

Ralton Australian Equity Ex 50

Portfolio Report | November 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 | Southern Cross Austereo (SXL)

Southern Cross Austereo (SXL) rose 33% in November as the company provided a positive trading update and confidence in the strength of the domestic economy increased. The purchase was based on the company's strong advertising assets in TV and radio and enviable operational resilience through the downturn. Trading at a discount to its historical trading range with earnings well below mid cycle, SXL screened as a strong candidate for EPS upside and multiple re-rate. The company is well placed to benefit from an improving advertising outlook as Australia emerges from an extended lockdown. The strong consumer has been a feature of the recovery, supported by significant federal and state stimulus and we are seeing the early signs of an advertising recovery as corporates look to benefit. SXL holds key assets in metro radio and regional television with key brands Triple M and HIT network holding strong audience and advertising shares. Strong and stable management and a robust balance sheet post the COVID induced equity raising supports the investment thesis. Trading on historically low PE and EV/EBITDA, as stated, any pick up in advertising spend will see the attractive combination of valuation upside and earnings recovery. We initiated the position and look to near term advertising spending data as a key catalyst.

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	6.30%	4.60%	2.52%	1.88%	6.88%	9.56%	7.11%
Income	0.00%	0.63%	1.94%	2.45%	2.61%	3.24%	3.49%
Growth	6.30%	3.97%	0.58%	-0.57%	4.26%	6.32%	3.62%
Index	10.27%	7.66%	5.98%	6.73%	10.70%	4.20%	2.49%

Portfolio November Performance and Drivers

The Ralton X50 portfolio returned +6.30% for the month underperforming a very strong month for the Small Ordinaries Accumulated Index (+10.27%) by -3.97%, taking the shine of recent strong performance. While large caps saw a strong "Value" rotation in Banks and Energy, the small segment of the market did not see similar trends. Broad commodities lagged including a strong downdraft in Gold, we expect a sharp return for these names in months ahead and look forward to posting continued strong absolute and relative returns.

Key positive contributors for the month was the portfolios strong stock selection in the Diversified Financials sector driven by another strong month from Challenger (+20%) post a strong update and as previously stated IOOF contributing strongly. The team is increasingly constructive on mining related capex and positioning in IPL (explosive and agriculture exposure) and Emeco Holding (mining equipment rental) up 19% and 37% respectively. While we have tilted into global commodity exposure, namely NIC and IGO we have remain underweight the consumer due to concerns around the sustainability of elevated retail sales. During the month later cycle holding Southern Cross (SXL) surged +33% 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 key holdings Northern Star (-15%) and Saracen (-16%) declining post recent gains. We remain constructive on solid growth outlook for key holdings as well as its diversifying characteristics. As stated, non holdings with exposure to speculative commodities, LYC (+33%) and MIN (+29% (lithium and Iron Ore) drove higher, while key contributors BAP (-8.49%) gave back a small portion of gains after a very strong run, notably post end of month the company provided a very strong trading update and we are remain excited about the growth ahead. Disappointingly, key IT holding Appen provided a weak trading update, with COVID still impacting. We remain underweight IT on valuation grounds however APX (-2.38%) trading at a near market multiple look very attractive given the long term growth outlook for AI



Sector allocation

Sector	Ralton	Index	+/-
Chemicals	4.37	0.54	3.83
Communication Services	4.80	5.84	-1.04
Consumer Discretionary	12.49	16.71	-4.22
Consumer Staples	7.83	6.77	1.06
Containers & Packaging	2.28	0.20	2.08
Diversified Financials	8.52	8.44	0.07
Health Care	4.13	6.83	-2.71
Industrials	17.08	8.93	8.15
Information Technology	6.00	6.66	-0.66
Insurance	4.86	1.93	2.93
Metals & Mining	16.43	17.71	-1.28
Real Estate	2.96	12.63	-9.66
TOTAL	100	100	

Top 10 holdings

Bapcor Ltd
Steadfast Group Limited
Seven Group Holdings Limited
Healius Limited
Appen Ltd.
Northern Star Resources Ltd
OZ Minerals Limited
Reliance Worldwide Corp. Ltd.
Inghams Group Ltd.
Challenger Limited

Portfolio metrics

	Ralton
PE	13. 50
EPS Growth (%)	10. 20%
Dividend Yield (%)	3. 13%

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 16.1% led by the portfolio holding IOOF (IFL), up 28% as well gains in Communications sector led by Vocus group (+19%) and the Materials sector (+11%). Within the Materials sector the largest gains were seen in the EV commodity exposed names that have minimal earnings transparency, Ralton's quality focus on capital protection while delivering alpha does result in the avoidance of the more speculative end of the market. Offsetting these gains, was the weaker gold price despite a weaker USD, impacting the broad sector. Looking ahead, 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. The rotation was funded by COVID winners with the IT sector increasing low single digits, and defensives, with the Staples sector up +5.4% for the month.

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