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 Leaders	-0.12	-1.55	5.49	9.81	8.48	13.22	9.95	6.91
Income return	*0.00*	*0.57*	*1.97*	*3.85*	*3.93*	*4.09*	*4.31*	*4.47*
Growth return	*-0.12*	*-2.12*	*3.51*	*5.97*	*4.56*	*9.13*	*5.65*	*2.44*
S&P/ASX 100 Accum. Index	-0.02	-2.80	3.87	7.98	5.09	11.14	8.55	5.06
Difference	**-0.10**	**1.25**	**1.61**	**1.83**	**3.40**	**2.07**	**1.40**	**1.85**

Performance review

- The S&P/ASX 100 Accumulation Index was basically flat in July, finishing down 0.02%. Strength in Materials and Financials added value to the benchmark, with Health Care and Utilities the key negatives.
- The Ralton Leaders portfolio returned -0.12% for the period, underperforming the benchmark by 0.10%.
- For the month of July, being overweight Energy and underweight Real Estate added value for investors, although this was offset by both our overweight exposure to Consumer Discretionary and underweight exposure to Materials.

Performance attribution

Key contributors

Key contributors	Positioning
CSL Limited	Underweight
Vicinity Centres	Overweight
Woolworths Limited	Overweight

CSL Ltd (CSL, -8.7%) – with the majority of CSL's business and profits earned outside of Australia, the strength of the Australian dollar against the US dollar was a key headwind for the company. CSL was recently granted Food and Drug Administration (FDA) approval for Haegarda, a new treatment option for Hereditary AngioEdema (HAE) approved by the US FDA. HAE is a rare condition, meaning CSL's product will receive a very high sales price on a per person basis. This was an important approval for CSL, though we note that Shire's competing product, with a superior dose profile, is likely to be approved and on market in the next year or so. Although CSL's share price move was negative for investor returns, our portfolio holding was below the benchmark and as such, CSL was a net contributor in relative terms to the portfolio's attribution for the month.

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
Coca-Cola Amatil	Overweight
Evolution Mining	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.

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.

Portfolio changes

Key additions and material adjustments

Bought
Link Administration Services (LNK)

We added a small position in **Link Administration Services (LNK)** to the portfolio in July. LNK is a financial data administrator, organised into three core divisions, namely Fund Administration, Corporate Markets and Information, Data and Digital Services (IDDS). Link dominates the market for Fund Administration in the superannuation space in Australia with 42% of the total market and 70% of the outsourced market. This division is the core driver of profit growth, fueled by synergies and efficiencies from the Super Partners acquisition and growth in members. With its scale and cost benefits we would expect that Link will in time benefit from further outsourcing of administrative services.

Link recently entered the United Kingdom and European markets via the acquisition of Capita Asset Services (CAS). The transaction is expected to be accretive to Link's profits and provide long term strategic optionality for LNK to expand its core services and offering. Finally, we expect that LNK will benefit from ongoing efficiency measures, targeting automation and robotics across its suite of services. LNK will no doubt share some of these savings with its customers, however we expect it to benefit from scale and industry consolidation as competitive barriers rise.

Key disposals and material adjustments

There were no outright sales from the portfolio in July, although we did reduce our holding in several positions. We reduced our position in ANZ and WBC, took profits in **Suncorp Group (SUN)** and adjusted our position in CCL as previously discussed.

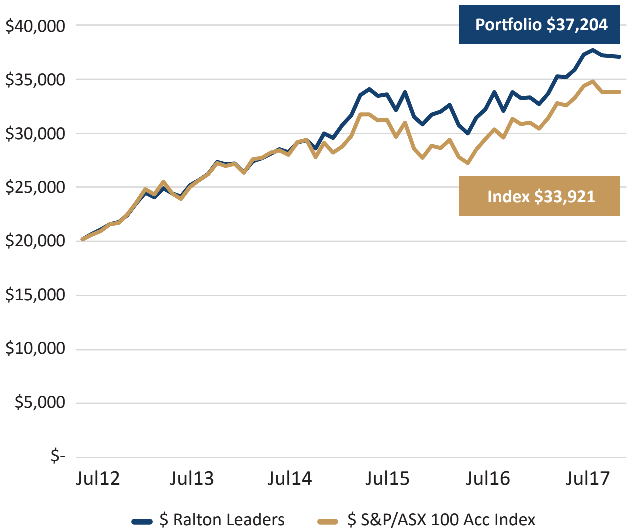
Sector allocation

GICS sector	Ralton	Index	+/-
Energy	7.6%	3.9%	3.7%
Information Technology	4.4%	1.0%	3.4%
Consumer Staples	10.1%	6.9%	3.2%
Consumer Discretionary	5.5%	3.4%	2.1%
Telecommunication Services	3.7%	3.8%	-0.1%
Materials	16.2%	16.6%	-0.4%
Health Care	6.2%	7.0%	-0.8%
Industrials	5.2%	6.9%	-1.7%
Utilities	0.0%	2.3%	-2.3%
Real Estate	4.3%	7.7%	-3.4%
Financials	36.9%	40.6%	-3.7%
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
Woolworths Limited	WOW
ANZ Banking Group Limited	ANZ
National Australia Bank Limited	NAB
Aristocrat Leisure Limited	ALL
QBE Insurance Group Limited	QBE
Telstra Corporation	TLS
Boral Limited	BLD

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.