

Ralton Concentrated Australian Equity

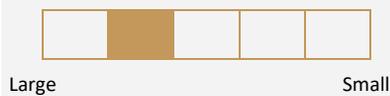
Portfolio Report | December 2020

Key facts

Income versus growth target



Market cap bias



Investment strategy

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

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	0.92%	12.22%	-2.44%	2.44%	6.06%	8.25%	6.70%
Income	0.01%	0.30%	2.44%	3.78%	3.86%	4.04%	4.20%
Growth	0.91%	11.92%	-4.88%	-1.35%	2.20%	4.21%	2.50%
Index	1.32%	13.79%	1.73%	6.87%	8.84%	7.75%	5.63%

Portfolio December Performance and Drivers

The Ralton Concentrated portfolio returned +0.92% for the month, marginally underperforming a robust 1.39% return for the ASX300 Accumulated Index. Looking across quarterly and sixth month periods, the portfolio has delivered 12.22% and 14.05% respectively, returning -1.57% and +0.32 against the index.

The market consolidated returns in December post November's outsized 10.2% gain, totalling 13.80% over the quarter. Key drivers of market performance were expectations of continued monetary stimulus, vaccine approvals in the US and UK and prospects for Biden led Fiscal spending. After a decade long period of style preference for growth over value, 2020 laggards Energy, Financials, Resources began to deliver returns while Technology stocks appear to be making their last run. The Banking (+28%) & Energy (+26%), closely followed by Information Technology (+24%) led the market higher in the December quarter. All banks outperformed the market with 2020 laggards ANZ and NAB leading. The Energy sector was boosted by the surge in Oil as the commodity lifted from its lows after lagging. The more operationally and financially leveraged names Oil Search (+40.5%) and Beach Energy (36.7%) led the sector. While 2020's winner IT increased 28% led by top 50 names Xero (+15%) and Afterpay (+47%) with Link Administration increasing 49% after receiving a bid from PE; the portfolio took advantage of share price strength to exit the position. As the market became more convinced that an economic recovery was taking hold long term rates began to increase. A steepening yield curve is commonly positive for cyclical names such as Resources and Financials which was certainly seen in the December quarter. While conversely interest rate sensitive sectors,



Sector allocation

Sector	Ralton	Index	+/-
Banks	20.29	19.24	1.05
Chemicals	3.99	0.62	3.37
Communication Services	4.91	4.05	0.87
Construction Materials	3.00	1.54	1.46
Consumer Discretionary	5.28	7.68	-2.39
Consumer Staples	5.09	5.88	-0.78
Containers & Packaging	4.44	0.87	3.58
Diversified Financials	3.72	5.14	-1.42
Energy	2.33	3.76	-1.43
Health Care	8.70	10.61	-1.91
Industrials	11.65	7.18	4.47
Insurance	2.23	2.74	-0.50
Metals & Mining	18.46	17.45	1.02
Real Estate	2.25	7.26	-5.02
TOTAL	100	100	

Top 10 holdings

BHP Group Ltd
National Australia Bank Limited
Westpac Banking Corporation
Commonwealth Bank of Australia
Telstra Corporation Limited
Amcor PLC
Incitec Pivot Limited
Challenger Limited
Woolworths Group Ltd
Ramsay Health Care Limited

Portfolio metrics

	Ralton
PE	14.70
EPS Growth (%)	12.10%
Dividend Yield (%)	3.73%

December Quarterly Market Commentary

The market consolidated returns in December post Novembers outsized 10.2% gain, totalling 13.80% over the quarter. Key drivers of market performance were expectations of continued monetary stimulus, vaccine approvals in the US and UK and prospects for Biden led Fiscal spending. After a decade long period of style preference for growth over value, 2020 laggards Energy, Financials, Resources began to deliver returns while Technology stocks appear to be making their last run.

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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>