Total returns

At 31 July 2017	1 mth %	3 mths %	6 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	7 yrs % p.a.	Inception % p.a. (Feb 2008)
Ralton Australian Shares	0.08	-1.19	6.35	12.47	10.37	14.87	11.04	7.74
Income return	*0.03*	*0.48*	*1.80*	*3.70*	*3.65*	*3.90*	*4.15*	*4.25*
Growth return	*0.05*	*-1.67*	*4.55*	*8.77*	*6.72*	*10.96*	*6.89*	*3.49*
S&P/ASX 300 Accum. Index	0.01	-2.51	3.89	7.03	5.12	10.71	8.11	4.58
Difference	**0.07**	**1.33**	**2.46**	**5.43**	**5.25**	**4.15**	**2.93**	**3.15**

Performance review

- The S&P/ASX 300 Accumulation Index was basically flat in July, finishing 0.01% higher. Strength in Materials and Financials added value to the benchmark, with Health Care and Utilities the key negatives.
- The Ralton Australian Shares portfolio returned 0.08% for July, narrowly outperforming the benchmark by 0.07%.
- For the month of July, being underweight both Health Care and Real Estate added value to relative performance, offset by our underweight exposure to Materials.

Performance attribution

Key contributors

Key contributors	Positioning
Ainsworth Game Technology	Overweight
Vicinity Centres	Overweight
Woolworths Limited	Overweight

Ainsworth Game Technology (AGI, +11.6%) – shares in AGI continued their recent rally, reflecting investors' conviction the turnaround of the business is gaining traction. Industry feedback continues to suggest that AGI's latest game offerings are gaining share in the key US market. In Australia, AGI's market share has likely bottomed and if the increase in current research and development spend flows through to a more competitive panel of games as we expect, then AGI is likely to win back some lost share in this market also. This remains subject to execution, which we continue to monitor and look toward the full year results in August for further signposts on the company's turnaround.

Vicinity Centres (VCX, +7.0%) – shares in retail REIT, VCX rallied in July, supported by an upward revaluation of its property portfolio and the announcement of a share buy-back. Taking, these in turn, the revaluations are part of the typical balance date assessment for REITs, with VCX revaluing 34 of its core 74 directly owned retail properties. These measures increased the net tangible assets for VCX by $853m or 6% across the portfolio.

Further, the board has elected to embark on an on-market share buyback for up to 5% of VCX's listed stock. Having recently bought into VCX as the shares fell in value, it was pleasing to see that the VCX board shared our view as to the value on offer.

Woolworths Limited (WOW, +4.5%) – shares in Woolworths added value in a flat market and have now risen 14% rolling year. The share price response reflects the progress in WOW's turnaround being driven by CEO Brad Banducci. WOW's renewed focus on the customer, service offering and price investment at the supermarkets has driven an improvement in sales growth for the past two reported quarters. We expect that this improvement has been maintained for the June quarter and look to the upcoming quarterly sales and annual profit results to confirm the progress being made.

Key detractors

Key detractors	Positioning
Aristocrat Leisure Limited	Overweight
Evolution Mining	Overweight
Coca-Cola Amatil	Overweight

Aristocrat Leisure (ALL, -10.2%) – shares underperformed in July, giving back some recent gains, although it remains some 27% higher rolling year to the end of July. We would attribute the share price movement in July to a mixture of profit taking following the strong capital returns experienced by investors, and the near 4% appreciation in the Australian dollar against the US dollar during July (ALL's key operating currency). We continue to see positive momentum for ALL's US participation and outright sales businesses. Also, ALL has several new products, including the Class III stepper, which are targeting new segments of the market for them. At this early stage, the new products are receiving positive reviews in the market. Further, ALL's Digital offering continues to go from strength to strength with ongoing growth for the Heart of Vegas platform and early positive signs for its new Cashman site.

Evolution Mining Limited (EVN, -7.8%) – shares in gold miner EVN detracted value for the month, driven by the 2% decline in the Australian dollar gold price.

There was nothing unusual from our perspective in the company's quarterly mining report to trigger the decline. Irrespective of one month's share price movement, we continue to hold EVN as our preferred gold stock, and highlight its ownership of long-life mining assets, which are well positioned on the cost curve.

