

# Ralton Australian Equity Ex 50

Portfolio Report | October 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



## Stock spotlight | Nickel Mines Limited (NIC)

During the month Nickel Mines (NIC) signed an MOU offtake partner (Shanghai Decent Investment) for a significant expansion to its current operations which could double the company's current Nickel production delivering significant value for shareholders. With Nickel Mines (NIC) is an Indonesian focussed integrated nickel miner and producer that has been listed on the ASX since August 2018. NIC is well positioned as the largest payable Nickel producer listed on the ASX with bottom quartile operating costs and therefore high margins. Despite a strong recent run, we see continued potential for a strong re-rate as company delivers mandated growth from increasing ownership of processing plants amid a strengthening global outlook. With an intrinsic value well above the current price we foresee the risk return trade-off as attractive and look forward to providing further updates as the company investment moves the once small operator to the 6th largest Nickel producer globally.

### 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	<b>1.61%</b>	<b>1.28%</b>	<b>-3.78%</b>	<b>0.64%</b>	<b>5.20%</b>	<b>9.00%</b>	<b>6.64%</b>
Income	0.06%	0.77%	1.95%	2.49%	2.62%	3.27%	3.51%
Growth	1.55%	0.51%	-5.73%	-1.85%	2.58%	5.73%	3.13%
Index	<b>0.46%</b>	<b>4.69%</b>	<b>-2.40%</b>	<b>4.63%</b>	<b>8.56%</b>	<b>3.24%</b>	<b>1.72%</b>

## Portfolio October Performance and Drivers

The Ralton X50 portfolio returned +1.61% for the month outperforming another solid month for the Small Ordinaries Accumulated Index (+0.46%) by +1.15%.

Key drivers of the strong performance over the month were the portfolios strong stock selection in the Diversified Financial sector driven by Challenger (+26%) post a strong update and nascent evidence of investor appetite for value style over growth. Active positions in the mining sector delivered strong performance as dual holdings NST and SAR announced a strategic and financially positive merger with both stock lifting strongly. Key holding James Hardie increased 4.35% post upgrading its 2021 guidance and long term holding Link Administration Holdings (LNK) rose 28% post a bid by Private Equity. The company still trades at a discount to the bid and our assessed intrinsic value and we will continue to hold until the value for the core super administration franchise and emerging property tech platform PEXA is realised.

Conversely, at a sector level the portfolios overweight to commodity sectors that detracted from performance during the month included the Industrial sector with Austal (ASB) down 17% as the company was implicated in a corruption probe. We take ESG considerations very seriously and have engaged with the company and are seeking further information. As it stands the company appears have acted appropriately. We remain attracted to the strengthening outlook for mining capex as commodity prices remain strong, however key holdings Perenti (-11%) and Emeco Holdings (-10%) declined due to elevated concern regarding global growth in the lead up to the US election. After a strong run, Healius (HLS) decline -7.5% as Victoria emerged from its COVID lockdown, we see a continued strong outlook for HLS as COVID pathology volumes are replaced by a return to normal testing patterns.



## Sector allocation

Sector	Ralton	Index	+/-
Chemicals	3.95	0.51	3.43
Communication Services	2.28	5.58	-3.30
Consumer Discretionary	13.23	17.13	-3.91
Consumer Staples	6.87	7.01	-0.14
Containers & Packaging	2.32	0.21	2.11
Diversified Financials	5.04	7.93	-2.89
Health Care	4.04	6.70	-2.66
Industrials	15.94	8.83	7.11
Information Technology	12.60	7.14	5.46
Insurance	4.79	2.01	2.77
Metals & Mining	18.62	17.76	0.86
Real Estate	3.13	12.97	-9.85
<b>TOTAL</b>	<b>100</b>	<b>100</b>	

## Top 10 holdings

Bapcor Ltd
Steadfast Group Limited
Northern Star Resources Ltd
Appen Ltd.
Seven Group Holdings Limited
Healius Limited
Nextdc Limited
Saracen Mineral Holdings Limited
Reliance Worldwide Corp. Ltd.
Centuria Industrial REIT

## Portfolio metrics

	Ralton
PE	13.60
EPS Growth (%)	14.90%
Dividend Yield (%)	2.94%

## October Monthly Market Commentary

October was marked by four key themes which together drove the Australian market higher, outperforming global indices and showed continued signs of the beginning of style rotation to cyclicals and value related parts of the index. Drivers included a stimulatory budget, increased prospects of further RBA easing and the initial opening of the Victorian economy as COVID numbers continued to decline. M&A also returned to the market with takeover bids for LNK, AMP as well as Saracen (SAR) and Northern Star (NST) announcing their merger.

The Small Ordinaries underperformed the Mid and Large segments of the index as Tech and Banks led large cap indices. The key driver of the Small Index in October was the strong returns in the Financial Sector (+5.5%) led by portfolio holding Steadfast as the company upgraded guidance. Following the economy friendly budget, Consumer Staples (+1.8%) and Discretionary (+1.7%) sector performed well, as Metcash (+6.9%) was buoyed by strong supermarket results from Woolworths and Coles, while in the Discretionary sector stellar performer AP Eagers (+18.7%) was boosted by a return to strong October new car sales statistics.

Detractors from market returns were again centred in laggard Energy sector (+0.8%) as weak coal pricing impacted, however major declines were seen in the Healthcare sector (+8.6%) as high PE healthcare names Mesoblast (MSB) and Nanosonics (NAN) declined -40% and -9.3% commensurately post disappointing updates.

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. 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>