

Ralton Dividend Builder

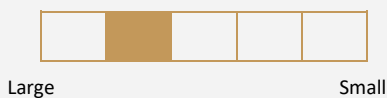
Portfolio Report | February 2021

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 | Sonic Healthcare Limited (SHL)

During February we increased the position in SHL. At a high level, Sonic Healthcare (SHL) offers exposure to the defensive health care sector and geographical diversification, along with a meaningful dividend yield. The recent 1H21 result indicated the company is strongly positioned to continue to growth post the COVID testing period with underlying volumes in pathology and radiology recovering. In addition the strong balance sheet supports the company's stated objective of M&A which has historically strengthened its competitive position and delivered an immediate earnings uplift. Valuation is attractive, trading at discount to Healthcare peers and similar defensive growth names.

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	1.83%	4.89%	3.72%	4.56%	9.11%	8.96%	7.28%
Income	0.73%	0.90%	4.01%	4.62%	4.64%	4.80%	4.93%
Growth	1.10%	3.99%	-0.30%	-0.06%	4.48%	4.16%	2.35%
Index	1.48%	3.16%	7.06%	7.53%	10.85%	7.68%	5.70%

Portfolio February Performance and Drivers

The Ralton Dividend Builder portfolio returned +1.83% for the month, outperforming another strong month for the market which returned 1.48%. Strong stock picking has resulted in the strategy delivering 3.65% in alpha over the last 6 months.

A combination of stock selection and portfolio sector positioning delivered strong returns in February. The team has increasingly positioned the portfolio to benefit from improving economic conditions while building positions in business that show improving quality of business trends. Nine Entertainment (NEC) is benefiting from improving advertising budgets as well as a fast growing digital business led by the Stan streaming platform. An exceptional result in February drove the stock up 19%, we see further gains ahead. Ralton's diligence in avoiding extreme valuation signals assisted as higher bond rates impacted valuation extremes in the IT sector with large index weight Afterpay declining -12% along with the broader Tech Index which retreated -7.15%. Key holdings BHP (+12.8%), Telstra (+1.2%) and NAB (+4.7%) all delivered results ahead of expectations with the market cheering the return of strong dividends. While the portfolio benefited from its BHP position, Gold holding Evolution Mining (-12%) lagged as real rates, global growth expectations decreased the attractiveness of the sector as downturn insurance. Gold equities continue to screen extremely well given high cash flow with costs well below current prices. Furthermore we are increasingly of the view that volatility will increase, as such uncorrelated nature of the sector remain a key portfolio construction tool. High yielding defensive industrial suffered with Sonic Healthcare (-7.7%) and APA (-5%) underperforming the strong market. The portfolio remains committed to its dual target of providing both income and capital returns. The strong reporting season indicates a return to higher dividends and we look forward to delivering higher income over the next few quarters.



Sector allocation

Sector	Ralton	Index	+/-
Banks	20.28	20.76	-0.49
Communication Services	8.40	4.06	4.34
Consumer Discretionary	5.40	7.65	-2.25
Consumer Staples	5.46	5.63	-0.17
Containers & Packaging	4.84	0.82	4.02
Diversified Financials	3.68	5.09	-1.41
Energy	3.94	3.81	0.13
Health Care	3.92	10.00	-6.07
Industrials	9.58	6.73	2.85
Insurance	2.44	2.78	-0.34
Metals & Mining	16.22	18.42	-2.20
Real Estate	6.25	6.72	-0.47
Utilities	4.22	1.21	3.01
TOTAL	100	100	

Top 10 holdings

BHP Group Ltd
National Australia Bank Limited
Commonwealth Bank of Australia
Westpac Banking Corporation
Telstra Corporation Limited
Amcor PLC Shs
Woodside Petroleum Ltd
Sonic Healthcare Limited
Challenger Limited
Nine Entertainment Co. Holdings Limited

Portfolio metrics

PE	14.70
EPS Growth (%)	8.60%
Dividend Yield (%)	4.93%

February 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. 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>