

Ralton High Yield Australian Shares

Winner of the 2010 Standard & Poors' Fund Awards
- Separately Managed Accounts Category

Investment Profile

The Ralton High Yield Australian Shares model portfolio is a separately managed account, or SMA, actively managed by Ralton Asset Management (Ralton). SMAs are professionally managed portfolios of direct shares whereby the investor receives beneficial ownership of the underlying securities.

Investment Objective

The objective of the Ralton High Yield Australian Shares SMA is to provide investors with a consistent, tax-efficient and growing cash dividend yield, and long-term capital growth. The Portfolio aims to deliver a return superior to that of the market over periods of five years or longer and an above market yield.

Key Portfolio Features

Inception	1 February 2008
Benchmark	S&P/ASX 300 Accumulation Index
Authorised Investments	Companies in the S&P/ASX 300 Index or those amongst the top 300 by size
No. of stocks	20-35
Cash Allocation	0% to 10%
Ratings	  

Performance

Return %	1m	3m	1yr	3yrs	Incept*
Ralton High Yield	5.15	1.79	-5.50	12.12	-0.27
Income Return	0.03	1.00	5.33	4.95	5.11
Growth Return	5.12	0.79	-10.83	7.17	-5.38
S&P/ASX 300 Index	5.13	0.06	-6.51	11.31	-2.59
Difference	+0.02	1.73	1.01	0.82	2.32

*Since inception, Feb 2008

Model Portfolio Commentary

- The portfolio kept pace with a strong market during January.
- The S&P 300 Index gained 5.1% during the month, buoyed by strength in the Energy, Materials and Industrial Sectors.
- The portfolio's underweight bias to both Energy and Materials both detracted from relative performance. These were offset by our overweight position in both Industrials and underweight bias to both Consumer Staples and Healthcare.
- The portfolio's underweight position in Resource (materials) stocks also assisted with relative performance;
- Key positions in Ausdrill Limited (ASL), Cardno Limited (CDD) and Sims Metal Management (SGM) each added to portfolio performance, both in terms of absolute and relative returns.
- On the downside our holding in Amcor (AMC) detracted from both absolute and relative performance. Telstra (TLS) and Crown Limited (CWN) were both flat for the month, underper-

The Portfolio is designed for investors who...

- Seek an above market, tax-efficient cash dividend yield and long term capital growth
- Expect consistent above market returns
- Have a long term investment horizon of at least five years

forming in a strong market.

Portfolio Structure

Top 10 Holdings

No.	Company Name	ASX Code
1	COMMONWEALTH BANK OF AUSTRALIA	CBA
2	BHP BILLITON LTD	BHP
3	WESTPAC BANKING CORPORATION	CBA
4	ANZ BANKING GROUP LTD	ANZ
5	TELSTRA CORPORATION LIMITED	TLS
6	WESFARMERS - PRICE PROTECTED	WESN
7	RIO TINTO LTD	RIO
8	DUET GROUP	DUE
9	ORICA LTD	ORI
10	SUNCORP GROUP	SUN

Industry Allocation (ex-Cash)

GICS Sector	Ralton	Index	+/-
Financials (ex-Property)	31.6%	31.0%	+0.6%
Telecommunication Services	9.0%	4.3%	+4.7%
Utilities	3.8%	1.6%	+2.2%
Property	9.3%	6.6%	+2.7%
Consumer Discretionary	5.3%	3.9%	+1.4%
Industrials	11.0%	7.3%	+3.7%
Information Technology	0.00%	0.6%	-0.6%
Consumer Staples	4.7%	7.7%	-3.0%
Energy	2.7%	7.4%	-4.7%
Health Care	0.00%	3.4%	-3.4%
Materials	21.6%	26.3%	-4.7%
Total	100.0%	100.0%	0.00%

Portfolio Adjustments During the Month...

Bought

- Nil.

Sold

- Nil.

Investment Approach

A Three Stage Investment Process

Intensive bottom-up research is the cornerstone of the entire process, supplemented by top-down economic and thematic views. The process is disciplined and consistently applied, using a number of proprietary qualitative and quantitative techniques to ensure that targeted companies have been thoroughly scrutinised. The aim is to uncover undervalued businesses. The companies that Ralton typically invests in are those with strong and reliable management, good profit and dividend growth expectations, reasonably predictable future profits and cash flows, and a very clear business model.

Stage 1: Defining the Investment Universe (Screening)

The first stage of the process is to narrow the number of stocks in the investment universe by applying a number of screens. This approach systematically eliminates companies that do not meet certain minimum standards, allowing the Investment team to focus more intensely on companies of potential interest.

Stage 2: Bottom-up Fundamental Company Research

Ralton's research programme is focused on understanding the key drivers of business performance and returns, namely people, operations, products and services, and market dynamics. For companies remaining in the Investment Universe, a detailed assessment is made of executive management, interviews competitors and suppliers, reviews financials, and forms a clear view on the outlook for the company's industry.

Stage 3: Portfolio Construction

Risk management and capital preservation are key themes underlying the portfolio construction framework. With a focus on actively managing down-side portfolio risk for investors, Ralton constructs an efficiently diversified portfolio of high quality, undervalued companies, and invests for the long term (typically 3 to 5 years) in an effort to maximise after-tax returns.

