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 Leaders	-5.35	-5.93	1.44	3.66	8.02	7.94	11.17	9.89	6.80
Income return	*0.00*	*1.37*	*2.29*	*4.35*	*4.11*	*4.06*	*4.26*	4.47	*4.49*
Growth return	*-5.35*	*-7.30*	*-0.85*	*-0.69*	*3.91*	*3.88*	*6.92*	5.42	*2.31*
S&P/ASX 100 Accum. Index	-5.72	-5.76	-0.08	2.94	8.03	5.93	9.47	8.62	5.15
Difference	**0.37**	**-0.16**	**1.52**	**0.72**	**-0.01**	**2.01**	**1.70**	1.27	**1.65**

Performance review

- The S&P/ASX 100 Accumulation Index returned -5.72% for the month of October, with Information Technology and Utilities the top performing sectors and Financials and Materials the weakest performers for the period.
- The Ralton Leaders portfolio returned -5.35% for the month, outperforming the benchmark by 0.37%.
- For the month of October, being underweight Consumer Staples and Overweight Utilities added relative value to the portfolio. The portfolio's overweight to Materials and Energy were the key detractors from portfolio returns.

Performance attribution

Key contributors

Key contributors	Positioning
Woolworths Group	Overweight
Northern Star Resources	Overweight
Spark Infrastructure	Overweight

Woolworths Group (WOW, +1.25%) – strongly outperformed against a weak period in the Australian equity market following recent underperformance. Recent trading at Woolworths has been impacted by the highly successful 'Little Shop' campaign at Coles as well as its competitor providing free reusable bags as shoppers struggled to change shopping habits with retailers looking to cease the use of disposable bags. We took the view that the impact was transitory, supported by key indicators including transaction numbers and customer satisfaction remaining strong. Overall, the outlook for the supermarket industry looks solid with Coles likely to become a rational competitor for WOW after its spin-out from WES and food price deflation beginning to ease. Management execution remains strong. Balance sheet strength offers flexibility and valuation remains undemanding compared to domestic defensive names.

Northern Star Resources (NST, +5.78%) – continued to outperform during October as the market continues to factor in the growth focused around the recent acquisition of the Pogo gold mine in Alaska. We have seen NST deliver strong operational improvements after it acquired its mines at Jundee and Kalgoorlie in WA. This is focused around changing the way the mining teams operate in a whole range of different ways. The Pogo operation is very similar in nature to the company's Australian operations, and they expect to be able to implement the same type of productivity improvements. Our recent meeting with management left us comfortable with the strategy. As these benefits pass through we will see a substantial earnings and valuation uplift. NST continues to offer further upside from its core Australian operations. The balance sheet is net cash, leaving the company well positioned to implement its plans.

Spark Infrastructure (SKI, -2.68%) – outperformed the market during October as investors sought shelter in the volatile market environment. The stock provides exposure to an attractive defensive position from an efficient operator with a growing earnings stream backed by its high-quality electricity distribution networks. Most of the SKI network is in the middle of a regulatory period which implies stable predictable revenues for the next ~2.5 years. Future capital growth is underpinned by the $2-4.9bn of contingent capex projects included in Transgrid's recent determination and the optionality in its other networks in Victoria and South Australia. Potential future tax headwinds appear to be more than compensated by a distribution yield of >6% that is expected to grow at CPI levels.

Key detractors

Key detractors	Positioning
Boral Ltd	Overweight
Oil Search	Overweight
Woodside Petroleum	Overweight

Boral Ltd (BLD, -18.81%) – de-rated during the month of October following a period of strong performance in the September quarter. Underperformance occurred in the absence of company specific news as the market became increasingly concerned with the potential for a weaker outlook in the US housing market. Boral remains confident that the US housing construction has many years to run and while activity is currently subdued (with US Homebuilders also falling during the period), growth remains, albeit at a lower level. The recent FY18 result showed that Boral has growth drivers broadly spread across its Australian and United States operations and illustrated that the company continues to manage operations well in the face of increasing input costs, which have impacted peers. The most pleasing part of the result was the ability of the company to raise product prices to offset cost pressures and, looking forward, we expect margins to expand gradually. Key drivers remain in place as US housing activity is supported by under-supply and current government infrastructure spend more than offsets housing weakness within BLD's domestic operations. The potential for long-term growth is also evident in the company's expanding US FlyAsh operations. We remain positive on the potential of BLD's expanded US operations following the Headwater acquisition as well as the company's exposure to the infrastructure boom in Australia. BLD is trading at attractive multiples, and we remain confident in the company's outlook.

