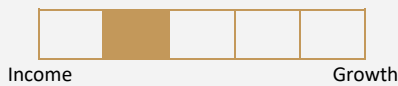


Ralton Dividend Builder

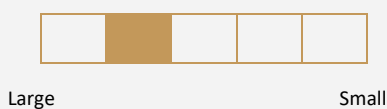
Portfolio Report | July 2020

Key facts

Income versus growth target



Market cap bias



Investment strategy

A portfolio of ASX-listed equities designed to provide attractive tax-effective income

Investment objective

Outperform index by over 3% p.a.

Benchmark index

S&P/ASX 300 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

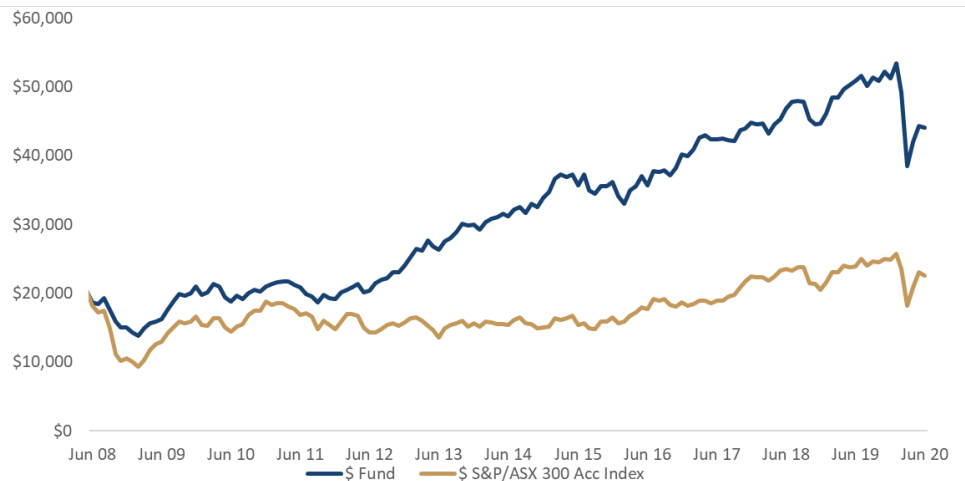
External ratings

Zenith "Approved"

Key platforms

AMP PPS, CFS First Wrap, HUB24, Linear, NetWealth, OneVue, Powerwrap, 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	-0.17%	4.69%	-14.69%	1.25%	3.39%	8.41%	6.37%
Income	0.00%	0.60%	4.20%	4.84%	4.71%	4.88%	4.95%
Growth	-0.17%	4.10%	-18.89%	-3.59%	-1.31%	3.54%	1.43%
Index	0.60%	7.77%	-9.74%	5.45%	5.24%	7.31%	4.79%

Stock spotlight | Perenti Group (PRN)

So far this commodity has been similar to past cycles in that a period of depressed capital expenditure in mine exploration and expansion has led a perceived imbalance in supply and demand driving commodity prices higher. However, to date a key difference is that unlike past cycles miners continue to show a reticence to invest as boards remain conservative, cognisant of billions of capital written down over the last 5 years. However we feel that a lack of investment and surging commodity prices are set to deliver a new era of investment, with mining service providers such as Perenti (formerly Ausdrill) set to benefit. 70% of PRN's earnings are exposed to Gold (+30% YTD) with the remaining a mix of Copper and Iron Ore. Operations in Australia and Africa provide exposure to two regions expected to deliver strong growth. We see a number of catalysts that will drive valuation upside including recent contract awards as well a renewed focus to improve returns in the African surface mining division, increasing utilisation of assets and ROIC. Trading on a PE of 7x with a long term average of 10, the sustainable dividend yield of 7% supports an overweight position.

Sector allocation

Sector	Ralton	Index	+/-
Financials	23.53	26.67	-3.14
Real Estate	2.05	6.65	-4.59
Industrials	9.37	7.14	2.23
Materials	32.36	20.62	11.74
Energy	2.09	3.76	-1.67
Telecommunication	8.72	4.20	4.52
Consumer Discretionary	5.30	7.10	-1.80
Utilities	2.58	1.86	0.73
Consumer Staples	8.40	6.62	1.78
Health Care	0	11.59	-11.59
Information Technology	0	3.79	-3.79
TOTAL	100	100	

Top 10 holdings

Evolution mining ltd
Amcor plc
Aristocrat leisure ltd
BHP group ltd
National Australia Bank ltd
Telstra Corporation Ltd
James Hardie Industries Plc
Challenger Ltd
Westpac Banking Corp
Spark New Zealand Ltd

Portfolio metrics

PE	16.00x
EPS Growth	4.51%
Dividend Yield	4.88%
Return on equity	11.65%

Performance Commentary

The Ralton Dividend Builder underperformed a marginally positive return for the ASX300 Accumulated Index in July by -0.77%, delivering a -0.17% return for the month.

Investors continue to reward growth over income due to elevated concern around COVID's impact on the ability to pay dividends, as such dividend yield as a factor been a poor predictor of share price performance, impacting portfolio returns. The Ralton process has an acute focus on the sustainability of dividends targeting company's with strong balance sheets and strong competitive positions, resulting in above average and growing income streams. We see the upcoming reporting season as a strong catalyst for investors to reward sustainable income and as such drive strong medium term returns.

The month saw strong dispersion in return between sector with Gold and Iron Ore driving the Materials (+5.9%) sector higher, while Energy (-6.3%) continued to lag. Former market darlings in the Healthcare sector (-3.8%) weighed as a stronger AUD impacted forecast translated offshore earnings. Conversely, continued lockdown measures and low interest rates boosted Technology (+4.9%) names as investors searched for growth in an uncertain environment.

Turning to the portfolio, the overweight position in commodity and US housing exposures, namely gold through Evolution (+4.0%) and James Hardie (5.3%) assisted the Materials sector contribution to performance. In addition, the portfolios Telstra (+7%) and Spark NZ (+7.3%) assisted returns. Rounding out contributors to performance was the portfolios 0% holding CSL (-6%), following a very strong run, the company has faced dual headwinds of supply constraints and a stronger AUD. As consistently communicated the portfolios disciplined approach to valuation and income generation has kept us underweight

DISCLAIMER

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.

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