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 High Yield Australian Shares	0.05	-1.14	6.25	12.24	9.74	14.60	11.64	8.04
Income return	*0.05*	*0.57*	*2.18*	*4.38*	*4.47*	*4.65*	*4.84*	*4.93*
Growth return	*0.00*	*-1.71*	*4.07*	*7.87*	*5.27*	*9.95*	*6.79*	*3.11*
S&P/ASX 300 Accum. Index	0.01	-2.51	3.89	7.03	5.12	10.71	8.11	4.58
Difference	**0.04**	**1.37**	**2.37**	**5.21**	**4.63**	**3.89**	**3.52**	**3.46**

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 High Yield portfolio returned 0.05% for the month, narrowly outperforming the benchmark by 0.04%.
- For the month of July, being underweight both Health Care and Real Estate added value to relative performance, offset by our overweight exposure to Consumer Discretionary stocks.

Performance attribution

Key contributors

Key contributors	Positioning
Vicinity Centres	Overweight
Woolworths Limited	Overweight
BHP Billiton Limited	Overweight

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.

BHP Billiton Limited (BHP, +11.0%) – rising commodity prices for copper, iron ore and oil saw BHP add value to the portfolio in July. More noteworthy in the medium term was the election of Ken MacKenzie as Chairman of the BHP Board, succeeding Jac Nasser, effective September this year. As CEO of Amcor Limited (Amcor), MacKenzie delivered strong shareholder returns, driving a cultural change and heightening focus on return and use of capital. Under his leadership, the company went through a turnaround and period of strong growth from 2006-2015.

MacKenzie joins BHP at an interesting time for Australia's largest miner and the broader resources industry. Activist shareholders are agitating for change, highlighting the poor returns and capital losses incurred from BHP's incursion into the US onshore shale oil and gas sector under prior CEO Marius Kloppers. We look to Ken MacKenzie and the BHP management team, led by CEO Andrew MacKenzie (no relation) to continue to focus on optimized returns and use of capital. Broad cultural change at a giant company like BHP will certainly prove a challenge, however we look for the new Chairman to strike the appropriate balance in terms of the need to invest capital across new projects, maintain current tier one assets, return money to shareholders and deliver a strategy that ensures sufficient diversity and growth options.

Key detractors

Key detractors	Positioning
Aristocrat Leisure Limited	Overweight
Coca-Cola Amatil	Overweight
Ansell Limited	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.

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.

Ansell Limited (ANN, - 7.4%) – The near 4% rise in the Australian dollar for July was likely a key driver behind Ansell's share price decline for the month. Aside from currency moves, it has been a busy few months for Ansell and its investors. Starting in May, the company confirmed the sale of ANN's Sexual Wellness business for US$600m to a consortium led by Humanwell Healthcare Group. ANN intend to use the proceeds to reduce debt, conduct a share buyback and continue its pursuit of bolt on acquisitions for its core Industrial division. Secondly in July ANN confirmed its intention to invest US$70-$100m in a business transformation program. The program will target annual pre tax savings in excess of US$30m by financial year 2020, improving growth and return on invested capital. Finally, CEO Magnus Nicolin has committed to remain in his role until the end of FY21, a positive sign, given the need for continuity and ownership of key investment targets. We view these developments in a positive light although highlight that ANN, like many manufacturing companies, does have some history as a "serial restructuring" company. We have confidence that following many years of restructuring and simplification of ANN's product offering, the ANN of 2017 is now a more streamlined business with a small portfolio of differentiated niche products.

Portfolio changes

Key additions and material adjustments

There were no new stock additions to the portfolio in July. We increased our position in VVR, a retail REIT whose portfolio is focused on petrol stations in Australia, largely Shell branded. We also upweighted our holdings in both **National Australia Bank (NAB)** and **Commonwealth Bank of Australia (CBA)** as part of an upweighting of our banking exposures following recent share price weakness, and given increased clarity around capital requirements from APRA.

Key disposals and material adjustments

There were no outright stock sales for the month.

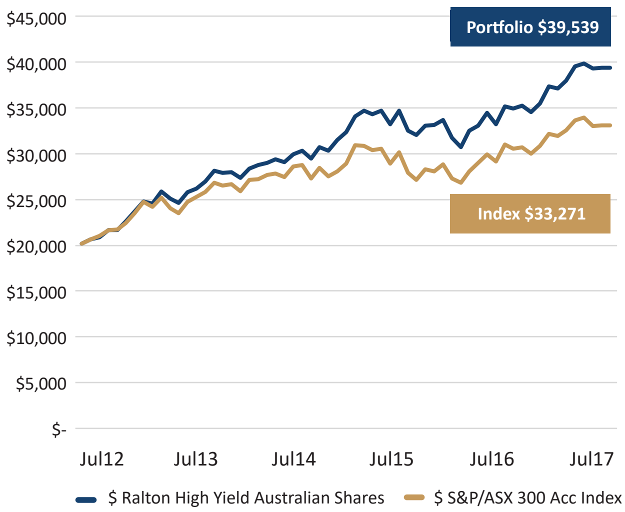
Sector allocation

GICS sector	Ralton	Index	+/-
Materials	21.3%	16.0%	5.3%
Consumer Staples	10.2%	7.1%	3.1%
Energy	6.5%	4.1%	2.4%
Information Technology	3.1%	1.5%	1.6%
Telecommunication Services	4.7%	3.8%	0.9%
Consumer Discretionary	6.0%	5.2%	0.9%
Financials	35.4%	36.9%	-1.5%
Health Care	5.3%	7.5%	-2.2%
Utilities	0.0%	2.3%	-2.3%
Real Estate	5.3%	8.3%	-3.0%
Industrials	2.2%	7.4%	-5.2%
Total	**100.0%**	**100.0%**	**0.0%**

Top 10 holdings[#]

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

Performance comparison of $20,000*



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Performance of the Ralton Wholesale High Yield 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.