Total returns

At 31 October 2018	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. (Feb 2008)
Ralton Smaller Companies	-7.88	-7.11	-3.65	2.30	8.95	10.05	13.24	12.67	7.96
Income return	*0.04*	*1.00*	*1.37*	*2.74*	*2.77*	*2.98*	*3.32*	3.67	*3.69*
Growth return	*-7.92*	*-8.11*	*-5.02*	*-0.45*	*6.18*	*7.07*	*9.92*	9.00	*4.27*
S&P/ASX Small Ord Accum. Index	-9.60	-7.67	-4.22	2.59	10.54	6.32	4.29	6.73	1.01
Difference	**1.72**	**0.56**	**0.58**	**-0.29**	**-1.59**	**3.73**	**8.94**	5.95	**6.95**

Performance review

- The S&P/ASX Small Ordinaries Accumulation Index returned -9.60% for the month of October, with Utilities and Real Estate the top performing sectors and Information Technology and Consumer Discretionary the weakest performers for the period.
- The Ralton Smaller Companies portfolio returned -7.88% for the month, outperforming the benchmark by 1.72%.
- For the month of October, being underweight Consumer Discretionary and Financials added relative value to the portfolio. The portfolio's overweight to Energy and underweight to Real Estate were the key detractors from portfolio returns.

Performance attribution

Key contributors

Key contributors	Positioning
Regis Resources	Overweight
Lynas Corporation	Overweight
Cooper Energy	Overweight

Regis Resources Ltd (RRL, +13.44%) – was added to the portfolio at the start of October and has since performed very strongly during a turbulent month for the market. The catalyst for the recovery was the improved operating performance during the September quarter compared to the June quarter. This showed management were getting control of the costs. RRL also withdrew a takeover bid for Capricorn Metals which would have stretched the balance sheet during the month. The group has a well-defined growth profile over the next few years with development of the Rosemont underground and McPhillamy's deposits. Whilst there are risks to these developments, they do add materially to production. Finally, foundation MD and Executive Chairman Mark Clark announced his retirement in late November and Jim Beyer (a seasoned gold executive) has been appointed as Managing Director.

Lynas Corporation (LYC, +30.41%) – is a global leader in the production of rare earth oxides (REO) and has relatively attractive financial metrics based on its two key assets of a wholly owned Tier 1 mine and concentrate plant located at Mount Weld, close to Laverton Western Australia and from its wholly owned downstream processing Lynas Advanced Materials Plant (LAMP) facility located in the Gebeng Industrial Estate area in the State of Pahang, Malaysia. LYC is the only miner and processor of rare earths outside of China, and the second largest producer of neodymium-praseodymium (NdPr) oxide in the world. NdPr sales represent approximately 90% of the company's revenue and is used in high performance magnets within electric motors found in electric vehicles and for wind energy, amongst other applications. In our view, recent LYC share price weakness has provided a good investment entry point following overstated market concerns with respect to the timing and form of Malaysian Government regulatory approvals for the continued and expanded operation of the Lynas Advanced Materials Plant (LAMP) facility. We believe LAMP has now de-risked operationally and it has moved to reliable and sustainable operations supporting increased production volumes.

Cooper Energy (COE, +2.20%) – outperformed during the month of October. The Sole Gas project, its main asset, remains within budget and schedule and was 74% complete at 30 September with remaining activities under fixed price/ lump sum contracts. This contract structure de-risks the project. COE is now laying the pipeline to connect Sole to the Orbost Gas Plant and estimates first gas sales from mid calendar-year 2019. COE has further highlighted potential for a Sole production upgrade after better than expected Sole 3 and 4 test results. This is a positive given the shortage of gas on the Eastern Seaboard. COE has also continued to sign up new gas sales customers. Approximately 179 PJ of the Sole field's proved and probable gas reserves of 249 PJ have been contracted for sale with the balance (70 PJ) retained for future sales contracts. COE has confirmed it is seeing pricing for new gas contracts in line with the ACCC range of $9-$11 per gigajoule. We expect COE to continue to re-rate as we move closer to production from this company-transforming project.

Key detractors

Key detractors	Positioning
Worleyparsons Ltd	Overweight
Superloop Ltd	Overweight
Super Retail Group	Overweight

Worleyparsons Ltd (WOR, -24.69%) – underperformed during the month of October. The acquisition of Jacobs Engineering Group's (NYSE: JEC) energy, chemicals, and resources business for A$4.6bn is a very material transformational move for WOR that significantly expands its geographical and industry footprint and more than doubles the size and scale of its business. We expect the larger size of the company to deliver increased market penetration with leading resource and energy industry participants and deliver an improvement in WOR's margins from higher utilisation and greater volume and pricing. Despite the highly attractive strategic nature of this acquisition, our view of an improving macro environment for oil & gas industry engineering contractors (rising industry capex), and impressive future expected earnings gains (WOR guidance for EPS +50% post synergies), market factors have weighed heavily on WOR because of the large size of the acquisition relative to the size of WOR, the very large associated equity raising with immediate dilution (synergy costs of $160m up front, but realised over 2 years) and negative valuation implications, and expectation of a shortfall from the equity raising falling back to the underwriters leading to the market's perception of a share overhang following the raising.

