Total returns

At 31 October 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.	-1.07	-1.98	2.38	11.00	9.52	8.53	11.47	9.16	7.48
Income return	*0.02*	*1.25*	*1.99*	*4.73*	*4.25*	*4.01*	*4.04*	4.24	*4.35*
Growth return	*-1.09*	*-3.22*	*0.39*	*6.27*	*5.27*	*4.51*	*7.44*	4.92	*3.13*
S&P/ASX 300 Acc Index	-0.38	-0.78	7.73	19.50	12.53	8.56	10.38	8.23	5.95
Difference	**-0.69**	**-1.19**	**-5.35**	**-8.50**	**-3.01**	**-0.03**	**1.10**	**0.93**	**1.53**

Performance review

- The S&P/ASX 300 Accumulation Index returned -0.38%% for the month of October, with Health Care and Industrials the top performing sectors and Financials and Materials the weakest performers for the period.
- The Ralton Concentrated Equity portfolio returned -1.07% for the month, underperforming the benchmark by 0.69%.
- For the month of October, being overweight Consumer Staples and Energy added relative value to the portfolio. The portfolio's underweight to Health Care and overweight to Utilities were the key detractors from portfolio returns.

Performance attribution

Key contributors

Key contributors	Positioning
Star Entertainment Group	Overweight
Vicinity Centres	Overweight
OZ Minerals	Overweight

Star Entertainment Group (SGR, +7.80%) – performed strongly in October as the market reacted positively to an upbeat update from the company at their AGM, guiding to earnings marginally ahead of market expectations. Given commentary regarding a cautious consumer and concern relating to the volatile Asian VIP business, the market was pleased to hear the company confirm growth within the domestic operations as well as in the VIP business. Our thesis in owning SGR has been centered around the fact that the market remains short-sighted in extrapolating recent weak trading into the future while undervaluing the strong earnings potential from the unique assets as well as the impending development in Sydney, Brisbane and Gold Coast. Short-term catalysts include the resolution of the Queensland Government's request for bids to build a second casino on the Gold Coast where we view a negotiated outcome is likely, ultimately leading to a re-rate. We are also cognisant that SGR is a potential target for an offshore casino operator following the recent investment by Melco into Crown Australia.

Vicinity Centres (VCX, +3.89%) – performed strongly in October as a value rotation took place, with the market anticipating some pick up in retail trading conditions in light of the RBA's recent series of rate cuts and tax cuts from the Federal Budget. The recent pick-up in house prices should support sentiment, leading to a lift in spend. Although the hoped-for Keppel asset sale transaction was not completed, management have persisted with the FFO-accretive share buyback (2.5% of outstanding shares) to support NTA. With a healthy yield and trading at an 8% discount to NTA, VCX remains well placed to reap the benefits of a steadily improving retail environment.

OZ Minerals (OZL, +5.62%) – outperformed the market in October. Prominent Hill production and costs tracked better than company guidance over the September quarter, and as a result, full year cost guidance has been lowered by the company to the bottom end of its expected range. OZL's 2H19 outlook is also expected to benefit from rebounding copper smelter demand and buyer commitment to all of OZL's forecast 2019 copper and gold production. The successful delivery of the Carrapateena project is a key longer-term investment driver for OZL, with first saleable concentrate production expected within calendar 2019, followed by an 18-month ramp up to full production by 2H21. OZL ranks as our preferred company for exposure to copper, which is expected to benefit from a more positive global growth outlook (progress on US-China trade war, Brexit, etc).

Key detractors

Key detractors	Positioning
Northern Star Resources	Overweight
Spark Infrastructure Group	Overweight
Flight Centre Travel Group	Overweight

Northern Star Resources (NST, -11.32%) – underperformed the market in October. While Jundee delivered a solid result over the September quarter, Pogo's output was down 35% from the June quarter and overall costs were also higher than expected, mainly because Pogo continued to mine in the lower grade areas. While it is taking longer than expected to open up the new Pogo 1.5Moz area, the company has maintained FY20 guidance because it remains confident grade will improve as they access new zones and increase stoping tonnes as a percentage of total processing tonnes. This means Pogo is also on track to meet the increased processing rate of 1.3Mtpa in early CY21. Encouraging exploration results have been delivered at Goodpaster, located adjacent to and immediately along strike from the Pogo mining area, with high grade mineralisation repeatedly hit over a 2.3km strike length and it is open in every direction. Our long-term outlook for NST therefore remains positive, however, it is increasingly looking like it may take at least 18 months to get Pogo to the desired performance level.