Coca-Cola Amatil (CCL, -10.7%) – a public contract loss and speculation of supermarket 'ranging' issues weighed on CCL shares for July. Firstly, CCL has lost the contract to supply Domino's Pizzas to competitor Asahi (Pepsi and Schweppes brands), a small but noteworthy contract loss. Secondly, it appears that supermarket Woolworths has at this stage elected not to stock CCL's new "Coca-Cola No Sugar" product. Further, speculation persists that Woolworths are limiting shelf space of branded water products, including of course CCL's Mount Franklin mineral water products. Although we are tempted to describe ranging issues such as these as part and parcel of the normal supplier/ retailer commercial tussle, such outcomes with Australia's largest supermarket network would certainly be disappointing for CCL and its shareholders. In the short term, such outcomes would reduce CCL's ability to drive volumes via its 'stills' (or non CSD products) and delay the re-balancing of its business. Reflecting our concerns on this front, we have reduced our CCL holding in the portfolio and look to the upcoming half year results to provide more clarity on the outlook for CCL and the turnaround being pursued by CEO Alison Watkins and her team.

Portfolio changes

Key additions and material adjustments

Bought
Nufarm Ltd (NUF)

Recent dry weather conditions in the United States have weighed on global agricultural stocks, providing us with an opportunity to add a small position in agricultural specialist **Nufarm Ltd (NUF)** as the share price weakened. Seasonal variances are part and parcel of investing in the agricultural sector, however our focus with Nufarm relates more to the material turnaround that CEO Greg Hunt has driven in the business. Over several years, Hunt and his team have delivered on a multi-pronged $100m cost saving initiative, featuring consolidation across its manufacturing footprint, procurement and supply chain savings, together with material improvements in cash management and return on equity.

Nufarm under Hunt is a well-focused business, diversified by product, region and market segment. With these positive changes placing the business in a far stronger position than several years ago, NUF is now positioned to take advantage of growth opportunities. These opportunities include participation in global M&A (opportunities arising from consolidation amongst larger global players), monetization of NUF's Omega-3 seed program or simply targeting further cost savings and improvements in cash collection. Given this optionality and with the share price reflecting some seasonal risk in the short term, we have begun to build a position in NUF.

Key disposals and material adjustments

Sold
Orora Ltd (ORA)

Orora Ltd (ORA) – This is a very well-run company that, since the demerger from Amcor, has executed on its business model in a near faultless manner. With the share price having performed well in recent times, we felt the stock reflected fair value and sold down our position. Given the quality of management, we would look to revisit ORA at a future date should the share price appear attractive.

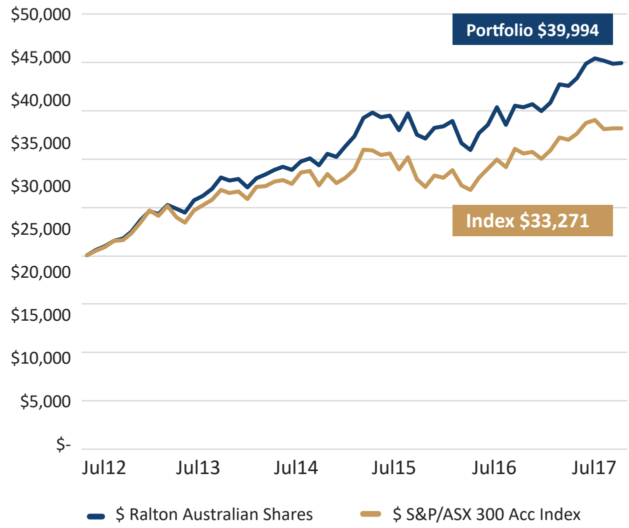
Sector allocation

GICS sector	Ralton	Index	+/-
Consumer Discretionary	10.1%	5.2%	4.9%
Energy	8.6%	4.1%	4.5%
Information Technology	3.7%	1.5%	2.2%
Consumer Staples	7.9%	7.1%	0.8%
Materials	17.3%	16.6%	0.7%
Telecommunication Services	3.2%	3.6%	-0.4%
Health Care	5.3%	6.9%	-1.6%
Utilities	0.0%	2.2%	-2.2%
Real Estate	5.8%	8.3%	-2.4%
Industrials	4.1%	7.2%	-3.1%
Financials	34.0%	37.4%	-3.4%
Total	**100.0%**	**100.0%**	**0.0%**

Top 10 holdings#

Company name	ASX code
Commonwealth Bank of Australia	CBA
Westpac Banking Corp	WBC
BHP Billiton Limited	BHP
ANZ Banking Group Limited	ANZ
Woolworths Limited	WOW
National Australia Bank Limited	NAB
Aristocrat Leisure Limited	ALL
QBE Insurance Group Limited	QBE
Computershare Ltd	CPU
Boral Limited	BLD

Performance comparison of $20,000*



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Performance of the 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.

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