Superloop Ltd (SLC, -21.62%) – was weaker across the month. In the absence of news flow the weakness is largely attributed to the market digesting a weaker than expect FY18 result against the backdrop of a broader selloff in technology stocks. The company continues to transition from a period where it has built out its infrastructure base towards a sales driven company where we expect to see sales driving strong margins as infrastructure capacity is utilised. Future sales of SLC's dark fibre services to key customers in Singapore and Hong Kong will be a key determinant of the SLC share price. In addition, we look for stabilisation in its BigAir business as it seeks to take advantage of technology advances driving customers away from traditional broadband providers.

Super Retail Group (SUL, -18.60%) – de-rated during October as the company gave up recent gains achieved following a strong FY18 result and a recovery from oversold share price levels. SUL's AGM update aligned with recent weak updates from discretionary retail peers indicating the consumer has remained cautious against a backdrop of house price declines and domestic political volatility. However, we are of the view the majority of the selloff was due to the announcement that well-regarded CEO Peter Birtles will retire from the company. We are of the view the company has several strong internal candidates and that this would also be an attractive position for high caliber external candidates. We remain attracted to the company's long-term track record of growth and focus on returns and feel SUL has made significant investment to enable the company to grow in a more competitive retail environment. SUL, which owns several household name brands, is well managed and has expected medium-term profit growth primarily driven by internal 'self-help' initiatives. The self-help is mostly due to the various supply chain, IT, and warehouse efforts that SUL has been investing in over the last couple of years. These will make the business more efficient, release inventory (and cash in the process) and allow scope for future growth.

Portfolio changes

Key additions and material adjustments

Bought
Star Entertainment (SGR)

The portfolio added a position in **Star Entertainment (SGR)** during October as recent share price weakness has created an opportunity to add this quality Australian-based business at an attractive valuation. The company is executing on a range of value-adding expansionary projects that will grow earnings not currently reflected in the share price. Moreover, we are attracted to the company's exposure to a growing Asian middle class and its defensive earnings stream supported by its long-term gaming licence agreements.

Key disposals and material adjustments

Sold
Infigen Energy (IFN)
Japara Healthcare (JHC)
Credit Corp (CCP)

We disposed of our holding in Infigen Energy (IFN) during the month of October after deciding that better investment opportunities exist in other companies within the energy infrastructure space. We also disposed of our holding of Japara Healthcare (JHC) during the month of October as we see better opportunities elsewhere in the market. Finally, we disposed of the balance of our holding in Credit Corp (CCP) during the month as the macro backdrop for the company's business will likely become more challenged over the coming year.

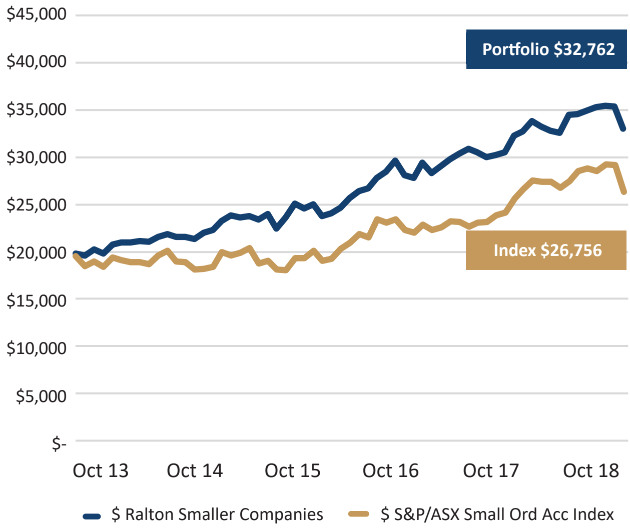
Sector allocation

GICS sector	Ralton	Index	+/-
Health Care	10.7%	6.4%	4.3%
Consumer Discretionary	15.1%	13.1%	2.1%
Utilities	2.3%	0.4%	1.9%
Materials	18.7%	18.0%	0.7%
Telecommunication Services	8.2%	7.8%	0.5%
Energy	9.3%	9.3%	0.0%
Consumer Staples	8.2%	8.5%	-0.3%
Financials	7.0%	8.4%	-1.5%
Information Technology	8.1%	9.7%	-1.7%
Industrials	5.4%	7.3%	-2.0%
Real Estate	7.0%	10.9%	-3.9%
Total	**100.0%**	**100.0%**	**0.0%**

Top 10 holdings#

Company name	ASX code
Bapcor Limited	BAP
Mineral Resources Limited	MIN
Ooh!Media Limited	OML
Tassal Group Limited	TGR
OFX Group Ltd	OFX
WorleyParsons Ltd	WOR
Independence Group	IGO
Steadfast Group Ltd	SDF
OceanaGold Corp.	OGC
Regis Resources	RRL

Performance comparison of $20,000*



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Performance of the Ralton Wholesale Smaller Companies 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 Small Ordinaries 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.

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