

Ralton Dividend Builder

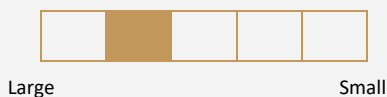
Portfolio Report | November 2020

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

CFS First Wrap, HUB24, Linear, NetWealth, OneVue, Powerwrap, Praemium



Stock spotlight | Turning Positive Banks

Over the last quarter we have become more constructive on the Australian major banks, and subsequently lifted the portfolio exposure from a long held underweight to marginally overweight. What had become clear was the worst case scenarios around housing (in particular) would not be realised with extreme stimulus measures and lower mortgage rates supporting consumer balance sheets and confidence. Conversely, upside scenarios are now moving into consideration. This should reduce credit risk and help lift profit growth through to FY23.

That said we still see the structural risks of aggressive (more flexible) competition, and low margins (due to low interest rates) as making the organic outlook for the majors muted on a multi-year basis. They are currently trading slightly cheap to historical (5 year) book value (at 0.9x) but cheaper than historical average to the market PE (by 1 standard deviation). With the worst of COVID-19 moving into the background, the question remains how the picture will settle once the initial adrenaline of the declining threat begins to fade. We continue to pick our exposures bottom up, and view NAB as the best exposure (on a risk/reward basis) as the cultural reset that has occurred under Ross McEwan begins to unlock the potential of

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	11.01%	9.96%	-6.87%	3.48%	6.47%	9.15%	7.02%
Income	0.25%	1.13%	3.88%	4.66%	4.62%	4.80%	4.95%
Growth	10.76%	8.82%	-10.76%	-1.18%	1.85%	4.36%	2.07%
Index	10.23%	8.27%	-1.62%	7.06%	9.14%	8.01%	5.56%

Portfolio November Performance and Drivers

The Ralton Dividend Builder portfolio returned +11.01% for the month, outperforming another strong performance from the ASX300 Accumulated Index (+10.23%) by +0.79%.

Key drivers of the strong performance over the month were the portfolios strong stock selection with recent additions to the portfolio benefiting from the cyclical rotation. Real Estate was a key contributor, up +14% over the month with Scentre Group up a staggering 33% as investors cheered strong domestic spending and moving into the premier retail mall owner in Australia. We see further upside ahead as the company closes its discount to book value. The portfolio benefited from its underweight to Healthcare as large benchmark weight CSL +3.4% underperformed, rewarding Ralton's valuation discipline. Woodside (+27.7%) and Challenger (+20%) contributing as vaccine rollout buoyed Energy and Financial sectors.

Conversely, key detractors to the portfolio in November can be put down to the defensive holdings that did not keep pace with the pro-cyclical trend. The portfolios single holding within the Gold sector was the major detractor Evolution Mining declining 10% in line with its sector peers. We remain constructive on the name given the solid growth outlook and dividend yield as well as its diversifying characteristics. While Value style stocks trended higher, low PE defensives were left behind with Tassal Group (+2.54%) lagging and long term holdings Amcor (AMC) up 4% and Sonic Healthcare (SHL) down 5.4% with no specific news flow. The portfolio remains committed to its dual target of providing both income and capital returns. We significant valuation risk in these high PE names and without dividend support we do not see them meeting our investment criteria.



Sector allocation

Sector	Ralton	Index	+/-
Banks	19.54	19.38	0.16
Communication Services	5.31	4.15	1.15
Consumer Discretionary	8.50	7.66	0.84
Consumer Staples	4.76	5.82	-1.06
Containers & Packaging	3.99	0.87	3.12
Diversified Financials	3.45	5.31	-1.86
Energy	3.77	3.83	-0.07
Health Care	2.72	11.27	-8.55
Industrials	14.27	7.48	6.79
Insurance	1.59	2.93	-1.34
Metals & Mining	17.01	15.92	1.10
Real Estate	8.85	7.39	1.45
Utilities	2.12	1.47	0.65
TOTAL	100	100	

Top 10 holdings

BHP Group Ltd
National Australia Bank Limited
Commonwealth Bank of Australia
Westpac Banking Corporation
Scentre Group
Amcor PLC
Woodside Petroleum Ltd
Evolution Mining Limited
Challenger Limited
Seven Group Holdings Limited

Portfolio metrics

PE	14.70
EPS Growth (%)	8.80%
Dividend Yield (%)	4.42%

November Monthly Market Commentary

The 10.2% delivered in November ranks in the top 10 monthly returns since 1980. An extraordinary return for investors driven by a rotation into cyclical exposures following news of vaccine approvals in the UK and the US. Continued strong demand for Iron Ore assisted the AUD to new highs, further supporting the outlook for Australia's domestic recovery.

Cyclicals sit within the "value" bucket with Financials up 15% led by the major banks and Energy, up 28% as global Oil prices lifted after lagging the broader commodity complex. The rotation was funded by COVID winners and defensives with the Staples sector down -0.72% for the month, with Healthcare (+2.72%) and Utilities (+1.16%) lagging the market strength. The Materials sector underperformed to a lesser extent (+7.25%) with commodity returns bifurcating with Iron Ore surging and Gold weakening despite a weaker USD. We remain positive the broad commodity complex with inflation expectations lifting and a continued growth in China set to drive Precious, Base and Bulk materials higher.

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 June 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 August 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>