Ralton Leaders

Portfolio Report | August 2020

Key facts

Income versus growth target

Income — Growth

Market cap bias

Large — Small

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)

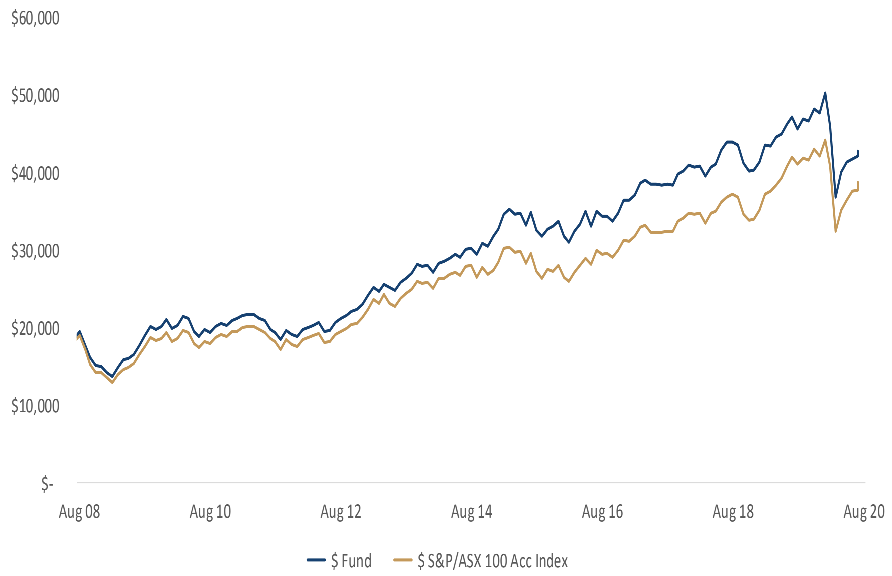
Number of stocks

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	1.63	3.67	-6.19	3.58	5.62	8.28	6.09
Income	0.43	0.43	3.05	4.03	4.07	4.25	4.44
Growth	1.20	3.24	-9.23	-0.46	1.55	4.03	1.65
Index	2.50	6.12	-5.67	6.03	7.29	7.99	5.30

Stock spotlight | Incitec Pivot (IPL)

Incitec Pivot (IPL) performed strongly in August rising +14% as the market began to appreciated after a challenging 2020, 2021 is shaping to be far stronger year for the company. Key industry exposures of explosives and fertilisers look set for an improved period ahead as strong commodity prices drive mining volumes and 3 years of below average agriculture yields look set to be broken post drought breaking rains.

Within the explosives division, mining volumes are set to increase after a long period of austerity, in addition it is clear that IPL's enhanced explosive technologies will drive higher EBIT per tonne of AN. With regard to the Fertiliser division, commodity prices (DAP, Urea) have held better than the broad commodity complex, and recent industry contact has increased our confidence that farmers are looking to reinvest in soil nutrients post drought with improving demand seen for IPL's products. Operational improvements are also seeing greater plant reliability. The combination of these factors should see stronger growth with the added benefit of a lower capex period ahead. We see material upside from current depressed

Sector allocation

Sector	Ralton	Index	+/-
Financials	20.08	28.09	-8.01
Real Estate	2.08	5.99	-3.91
Industrials	5.29	7.28	-1.98
Materials	28.48	20.52	7.96
Energy	2.88	3.91	-1.03
Telecommunication	8.72	3.99	4.73
Consumer Discretionary	3.96	6.37	-2.42
Utilities	0.00	1.98	-1.98
Consumer Staples	6.22	6.48	-0.27
Health Care	14.57	12.11	2.45
Information Technology	1.76	3.27	-1.51
TOTAL	**100.0**	**100.0**	

Top 10 holdings

- Telstra Corporation Ord Shs
- Northern Star Resources Ord Shs
- National Australia Bank Ord Shs
- Amcor CDI
- Aristocrat Leisure Ord Shs
- BHP Group Ord Shs
- Woolworths Group Ord Shs
- Beach Energy Ord Shs
- Ramsay Health Care Ord Shs
- OZ Minerals Ord Shs

Portfolio metrics

	Ralton
PE	16.85
EPS Growth (%)	10.93%
Dividend Yield (%)	3.78%

August Monthly Commentary

The Ralton Leaders portfolio returned +1.63% for the month, underperforming another strong performance from the ASX100 Accumulated Index (+2.50%) by -0.87%.

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 faired 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 (+15.5%) and Consumer Discretionary (+8.7%) sectors performed best, with small companies (+7.25%) significantly outpacing the broader index. Conversely, Utilities (-4.8%) and Telcos (-3.7%) 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, overweight Staples positioning contributed to performance with Woolworths (WOW) delivering share gains amid boosted COVID sales, while avoiding declines in market darling A2 Milk and Treasury as China tension flowed over into trade uncertainty. Despite golds decline impacting conviction position Norther Star (NST), the market has begun to recognise the positive outlook for Incitec Pivot (+14%) driven by rising DAP prices and an improving Agriculture sector outlook. Looking at what held the portfolio back in the month was the continued drive higher by the most expensive segments of the market, led by the Technology sector with Afterpay (APT) rising strongly. We see tech valuation as acutely stretched and expect a marked pullback as investors rebalance portfolios. In addition, an overweight in Telstra which delivered a mixed result resulted in the Communications sector detracting from performance, this was somewhat offset by strong gains in Nine Entertainment (NEC), gaining +22.5% during the month. We continue to look for mispricing across the market to take advantage of long term structural drivers, however we remain patient investors and continue to see our disciplined