

Ralton Concentrated Australian Equity

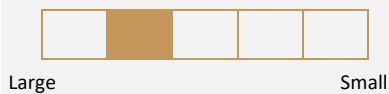
Portfolio Report | August 2021

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

Will Riggall

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

HUB24, NetWealth, Praemium, OneVue, Powerwrap, Linear, Xplore, Wealth02

Stock spotlight | Downer (DOW) +25.5%

At Ralton we look for enduring "thematics" that a company may exploit to deliver sustainable growth over the medium term. On the 3rd of September I was privileged to present on to Netwealth clients on companies set to benefit from the greening of global economies. Downer was one of five opportunities I spoke to represented in our portfolios. The energy transition will result in a significant spend on power infrastructure, which delivers Downer an expanded market opportunity as itself transitions to a pure play urban services business, exiting the more capital intensive and volatile earnings. The new Downer will have more a more stable earnings profile, delivering higher returns to shareholders. Trading at 16.5 PE, with a strong yield and enviable balance sheet, we see further as it capitalises on this exciting opportunity.

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	2.90%	4.33%	29.04%	6.61%	8.48%	10.73%	7.57%
Income	0.66%	0.96%	3.63%	3.76%	3.83%	4.00%	4.19%
Growth	2.24%	3.38%	25.41%	2.86%	4.65%	6.73%	3.38%
Index	2.61%	6.08%	28.58%	10.13%	11.05%	10.26%	6.58%

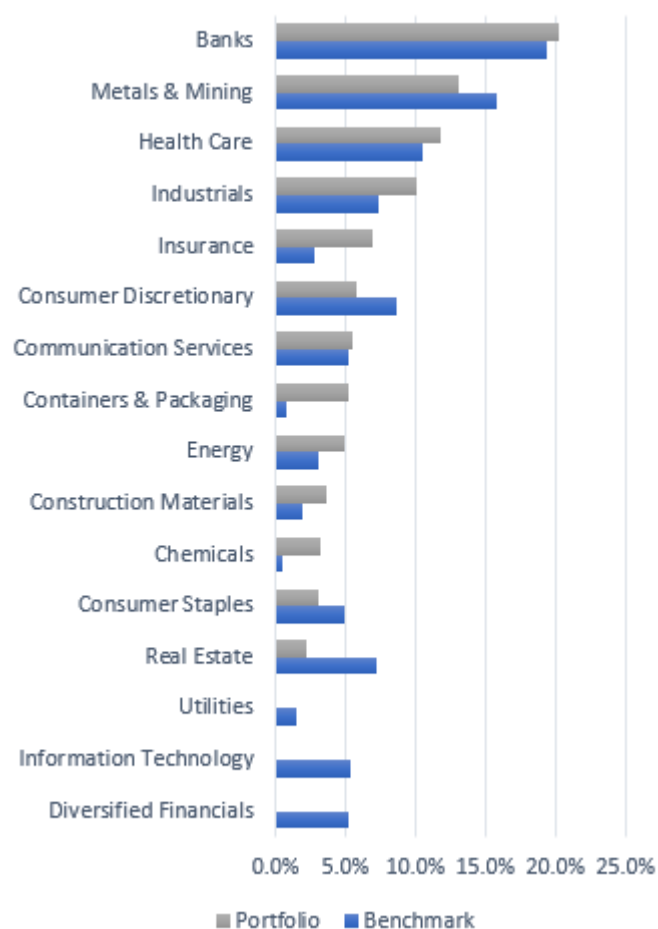
Portfolio Performance

The Ralton Concentrated portfolio returned +2.90% for August, outperforming a strong month for the ASX which returned 2.61%. Country wide lockdowns saw marginal downgrades to consensus during this reporting season but strong corporate health central banks confirming intention to keep rates low helped push the market higher.

Contributors	Comment
DOW (+25.5%)	Downer delivered a strong result, ahead of market expectations, lifting NPAT growth 20%+ from the prior year, with cash flow strong again. Through asset sales and strong execution, DOW moves closer to a lower capital intensive, growth business. We see further upside.
AMC (+11.05%)	There was a lot to like about Amcor's FY21 result with 16% EPS growth coming in 1% ahead of market estimates. Outlook remains positive with leverage to growing economic activity and a strong strategy to driver 10% MT growth.
JHX (+16.0%)	In the FY21 result, CEO Jack Truong delivered 20%+ volume growth and expanding margins through manufacturing efficiency and execution of a strong strategic plan. Through R&D, mix shift is set to drive next stage of growth.
Detractors	Comment
APT (+39.24%)	Afterpay surged after the board accepted a bid by global payments leader Square Group. Post completion APT will be removed from the ASX Index.
BHP (-14.73%)	Lower Iron Ore prices sent the mining sector lower in August, however its was a significant announcement to demerge its Energy business that caused investor concern. We see the move as positive, delivering exposure to higher growth commodity markets and a stronger balance sheet.
BAP (-9.82%)	Bapcor pulled back as the in line result was overshadowed by cautious guidance given impacts of lockdowns on retail operations. High single digit EPS growth and a strong competitive position vs peers will deliver long term growth. A strong cash balance should see additive growth from M&A.



Sector Positioning



Top 10 holdings (alphabetical)

Amcor PLC
 Aristocrat Leisure Limited
 BHP Group Ltd
 Commonwealth Bank of Australia
 James Hardie
 National Australia Bank Limited
 QBE Insurance Group Limited
 Ramsay Health Care Limited
 Telstra Corporation Limited
 Westpac Banking Corporation

Portfolio metrics

	Ralton	XKOAI
# of Securities	26	200
Market Capitalization	60,681.7	69,592.8
Active Share	63.6	--
Tracking Error	4.03	0.00
Beta	0.99	1.00
Est 3-5 Yr EPS Growth	13.4	10.2
ROE	10.5	11.0
Div% NTM	4.02	3.80
P/E using FY2 Est	15.7	17.7
Price/Cash Flow	8.2	11.8

Portfolio Activity

BUY

NO TRADE

SELL

NO TRADE

What's got me thinking?

The Reporting Season delivered another strong month for markets it called a halt to the strong period of earnings upgrades as the global impact of Delta saw forward EPS reduced by 2%. Given the impact of lockdowns, how do you benefit from the opening trade without stepping into an earnings downgrade like the one delivered by United Malt (UMG) due to supply chain disruptions. We are seeking firstly be exposed to the movement of people, services (e.g. WOR) rather than goods given we expect supply chain issues to continue well past economies are fully vaccinated. Secondly, it is even more important to focus on a company's competitive position (e.g. JHX) and balance sheet as it maintains earnings with the rising cost of inputs needed to be passed on and carried in inventory.

Performance of the Ralton Concentrated Australian Equity Portfolio is based on a model portfolio and is gross of investment management and administration fees, but net of transaction costs. 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. 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 AM Pty Ltd Trading as Ralton Asset Management ABN 31 639 028 809 is a Corporate Authorised Representative (AR Number 1281001) of AdviceNet Pty Ltd (ABN 35 122 720 512 AFSL 308200). Ralton AM Pty Ltd is the provider of the Ralton Concentrated Australian Equity Model Portfolio.