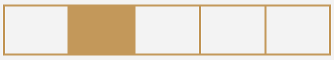
Ralton Dividend Builder

Portfolio Report | May 2021

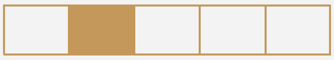
Key facts

Income versus growth target



Income Growth

Market cap bias



Large Small

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 | Westpac Banking Corp. (WBC)

Westpac (WBC) share price has had a strong resurgence in 2021 due to the improving outlook for the sector. This outlook improvement is the result of a strong economic recovery post height of the pandemic, the easing of responsible lending regulations, and strength in the housing market. During May banks reported half year and quarterly results. Westpac posted strong results with a strong net profit and cash earnings as well as an aggressive cost cutting strategy announcement. Core earnings upgrades and better than expected Net Interest Margins provides further confidence surrounding Ralton's thematic for the business as well as the sector moving forward. We see solid building blocks being put in place for sector wide asset quality improvement and further share price upside. WBC remains one of our top banking picks moving into the covid

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	**1.55%**	**6.58%**	**22.61%**	**6.30%**	**8.00%**	**9.84%**	**7.65%**
Income	*0.38%*	*1.33%*	*4.47%*	*4.62%*	*4.62%*	*4.81%*	*4.94%*
Growth	*1.18%*	*5.25%*	*18.14%*	*1.69%*	*3.38%*	*5.03%*	*2.71%*
Index	**2.31%**	**8.53%**	**28.72%**	**10.10%**	**10.22%**	**8.75%**	**6.24%**

Portfolio May Performance and Drivers

The Ralton Dividend Builder portfolio returned +2.67% for the month of April, however still underperforming a strong return for the ASX300 Accumulated Index of +3.70%. The yields on Australian 10-year government bonds fell 9bps to 1.79% but with large swings throughout the month slowing down last months momentum of the market rotation from growth to value names resulting in a weaker than market performance for the month for the value oriented Ralton Portfolio.

The Ralton Dividend Builder Portfolio performed strongly over April however not to the same extent as the broader market. This underperformance to the market can be partly attributed to the strength in 4 of the 5 WAAAX names, all of which absent from the Ralton Portfolio, which displayed a resurgence after the weakness in the prior month. This weakness was partly offset by the Portfolio selection in the consumer staples space holding Tassal during its strength at the beginning of the month and removing the name from the portfolio off the back of uninspiring commentary during the Macquarie conference, subsequently avoiding most of the decline at the tail-end of the month. Conviction holding Downer (+9.75%) gained due to a positive growth outlook unveiled during its Investor Day, along with the announcement of a Buyback of 10% of its shares on issue.

The portfolio benefited from the strength in gold over the month, gold holding Evolution Mining (+13.48%) was the largest contributor to performance in the metals and mining sector with BHP (+5.30%) and RIO (+9.39%) leveraging off the strength of iron ore. Challenger (-20.16%) was the portfolios main detractor with sales and organic growth trends tracking well however margin pressures led to a guidance downgrade impacting the performance of the stock. Woodside Petroleum (-4.75%) weighed on the portfolio with the announcement CEO Peter Coleman will be stepping down in June. This announcement fueled speculation he had a falling out with the board, the uncertainty ultimately creating weakness in the stock.

CONTACT 360 Capital 1300 082 130 investor.relations@360capital.com.au 360capital.com.au

Sector allocation

Sector	Ralton	Index	+/-
Banks	21.63	22.15	-0.51
Communication Services	8.66	4.20	4.46
Consumer Discretionary	5.81	8.13	-2.32
Consumer Staples	5.23	4.97	0.26
Containers & Packaging	4.90	0.77	4.13
Diversified Financials	1.53	4.93	-3.40
Energy	5.51	2.99	2.53
Health Care	4.04	10.09	-6.05
Industrials	8.85	6.65	2.20
Insurance	2.56	2.84	-0.28
Metals & Mining	16.98	17.74	-0.76
Real Estate	6.17	6.90	-0.74
Utilities	4.08	1.44	2.64
TOTAL	**100**	**100**	

Top 10 holdings

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

Portfolio metrics

PE	15.10
EPS Growth (%)	12.70%
Dividend Yield (%)	4.95%

May Monthly Market Commentary

The Australian market returned +2.31% over the month of May, continuing the strong equity market performance with the ASX300 now up +11.95% over 6 months and +28.72% over one year. The recent Covid outbreak in Melbourne announced the last week of May failed to dent investor optimism proved too strong with the news causing barely a ripple. The market was driven by strong economic data, expectations of further stimulus measures and the accelerating vaccine rollouts. Sector performance was mixed, with strong performances from both cyclical sectors such as Financials, as well as growth sectors such as Healthcare.

Banks were the main contributor to index performance over May with a constant flow of news from the sector over the month. Wealth manager IOOF (IFL) completed its takeover of NAB's advice, funds management and platforms business MLC Wealth. CBA joined the select group of companies with a price tag over $100 a share after providing a strong 3Q result announcing stronger earnings, significantly lower loan impairment expenses, and improved margins. WBC posted its half yearly result confirming a cost out program with EPS upside as well as improvement in NIM and bad debt provisions.

Healthcare, another strong performer for the month was led by the strength in biopharmaceutical angel CSL up +7.03% aided by an impressive presentation at the Macquarie conference and data points that Plasma sourcing issues are abating.

The Metals and Mining sector also contributed largely to the index strength over the month. The three biggest contributors to sector performance were gold miner names, largely as a result of the strong gold price over the month increasing by over US$100/oz as well as strong near-term catalysts for the case of Northern Star Resources (NST).

RIO also had a strong month with the Aluminium Stewardship Initiative (ASI) certifying Rio Tinto's ISAL smelter. This provides RIO a step in the right direction towards better practices with ISAL meeting independent environmental, social and governance standards and providing investors with a little more confidence after a disastrous 12 months with ESG issues.

The Information Technology sector gave back its gains from the prior month as the debate around transitory/cyclical/structural inflation intensified with the fed making comments of transitory inflation and other well-known economists confirming structural inflation is coming. The WAAAX names were the worst performing names weighing on the sector. Afterpay (APT) led the weakness in the group down 20.98% with investors alarmed by concerns surrounding a rise interest rates and exacerbated by US Treasury Secretary Janet Yellen hinting that in order to control the US economy from overheating an increase in interest rates may be necessary, the statement all the more concerning given the US is a key market for Afterpay. Xero (XRO) was weak due to its FY21 results announcement with weaker than expected profits and tough competition impacting Xero's international business. Even with an increase in investment for future earnings growth investors could not look past the downgrade announcement resulting in the stock finishing more than 6% lower for the month. EML Payments (EML) added to the weakness with extensive downgrades across the street as a result of regulatory concerns from the Central Bank of Ireland about EML's newly acquired Irish subsidiary PFS card services.