continue to deliver strong growth above the industry average going forward. The company is currently seeing tailwinds from lower input costs as well as momentum in their cost out program and as such JHX has the choice to either supercharge growth from lower pricing or decide to keep margin benefits and pay them to shareholders. We expect management to reinvest margin to deliver longer-term earnings growth. 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.

Woolworths Group (WOW, +6.04%) – delivered strong gains in August as the FY19 result confirmed recent industry feedback that the underlying business continues to perform well, and industry inflation is returning after a long period of deflation. The full year result was marginally ahead of expectations delivering underlying growth of 5%. Key drivers were continued positive sales momentum, boosted by the success of the "Lion King" Ooshies promotion, outperforming the second instalment of Coles' "Little Shop" campaign. Pleasingly management have indicated a good start to the year with same store sales up 7.5%, supporting a positive outlook in which we believe Woolworths will grow at between 6-7% annually over the next few years. WOW remains our preferred domestic defensive exposure as we believe COL is facing relatively higher capital spend that will lower return on capital and cashflow available to shareholders. 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 WOW is moving into a period of reduced capital expenditure. Management execution remains strong and the balance sheet's strength offers flexibility.

Link Administration Holdings (LNK, +7.66%) – performed solidly during the month after delivering a result that was in line with guidance and providing a range of incrementally positive news to the market. Firstly, the market had been concerned about potential contract losses in its Retirement & Superannuation Solutions business. These concerns have been put to rest after the re-signing of 10 contracts over the past 12 months, including AustralianSuper and REST. Secondly, LNK announced a buy-back of up to 10% of its shares. Thirdly, there is a global transformation program of at least $50m by the end of FY22. Whilst part of this is previously announced cuts, management have provided considerable colour on where the balance would come from and these seem achievable. Finally, the company outlined opportunities for expansion in Europe and the UK pension market over the medium-term. The balance sheet is in strong shape which will also be used to drive future growth. However, Brexit will continue to be a headwind in FY20, along with the impact of the legislative changes to low balance accounts in Australia. We have increased confidence the group will return to delivering solid earnings growth by FY21, and in the interim, the stock price continues to present reasonable value.

Key detractors

Key detractors	Positioning
Orora	Overweight
WorleyParsons	Overweight
OZ Minerals	Overweight

Orora (ORA, -17.46%) – detracted from portfolio performance during August after the company produced a weak earnings result. Whilst the core Australasian fibre/beverage packaging assets performed solidly, the North American performance was very weak. This was mainly due to a more challenging macro environment in the US, where volumes were impacted by trade tensions. US earnings were also impacted by increased competition and an inability to pass through raw material and overhead cost inflation. From our perspective, the US result was decidedly worse than we had anticipated. The FY20 year will benefit from two acquisitions in the US, but we are expecting the headwinds to continue in the US given the ongoing trade tensions. We believe much of the risk is now factored into the share price.

WorleyParsons (WOR, -23.90%) – significantly underperformed the market in August. In our view, WOR has been adversely impacted by the broader sell-down of global engineering contractor names on the back of the US-China trade war and perceptions of a weakening global macroeconomic environment. WOR's strong correlation with the oil price has also had an impact as Brent oil fell sharply in early August due to perceptions of an acceleration in global oil production over the next year as trade tensions crimp global growth and the outlook for global oil demand. The share price was also affected by the FY19 result, as the market appeared to be confused as to whether the result was a miss or in-line, largely due to the limited disclosure around underlying performance ex-Jacobs. WOR's new FY20 forward guidance was limited to industry macro outlook factors, which did little to ease investor concerns. We believe WOR is oversold and we have a positive view on the company based on strong FY20 projected earnings growth, and the realisation of new cost, margin and revenue synergies from the Jacobs acquisition.

OZ Minerals (OZL, -11.08%) – underperformed the market in August. We believe this was driven more by macroeconomic considerations, particularly the outlook for slowing global growth, rather than any underlying company-specific factor. This view was also reflected in the copper price, which reduced 4% over the month of August from US$2.65/lb to US$2.54/lb. The main focus for OZL is continuing to deliver to plan at Prominent Hill and achieving construction completion at the new Carrapateena project, which remains on track to be completed within its A$920m - A$950m budget. First saleable concentrate production from Carrapateena is expected in November, followed by an 18 month ramp up to full production. OZL has an attractive 2H 2019 outlook based on a strong third quarter shipping schedule backed by rebounding copper smelter demand and from buyer commitment to all of OZL's 2019 forecast copper and gold production.

Portfolio changes

Key additions and material adjustments

Bought
Nil

Nil

Key disposals and material adjustments

Sold
Nil

Nil

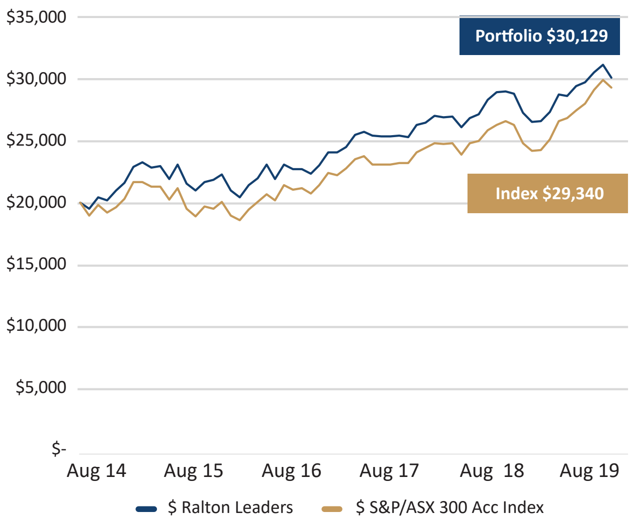
Sector allocation

GICS sector	Ralton	Index	+/-
Financials	33.55%	33.25%	0.30%
Real Estate	3.31%	7.56%	-4.25%
Industrials	0.00%	8.26%	-8.26%
Materials	24.97%	17.10%	7.87%
Energy	8.93%	5.22%	3.72%
Telecommunication Services	3.50%	3.62%	-0.12%
Consumer Discretionary	4.33%	5.54%	-1.21%
Utilities	2.15%	2.01%	0.14%
Consumer Staples	6.08%	5.83%	0.26%
Health Care	10.80%	9.60%	1.19%
Information Technology	2.37%	2.02%	0.35%
Total	**100.0%**	**100.0%**	**0.0%**

Top 10 holdings#

Company name	ASX code
Westpac Banking Corp	WBC
BHP Group Limited	BHP
ANZ Banking Grp Ltd	ANZ
CSL Limited	CSL
Woolworths Group Ltd	WOW
Commonwealth Bank.	CBA
Amcor PLC	AMC
Aristocrat Leisure	ALL
James Hardie Indust	JHX
Telstra Corporation.	TLS

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.

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