Oil Search (OSH, -13.95%) – was adversely impacted by oil price weakness during the month of October, where the Brent oil price dropped from US$84.94/bbl to US$74.84/bbl. The move in oil prices had a broader adverse impact on the performance of the Australian energy sector exploration and production stocks. The market has also been focused on the pace and form of PNG government approval for the expansion of the PNG LNG project. The PNG Government is seeking improved fiscal terms, and this has potential to delay the start of the project front end engineering design (FEED) work. OSH also appears to have lowered its expectations and is now saying it is only looking for key Gas Agreement terms to be announced for PNG LNG expansion at the Asia Pacific Economic Cooperation (APEC) leaders forum on Saturday 17 November. PNG oil and condensate production volumes have also been slow to recover following the PNG earthquake.

Woodside Petroleum (WPL, -9.67%) – suffered from oil price weakness during the month of October along with other Australian Energy sector exploration and production stocks, as the Brent oil price dropped from US$84.94/bbl to US$74.84/bbl. Outside of this negative oil market headwind, WPL's September quarter report delivered good overall operational performance and higher realised product pricing. Total September quarter production of 23.08mmboe was 5% above 22.08mmboe delivered in the June 18 quarter. Expected LNG price rises were also delivered over the September 2018 quarter, particularly at Wheatstone where LNG Trains 1 and 2 continue to run above plan. Overall, all key WPL projects remain on schedule and budget. Near term growth projects at Greater Western Flank Phase 2 (under budget and 98% complete) and Greater Enfield (on budget and 72% complete) continue to deliver excellent progress. During the month the Development and Exploitation Plan for the SNE oil field offshore Senegal was submitted to the Government of Senegal by the Joint Venture. Scarborough LNG front end engineering and design (FEED) entry is expected in 1Q19. Browse to NWS LNG development final investment decision (FID) target is in 2020. There was no change to the company's guidance for projected production growth to 100mmboe by 2020 (+35% from 2017). We remain attracted to WPL's exposure to Asia's growing demand for gas and its strong pipeline of growth options.

Portfolio changes

Key additions and material adjustments

Bought
Nil

Key disposals and material adjustments

Sold
Nil

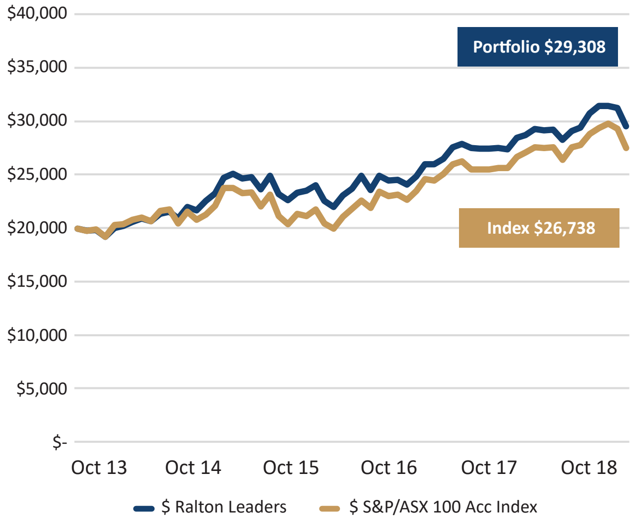
Sector allocation

GICS sector	Ralton	Index	+/-
Consumer Discretionary	7.3%	3.1%	4.2%
Energy	9.2%	5.4%	3.8%
Materials	21.4%	18.1%	3.3%
Information Technology	2.3%	1.3%	1.0%
Utilities	2.3%	2.1%	0.2%
Consumer Staples	7.1%	7.9%	-0.7%
Telecommunication Services	2.0%	3.2%	-1.2%
Health Care	6.9%	8.7%	-1.8%
Financials	32.7%	34.8%	-2.1%
Real Estate	5.2%	7.5%	-2.3%
Industrials	3.6%	7.9%	-4.3%
Total	**100.0%**	**100.0%**	**0.0%**

Top 10 holdings#

Company name	ASX code
BHP Billiton Limited	BHP
Commonwealth Bank	CBA
Woolworths Limited	WOW
ANZ Banking Grp Ltd	ANZ
Westpac Banking Corp	WBC
National Australia Bank Limited	NAB
Woodside Petroleum	WPL
Macquarie Group Ltd	MQG
Aristocrat Leisure	ALL
Amcor Limited	AMC

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.