Spark Infrastructure Group (SKI, -6.48%) – underperformed the market in October as it continued to be adversely affected by a weakening distribution outlook. The South Australia Power Networks (SAPN) draft decision announced on 8 October 2019 forecast nominal regulated asset base (RAB) growth of 0.6% pa and incorporated a 1.32% risk free rate (based on a 20-day average in July) vs. 0.87% today. The draft decision growth rate was lower than market expectations, and the difference in the risk free rate introduces potential mark-to-market downside risk to revenues. Furthermore, SKI remains under cash flow pressure from lower expected returns associated with its pending change to a tax paying status, noting that distributions are expected to be funded from after tax standalone operating cash flows. SKI's 49% interest in SAPN represents ~33% of SKI's overall asset base.

Flight Centre Travel Group (FLT, -10.53%) – was added to the portfolio during the September quarter and performed strongly after a positive FY19 result during the August reporting season. The business is part way through a multi-year turnaround, as management restructure the domestic business and rebase the cost base for the cyclical recovery that should emerge following the recent tax and interest rate cuts. However, the recent commentary from retail peers suggests the Australian consumer has yet to recover and as such the market was disappointed by a downbeat earning outlook for 1H20. We believe the domestic market should improve in time with further tax and rate cuts. Moreover, several of last year's headwinds will not repeat, while the offshore corporate business continues to show strong growth, setting the company up for an improved outlook. We see valuation as attractive, with FLT trading at a significant discount to its own historical trading range and the broader market.

Portfolio changes

There were no key portfolio changes during the month.

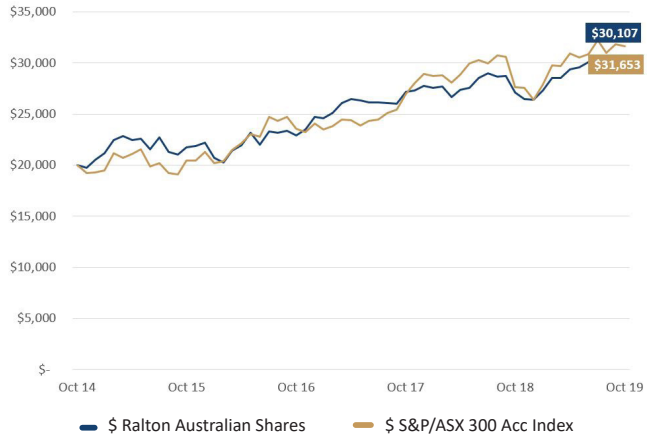
Sector allocation

GICS sector	Ralton	Index	+/-
Financials (ex-Property)	-24.8%	-31.1%	-6.2%
Real Estate	6.8%	8.0%	-1.2%
Industrials	0.0%	8.3%	-8.3%
Materials	26.0%	17.2%	8.8%
Energy	7.7%	5.1%	2.6%
Telecommunication Services	5.9%	3.5%	2.3%
Consumer Discretionary	12.8%	6.7%	6.1%
Utilities	0.0%	1.9%	-1.9%
Consumer Staples	8.0%	5.8%	2.1%
Health Care	5.7%	9.8%	-4.1%
Information Technology	2.4%	2.6%	-0.2%
Total	**100.0%**	**100.0%**	**0.0%**

Top 10 holdings#

Company name	ASX code
BHP Group Limited	BHP
Westpac Banking Corp	WBC
ANZ Banking Grp Ltd	ANZ
Woolworths Group Ltd	WOW
Amcor PLC	AMC
Vicinity Centres	VCX
Commonwealth Bank.	CBA
Northern Star	NST
Aristocrat Leisure	ALL
The Star Ent Grp	SGR

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.