Total returns

At 30 September 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	2.71	1.33	7.93	7.47	10.85	9.72	8.79	7.41	7.41
Income return	*0.71*	*1.17*	*2.08*	*4.81*	*4.43*	*4.24*	*4.38*	4.59	*4.59*
Growth return	*2.00*	*0.17*	*5.85*	*2.65*	*6.42*	*5.48*	*4.40*	2.82	*2.82*
S&P/ASX 100 Accum. Index	1.83	2.48	11.27	13.67	12.22	9.56	11.24	8.37	6.43
Difference	**0.88**	**-1.15**	**-3.34**	**-6.20**	**-1.37**	**0.16**	**-2.45**	-0.95	**0.99**

Performance review

- The S&P/ASX 100 Accumulation Index returned 2.48% for the September quarter, with Financials and Consumer Staples the top performing sectors and Materials and Communication Services the weakest performers for the period.
- The Ralton Leaders portfolio returned 1.33% for the quarter, underperforming the benchmark by 1.15%.
- For the September quarter, being underweight Industrials and Financials added relative value to the portfolio. The portfolio's underweight to Consumer Discretionary and overweight to Health Care 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, +32.94%) – performed strongly during the September quarter 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 provided 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 through lower pricing or decide to keep margin benefits and pay them to shareholders. We expect management to reinvest margin to deliver earnings over the medium term. JHX's strong market position in the US siding market and longer-dated opportunity in Europe provides the opportunity to invest in long-term growth. Further, a strong management team combined with valuation upside should deliver strong returns to shareholders.

Woolworths Group (WOW, +12.19%) – delivered strong gains in the quarter as the FY19 result confirmed recent 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 a group level 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, +14.00%) – performed solidly during the quarter 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 LNK's 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 buyback 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
Amcor	Overweight
Ramsay Health Care	Overweight
Orora	Overweight

Amcor (AMC, -11.98%) – the global packaging company, underperformed the market during the quarter as it gave back part of the outperformance following its 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 highly cash generative and has a strong balance sheet, which will support acquisitive growth or share buybacks. 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.

Ramsay Health Care (RHC, -10.20%) – underperformed during the September quarter as a combination of a weaker than expected result and continued poor private health industry data drove negative investor sentiment. The FY19 result released in August illustrated a strong core set of assets in Australia that continues to perform well in a challenging market with the newly acquired Capio (northern European hospital operator) assets taking longer to integrate than first assumed. Rounding out the divisional analysis, both the United Kingdom and France continue to show an improving outlook with volumes and unit price per procedure pointing to a positive trajectory. We see the Capio integration issues as short-term in nature and look to a strong 2020 from both the Australian division as recent projects ramp up as well as a continued turnaround in the UK and France. Ramsay remains the largest private hospital operator in Australia, which places them in a strong position to negotiate favourable contract agreements with the pressured insurance operators as well as providing them with an enhanced ability to attract and retain the best doctors and nursing staff. Trading at a discount to history and its recently acquired peer, HSO, we look forward to strong share price performance as growth is realised in 2020.

Orora (ORA, -10.20%) – detracted from portfolio performance during the quarter after the company produced a weak earnings result in August. 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.

Portfolio changes

Key additions and material adjustments

Bought
OZ Minerals (OZL)
GPT Group (GPT)

We added **OZ Minerals (OZL)** to our portfolio during the quarter for its quality assets and growth in copper and gold production. OZL has a portfolio of long life/ low cost assets that generate robust cashflows backed by the Prominent Hill operating mine. Future growth in copper and gold production is driven by Carrapateena, which clocked its first ore in April 2019 and is on track for commissioning from 4Q 2019.

The portfolio added **GPT Group (GPT)** during the quarter to diversify its exposure to the AREIT sector and provide an additional element of defensiveness in the current low bond rate environment. GPT's portfolio is spread across Australian retail, office, and logistics/industrial assets, and management has been actively remixing the book away from retail and toward the structurally supported logistics sub-sector. We are attracted to GPT because of the resilience of its retail portfolio in a soft retail environment, its strongly performing office portfolio, and the operational strength of the growing logistics portfolio. Further, we see the solid growth in GPT's funds management business as a provider of additional earnings certainty, which is a key attraction in an increasingly uncertain economic environment.

Key disposals and material adjustments

Sold
Macquarie Group (MQG)
Spark Infrastructure (SKI)

Macquarie Group (MQG) was removed from the portfolio during the quarter. Whilst we remain attracted to the highly successful asset management business, and in particular, the infrastructure assets, we see rising financial market risks which would adversely impact the other areas of the groups business. As such, we elected to dispose of the position.

We elected to sell the position in **Spark Infrastructure (SKI)** during the quarter as business conditions and SKI's distribution outlook have deteriorated from the start of the year and we now see more attractive opportunities elsewhere in the market.

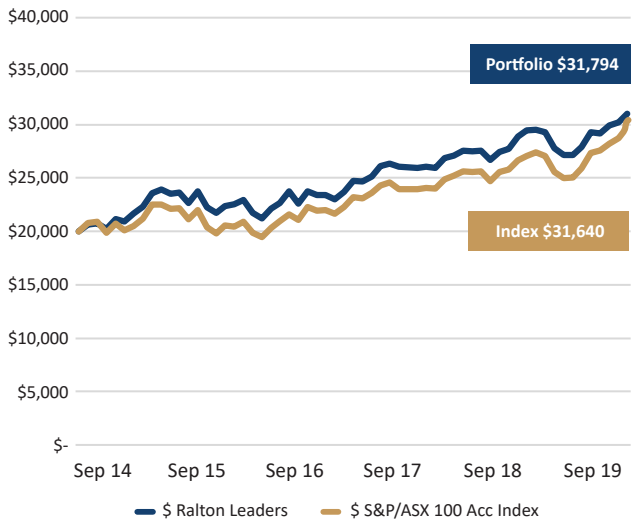
Sector allocation

GICS sector	Ralton	Index	+/-
Financials	30.7%	34.5%	-3.8%
Real Estate	5.5%	7.3%	-1.8%
Industrials	0.0%	8.1%	-8.1%
Materials	25.9%	16.9%	9.0%
Energy	9.8%	5.2%	4.5%
Telecommunication Services	4.3%	3.4%	0.9%
Consumer Discretionary	4.5%	5.6%	-1.1%
Utilities	0.0%	2.0%	-2.0%
Consumer Staples	6.1%	5.7%	0.4%
Health Care	10.7%	9.2%	1.5%
Information Technology	2.5%	2.1%	0.5%
Total	**100.0%**	**100.0%**	**0.0%**

Top 10 holdings#

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

#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.