

# Ralton Dividend Builder

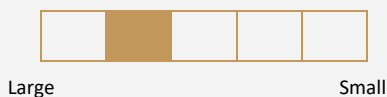
Portfolio Report | January 2021

## 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 | Super Retail (SUL)

Super Retail Group (SUL) has performed strongly since its addition to the portfolio in late November, rising 14%, ahead of a strong market. The Investment thesis was based on strong positioned brands that were set to benefit from continues tailwinds of a strong consumer and increased domestic spending. The continued strength in consumer spending attributed to the magnitude of fiscal stimulus has sparked market confidence within the retail names, particularly those which have an omnichannel (online and bricks and mortar) presence. Ralton expects SUL to continue to benefit from Covid-19 related consumer spending demand in the short to medium term with segment Auto, BCF and Rebel particularly exposed to the redirection in consumer spending habits towards domestic travel, leisure activities and online purchases. SUL is a quality retailer, with impressive growth in its online stores and capabilities including "click and collect". These factors combined with a compelling valuation, a strong dividend yield and a net cash balance sheet should see SUL continue to deliver strong returns for shareholder.

### 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	1.39%	14.36%	-6.17%	4.02%	8.01%	8.93%	7.17%
Income	0.00%	0.43%	3.81%	4.64%	4.63%	4.80%	4.90%
Growth	1.39%	13.93%	-9.98%	-0.62%	3.38%	4.13%	2.27%
Index	0.33%	12.05%	-2.69%	7.13%	10.14%	7.77%	5.62%

## Portfolio January Performance and Drivers

The Ralton Dividend Builder portfolio returned +1.39% for the month, outperforming a relatively flat ASX300 by +1.06%. This brings rolling outperformance for the last three months 2.30% ahead of the market.

Key drivers of the strong performance over the month were the portfolios stock selection in the Healthcare sector driven by portfolios holding in Sonic Healthcare (+7%) and the conviction to avoid valuation extremes, continuing to not hold large benchmark weight CSL which declined -4.1%. Portfolio positioning in financials again benefited returns with key holdings Westpac (+9%) and NAB (+4%) outperforming peers and Challenger (+3.5%) extended recent gains as bond rates increased and default risk remained low. Recent portfolio positions Woodside (+7.6%) and Super Retail (+7%) performed strongly due to Oil price strength and continued evidence that the trend to domestic retail is benefiting its BCF brand.

Conversely, positions that detracted from performance included Industrial exposure as well as defensive names that pulled back as bond yields rose and investors rotated to cyclical growth. Despite evidence that indicators for Amcor's (-6%) operations remain positive, the share price has been under pressure due to a surging AUD weighing on offshore earners and stubbornly anaemic US investor interest. We expect the upcoming 1H21 result to be a catalyst for the stock as we foresee as strong result as well as the potential for the company to increase the buyback and/or dividend. In addition Seven Group (-4%) pulled back as the market inferred weaker Iron Ore prices would reduce demand for CAT truck in the Westrac division, we view demand is set to accelerate. 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	19.76	19.95	-0.19
Communication Services	2.94	4.14	-1.19
Consumer Discretionary	8.89	8.02	0.87
Consumer Staples	5.51	5.98	-0.47
Containers & Packaging	3.66	0.81	2.85
Diversified Financials	3.87	4.97	-1.10
Energy	3.99	3.79	0.21
Health Care	2.75	10.40	-7.65
Industrials	13.30	6.93	6.37
Insurance	2.52	2.71	-0.19
Metals & Mining	15.77	17.24	-1.47
Real Estate	7.99	6.93	1.06
Utilities	4.58	1.34	3.24
<b>TOTAL</b>	<b>100</b>	<b>100</b>	

## Top 10 holdings

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

## Portfolio metrics

PE	14.60
EPS Growth (%)	10.00%
Dividend Yield (%)	4.65%

## January Monthly Market Commentary

The ASX300 Accumulated Index continued its strong performance seen in the final quarter of 2020, however pulled back late in the month as Biden and vaccine rollout driven positivity faded and volatility returned to markets as US retail investors bid up heavily shorted stocks such as *Gamestop* raising fear of Hedge Fund failures. In global markets, bond yields rose, combining with risk off sentiment to drive the USD higher this in turn impacted performance of ASX companies with offshore earnings. In commodities, Energy price increased by \$4.08/bbl to \$55.88/bbl while Iron Ore held recent strength and Gold was weighted down by the higher USD and surging Bond yields.

Traditionally high yield sectors of Consumer Discretionary (+4.8%), Banking (+4.05%) and Communications (+2.55%) led the market higher in January as the rotation towards economic exposure parts of the economy continued. Wesfarmers again performed as housing exposures strengthened as house prices have proved resilient to COVID impacts. The resilience seen in housing is being seen in the broad economy which is supporting key indicators for the Banking sector such as asset quality and lending growth. Performance was led by key positions, Westpac up 9% and NAB up over 4%.

Traditionally defensive sectors of REITS (-4.28%), Container & Packaging (-6.48%) and travel exposures in the Industrials (-3.0%) sector pulled back in January. As global bond rates increased, interest rate sensitive sectors including REITS underperformed, sector leaders Lendlease (-8.3%) and Goodman Group (-6.5%) led the falls. As COVID concerns returned, Sydney Airport (-10.8%) and Qantas (-7.2%) impacting Industrial sector returns and finally sector leader CSL (-4.05%) declined as investors funded cyclical exposure, and sold off defensive names.

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 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>