

Ralton Australian Equity Ex 50

Portfolio Report | August 2020

Key facts

Income versus growth target



Market cap bias



Investment strategy

A portfolio of ASX-listed equities designed to provide high capital growth

Investment objective

Outperform index by over 4% p.a.

Benchmark index

S&P/ASX Small Ordinaries Accumulation Index

Portfolio Manager

Ralton Asset Management

Inception date

February 2008

Management fee

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

Number of stocks

20-35

External ratings

Zenith "Approved"

Key platforms

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	2.93	8.03	2.39	2.89	7.29	10.07	6.87
Income	0.14	0.23	2.23	2.51	2.72	3.31	3.51
Growth	2.79	7.79	0.16	0.38	4.57	6.76	3.36
Index	7.24	6.61	2.07	8.02	10.48	4.73	1.94



Stock spotlight | Reliance Worldwide (RWC)

The portfolio added to its Reliance Worldwide (RWC) position during the month as the result clearly showed an improving US housing outlook is being captured by a reinvigorated management team. Reliance which rose +42.5% in the month holds the no.1 position in Australia and the US in behind the wall, push-to-connect (PTC) plumbing accessories. The company has exhibited strong growth driven by market penetration and innovation, with growth accelerating post its acquisition of the UK based John Guest. Investor concern relating to an elongated lower level of activity post COVID impacts appears to be overly cautious given strong key indicators in the US housing market as well as improving peer results. The FY20 result indicates a resurgence in growth at the start of FY21 and the better than expected balance sheet position indicates the company has strong controls over operational execution. While risk remains of a broader economic slowdown, we believe government stimulus will continue to concentrate on housing related sectors, supporting activity. Given the attractive valuation, we increase the stocks weight back to target, reflective of the attractive outlook



Sector allocation

Sector	Ralton	Index	+/-
Financials	5.85	10.89	-5.04
Real Estate	2.75	12.73	-9.98
Industrials	12.35	6.49	5.86
Materials	25.59	21.33	4.27
Energy	0.00	2.67	-2.67
Telecommunication	2.40	4.42	-2.02
Consumer Discretionary	10.93	15.25	-4.32
Utilities	0.00	0.28	-0.28
Consumer Staples	7.13	7.28	-0.15
Health Care	12.35	9.58	2.77
Information Technology	13.83	9.09	4.74
TOTAL	100.0	100.0	

Top 10 holdings

Bapcor Ord Shs
Nextdc Ord Shs
Northern Star Resources Ord Shs
Fisher And Paykel Healthcare Corporation Ord Shs
Healius Ord Shs
Reliance Worldwide Corporation Ord Shs
Saracen Mineral Holdings Ord Shs
OZ Minerals Ord Shs
Incitec Pivot Ord Shs
Seven Group Holdings Ord Shs

Portfolio metrics

	Ralton
PE	16.70
EPS Growth (%)	13.82%
Dividend Yield (%)	2.81%

August Monthly Commentary

The Ralton X50 portfolio returned +2.93% for the month, underperforming an exceptionally strong performance from the ASX Small Ordinaries Index (+7.24%) by -4.31%. Given the portfolio's X50 mandate, absolute performance did capture some of the lower returns seen by the broader ASX, rising a still robust but lower +3.05%. Taking a longer term perspective, taking into consideration the strong performance leading into results the portfolio remains ahead of the Index by +1.41% over rolling quarter.

The reporting season that took place in August was always going to provide volatility as companies did their best to make sense of the uncertain backdrop while analysts attempted to gather insight into an unclear earnings outlook. Counterintuitively, companies most impacted by COVID fared the best as government stimulus and aggressive cost out measures delivered strong operational execution and results. Reporting season was broadly better than feared with more companies beating expectations than missing. Continuing on from recent performance trends Technology (+7.1%) and Consumer Discretionary (+22.5%) sectors performed best. Conversely, Energy (-6.7%) and Materials (0.5%) lagged. Despite the positive investor sentiment the market saw forecast growth decline by a further 2% with FY21 to see yet another year of EPS declines. Bucking this trend were upgraded outlooks in Resources and the Staples industries.

Turning to the portfolio, key stock positions in the Industrial sector, Reliance Worldwide (RWC), increasing 42% and Downer EDI (DOW), increasing +9.3% benefited returns after strong returns. As previously indicated consumer stock benefited strongly from stimulus measures with the boost driving consumption of homewares amid a general retail boom. We have remained cautious with key consumer holding Burson (BAP) and Kathmandu (KMD) benefiting but unable to offset the sector underweight. We view the sales boom as a pull forward in demand expect strong share prices to normalise as stimulus measures roll off. Moreover, the portfolio is positioned to benefit from increasing commodity prices as central bank stimulus finds its way to asset prices. In August, the gold price took a breather after a strong run. Collectively, gold positioning detracted over half of the difference to the benchmark return. We see a strong outlook for gold and commodity related companies and look forward to shining light on some key ideas in the communications ahead.

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. 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. ZENITH: The Zenith Investment Partners ("Zenith") Australian Financial Services License No. 226872 rating (assigned February 2019) referred to in this document is limited to "General Advice" (as defined by the Corporations Act 2001) for Wholesale clients only. This advice has been prepared without taking into account the objectives, financial situation or needs of any individual. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek independent financial advice before making an investment decision and should consider the appropriateness of this advice in light of their own objectives, financial situation and needs. Investors should obtain a copy of, and consider the PDS or offer document before making any decision and refer to the full Zenith Product Assessment available on the Zenith website. Zenith usually charges the product issuer, fund manager or a related party to conduct Product Assessments. Full details regarding Zenith's methodology, ratings definitions and regulatory compliance are available on our Product Assessment's and at <http://www.zenithpartners.com.au/RegulatoryGuidelines>. LONSEC: The Lonsec Rating (assigned February 2019) presented in this document is published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445. The Rating is limited to "General Advice" (as defined in the Corporations Act 2001 (Cth)) and based solely on consideration of the investment merits of the financial product(s). Past performance information is for illustrative purposes only and is not indicative of future performance. It is not a recommendation to purchase, sell or hold Ralton Asset Management product, and you should seek independent financial advice before investing in this product. The Rating is subject to change without notice and Lonsec assumes no obligation to update the relevant document following publication. Lonsec receives a fee from the Fund Manager for researching the product using comprehensive and objective criteria. For further information regarding Lonsec's Ratings methodology, please refer to our website at: <http://www.lonsecresearch.com.au/research-solutions/our-ratings>