

# Ralton Leaders

Portfolio Report | March 2020



## Key facts

### Income versus growth target



### Market cap bias



### Investment strategy

A portfolio of ASX-listed equities designed for long-term capital growth and some tax-effective income

### Investment objective

Outperform index by over 3% p.a.

### Benchmark index

S&P/ASX 100 Accumulation Index

### Portfolio Manager

Ralton Asset Management

### Inception date

February 2008

### Management fee

0.75% p.a. (may vary across platforms)

### Number of stocks

25-35

### Key platforms

Brightday, Linear, OneVue, Praemium

## Growth of \$20,000 since inception



## Performance (% returns greater than one year are per annum p.a.)

At month end	1 mth	3 mth	1 yr	3 yr	5 yr	10 yr	Inception
Ralton	-20.13	-22.81	-15.28	-1.61	0.86	5.55	4.99
Income	0.69	1.03	3.94	4.36	4.23	4.36	4.55
Growth	-20.83	-23.84	-19.22	-5.97	-3.37	1.19	0.44
Index	-20.65	-23.01	-13.73	-0.47	1.34	5.15	3.96



## Stock spotlight | Challenger (CGF)

The COVID-19 crisis was initially seen as a healthcare crisis however the combination of government measures slowing the economy and a long period of low rates and implied risk left capital markets vulnerable to a credit crisis. As markets fall, credit risk increased quickly which impacted all asset classes regardless of their defensive characteristics. For Challenger, the resulting reduction in bond rates as well as ballooning credit spreads markedly reduced the profitability of their products.

Having managed money through prior crises we were quick to understand the implication and exited the CGF position, avoiding a 50% fall in the share price and seeing the underweight position contribute positively to relative returns. We are cognisant that Challenger will benefit commensurately from improvement in credit spreads and increased asset class returns and will revisit the investment thesis when markets stabilise and earnings and balance sheet risks are fully reflected in the share price.



## Sector allocation

Sector	Ralton	Index	+/-
Financials	17.74	29.72	-11.97
Real Estate	2.50	5.83	-3.33
Industrials	4.51	7.97	-3.47
Materials	30.69	17.94	12.76
Energy	4.90	3.78	1.12
Telecommunication	10.07	3.77	6.30
Consumer Discretionary	3.79	5.52	-1.73
Utilities	0.00	2.37	-2.37
Consumer Staples	6.90	6.97	-0.06
Health Care	17.19	14.30	2.89
Information Technology	1.71	1.84	-0.13
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	

## Top 10 holdings

CSL Limited
BHP Group Limited
Telstra Corporation
Westpac Banking Corp
Woolworths Group Ltd
Commonwealth Bank
ANZ Banking Grp Ltd
Amcort PLC
Northern Star
Aristocrat Leisure

## Portfolio metrics

	Ralton
PE	14.94
EPS Growth (%)	1.41%
Dividend Yield (%)	5.93%

## March Quarter Commentary

The Australian market moved gradually higher in the first half of the quarter, holding over the 7000 mark, however in the midst of company reporting season the market started to fall aggressively as it became apparent the health crisis was spreading into an economic crisis. The severe shutdowns imposed in China were now impacting parts of Europe and soon to spread to the US and Australia.

The rapid fall resulted in credit markets to seize as investors looked to liquidate to fund losses. This resulted in sharp falls across asset classes, seeing lowly correlated assets, including gold falling in line with risky assets. The indiscriminate nature of the selling has provided a number of opportunities to improve the quality of the portfolio, buying stocks at valuations that will drive long term strong returns. While challenging, we are very positive these periods provide the opportunity for active management to materially add value.

Performance of the Ralton Dividend Builder 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 in an 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. This document is for general information only and does not take into account the specific investment objectives, financial situation or particular needs of any specific reader. As such, before acting on any information contained in this document, readers should consider whether the information is suitable for their needs. This may involve seeking advice from a qualified financial adviser. Ralton Asset Management (ABN 45 114 924 382) (Ralton) is the provider of the Ralton Wholesale High Yield Australian Shares Model Portfolio. To subscribe, contact Copia Investment Partners Ltd (AFSL 229316, ABN 22 092 872 056) (Copia) by calling 1800 442 129 or email [clientservices@copiapartners.com.au](mailto:clientservices@copiapartners.com.au). Any opinions or recommendations contained in this document are subject to change without notice. Ralton and Copia are under no obligation to update or keep information contained in this document current.