About the Manager

Ralton Asset Management is part of the Armytage group, a boutique investment specialist majority owned by members of its investment team and key executives. Founded in 1997, Armytage is a pioneer in Australia's investment industry, offering a suite of actively managed SMAs, IMAs and managed funds.

Ralton is a Value manager with a fundamental investment approach designed to identify quality businesses trading at a considerable discount to valuation. The process is guided by three fundamental beliefs:

- Markets are not perfectly efficient and the true value of a business is not always reflected in its share price;
- Undervalued companies can be identified through detailed and intensive research; and
- Capital preservation is critical to wealth creation.

The Investment Team

Andrew Stanley *B.Ec, LLB, ACA, FFin, MA AppFin*
Portfolio Manager, Ralton Model Portfolios

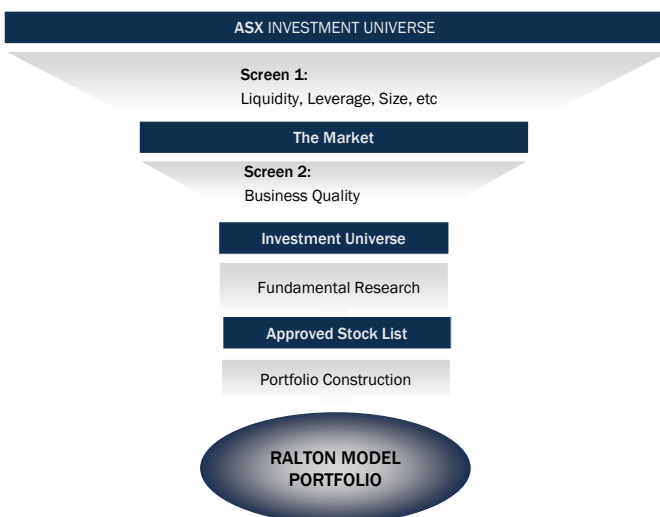
Andrew Stanley is the lead portfolio manager for the Ralton portfolios. He is supported by a dedicated and highly experienced team of investment professionals each with an average 18 years investment experience. Andrew has been working in financial markets for more than 19 years, including the past 5 years managing the Ralton portfolios. Prior to Ralton, he was an Executive Director at UBS in Hong Kong, and over the course of his career has held senior positions with major investment institutions in Melbourne, Hong Kong, Tokyo and New York. Andrew started his career at Arthur Andersen in Melbourne.

Campbell McComb *B.Econ, FFIN* Portfolio Manager, Analyst
Lee laFraté *B.Bus, FCPA, FFIN* Portfolio Manager, Analyst
Roger Walling *BOptom, MBB* Portfolio Manager, Analyst
Bradley King *B.Bus (EcoFin), AFIN* Investment Analyst
Peter Rudd *BSc, MBA, SF Fin, MESAA* Min & Resources Consultant

For Further Information

Financial advice professionals seeking additional information can contact Armytage Adviser Services:

- ☎ 03 9674 0600
- ✉ backoffice@armytage.com.au
- 🌐 www.armytage.com.au



This report provides general information only and does not take into account the investment objectives, financial circumstances or needs of any person. To the maximum extent permitted by law, Armytage, its directors and employees accept no liability for any loss or damage incurred as a result of any action taken or not taken on the basis of the information contained in the report or any omissions or errors within it. Before making an investment decision you should consider the latest PDS or FSG and assess whether the product and/or service is appropriate for you. It is advisable that you obtain professional independent financial, legal and taxation advice before making any financial investment decision. Armytage does not guarantee the repayment of capital, the payment of income, or the performance of its investments. Performance of the Ralton Wholesale SMA Service (PDS dated December 2009) is based on theoretical portfolio tracking of the model portfolio and is gross of investment management & administration fees, but net of transaction costs. Quoted performance is annualised for periods of 1 year or greater. **S&P Disclaimer:** Standard & Poor's Information Services (Australia) Pty Ltd (ABN: 17 096 167 556, AFSL #258896) ("Standard & Poor's") Fund Awards are determined using proprietary methodologies. Fund Awards and ratings are solely statements of opinion and do not represent recommendations to purchase, hold, or sell any securities or make any other investment decisions. Ratings are subject to change. For the latest ratings information please visit www.standardandpoors.com.au. **Van Eyk Disclaimer:** Van Eyk Research Pty Ltd (ABN 99 010 664 632 AFSL 237917) (van Eyk) rates investment management capabilities rather than individual products. This rating is valid as at August 2011 but can change or cease at anytime and should not be relied upon without referring to the meaning of the rating, as well as the full manager report, available to subscribers at www.iRate.vaneyk.com.au. Past performance information given in this document is given for illustrative purposes only and should not be relied upon as it is not an indication of future performance. van Eyk has not directed the publication of Armytage's rating. The rating is not intended to influence you and your client's investment decision in relation to any products managed by Armytage and does not take into account your client's individual financial situation, needs or objectives. We recommend that you and your client do not rely on this rating in making an investment decision and instead you seek advice from an appropriate investment adviser and read the product disclosure statement before making such a decision. **Morningstar Disclaimer:** Morningstar Star Rating current as at August 2011.