

Ralton Leaders

Portfolio Report | July 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, Netwealth

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 | 1.01% | 5.26% | -10.75% | 3.13% | 3.82% | 7.86% | 5.99% |
| Income | 0.00% | 0.06% | 3.07% | 4.18% | 4.11% | 4.30% | 4.43% |
| Growth | 1.01% | 5.20% | -13.82% | -1.04% | -0.28% | 3.56% | 1.56% |
| Index | 0.50% | 7.51% | -9.90% | 5.35% | 5.01% | 7.58% | 5.13% |

Stock spotlight | ALS Limited (ALQ)

ALS Limited (ALQ) performed strongly in July, appreciating 16% since acquisition mid month. ALQ provides global laboratory testing services, holding strong market positions in its key verticals of Commodities as and Life Sciences, with the latter the provision of sampling services for environmental, consumer and pharmaceutical products. We see an improving backdrop as global economic re-opening drives increased testing in both segments with mines and economies open up post shutdowns. More specifically, strong commodity prices are beginning to drive junior miner capital raising which historically has led to increased exploration and testing volumes. The catalyst for the sharp appreciation was a positive update at the company's AGM in July, confirming the pick up in commodity testing volumes and the non-cyclical life sciences division continues to deliver structural growth. Post the move, ALQ trades at discount to its intrinsic value with near term revenue and margin well below peak cycle. Strong management, a well-capitalised balance sheet and expected earnings upgrades as well as PE expansion provides a material opportunity for capital appreciation.

Sector allocation

| Sector | Ralton | Index | +/- |
|------------------------|------------|------------|-------|
| Financials | 20.80 | 28.69 | -7.90 |
| Real Estate | 2.15 | 5.86 | -3.71 |
| Industrials | 5.29 | 7.22 | -1.93 |
| Materials | 28.13 | 20.46 | 7.66 |
| Energy | 2.84 | 3.88 | -1.05 |
| Telecommunication | 9.03 | 4.17 | 4.86 |
| Consumer Discretionary | 3.71 | 6.19 | -2.48 |
| Utilities | 0 | 2.04 | -2.04 |
| Consumer Staples | 6.17 | 6.53 | -0.36 |
| Health Care | 14.17 | 11.84 | 2.33 |
| Information Technology | 1.75 | 3.11 | -1.36 |
| TOTAL | 100 | 100 | |

Top 10 holdings

| |
|-----------------------------|
| Telstra Corporation Ltd |
| Northern Star Resources Ltd |
| National Australia Bank Ltd |
| Woolworths Group Ltd |
| Bhp Group Ltd |
| Amcor Plc |
| Beach Energy Ltd |
| Aristocrat Leisure Ltd |
| Challenger Ltd |
| Ansell Ltd |

Portfolio metrics

| | Ralton |
|------------------|--------|
| PE | 16.80x |
| EPS Growth | 6.91% |
| Dividend Yield | 3.88% |
| Return on equity | 11.78% |

Performance Commentary

The Ralton Leaders portfolio outperformed the ASX300 Accumulated Index (+0.51%) in July by +0.50%, delivering a +1.01% return in the month.

The month saw strong dispersion in return between sectors with Gold and Industrial metals driving the Materials (+6.3%) sector higher, while Energy (-2.90%) continued to lag. Former market darlings in the Healthcare sector (-3.9%) weighed as investors switched to surging Technology (+6.0%) names seeking growth in an uncertain environment, where low rates are the only certainty.

Turning to the portfolio, the overweight position in precious (gold) and base (Copper) commodities boosted returns as key stocks OZL (+24.3%) and Northern Star (+16%) performed strongly. In addition, in July we initiated a position in ALS (ALQ), seeking exposure to expected increased mining expenditure, the stock performed strongly increasing 16%. As consistently communicated the portfolios disciplined approach to valuation kept us underweight the surging tech sector. We continue to look for mispricing in the sector to take advantage of long term structural drivers, however we remain patient investors and continue to see our disciplined process identifying a number of undervalued opportunities.

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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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