Ralton Concentrated Australian Equity

Portfolio Report | November 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 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 | Mineral Resources (MIN) +17.28%

Mineral Resources (MIN) is a founder led company that has delivered strong returns for shareholders through the cycle. The company operates three separate operating segments, Mining Services, Lithium, and Iron Ore mining and processing. While higher on the cost curve, the Iron Ore division is set to benefit from expansion projects that will bring growth at a lower marginal cost, mining services has stable forecast growth and the Lithium business is set to accelerate growth a period of capex whereby investors will benefit from a scale producer exposed the global de-carbonisation. Having de-rated due to recent Iron Ore weakness, trading on a single digit PE with material growth ahead we see the prospect of significant share gains for investors.

Performance (%, returns greater than one year are p.a.)[1]

At month end	1 mth	3 mth	1 yr	3 yr	5 yr	10 yr	Inception
Ralton	**-1.92%**	**-3.52%**	**13.58%**	**8.24%**	**7.40%**	**10.57%**	**7.16%**
Income	*0.49%*	*1.25%*	*3.98%*	*3.74%*	*3.86%*	*3.99%*	*4.21%*
Growth	*-2.41%*	*-4.77%*	*9.60%*	*4.50%*	*3.53%*	*6.58%*	*2.95%*
Index[2]	**-0.53%**	**-2.31%**	**16.02%**	**12.89%**	**10.30%**	**10.34%**	**6.28%**

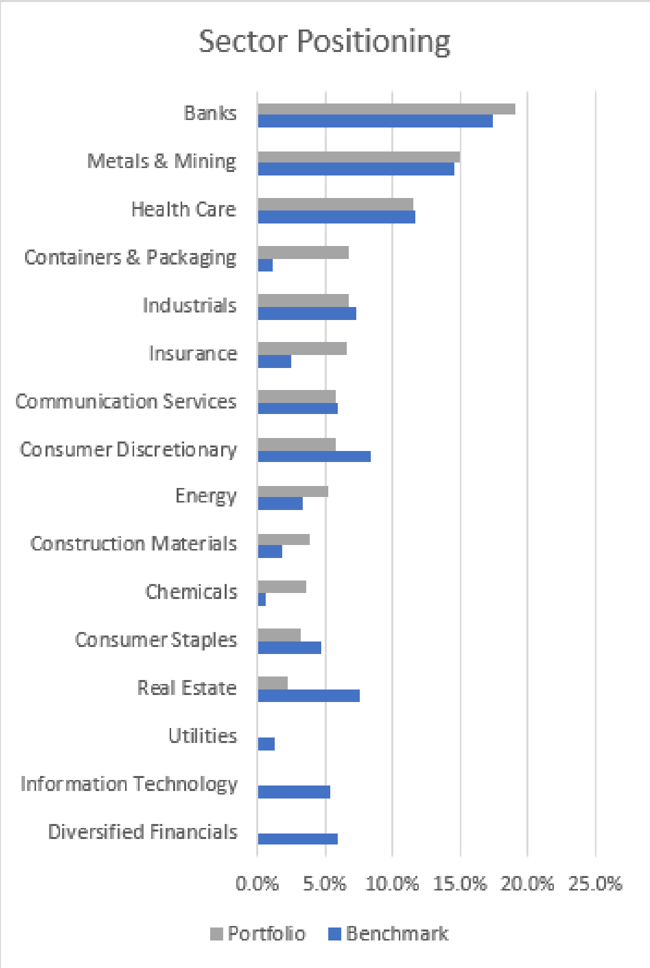
[1]Performance is based on a model portfolio and is gross of investment management and administration fees, but net of transaction costs. Total returns assume the reinvestment of all portfolio income.
[2]Index means the S&P/ASX 300 Accumulation Index.

Portfolio Performance

The Ralton Concentrated portfolio returned -1.92% for November, underperforming a weakening market as concerns around Omicron and inflation rattled markets. The portfolio was impacted by lower bond yields again rewarding growth stocks, we see these impacts as transient and see the portfolio well position with above market growth with lower valuation.

Contributors	Comment
Commonwealth Bank of Australia (CBA) -10.99%	The portfolio has maintained that the premium **CBA** holds over peers leaves it vulnerable to disappointment. Evidence of increased competition in the mortgage market impacted CBA as well as competitors over the month.
Incitec Pivot Ltd (IPL) +7.02%	The combination of strong agricultural markets and fertilizer pricing continues to support the investment thesis for **IPL**. If current commodity prices are to be maintained the market will need to materially upgrade EPS forecasts.
James Hardie Industries (JHX) +8.88%	Despite higher US interest rate forecasts, which are traditionally negative for housing affordability, **JHX** continues to deliver excellent results as recent investment in capacity and sales entrenches their competitive position.

Detractors	Comment
Westpac Banking Corporation (WBC) -17.94%	**WBC** was a material disappointment during the month, reporting lower margin as well as flagging a delay to cost out. We will meet with management and review the position in light of evidence of poor operational control.
Pact Group (PGH) -14.52%	**PGH** updated the market at its AGM, flagging continued headwinds from COVID19. The trajectory of operational turnarounds are not linear however we remain of the conviction that new management and strategy will deliver strong value as the company pivots to the structural tailwinds of the circular economy.
Oil Search (OSH) -11.19%	**OSH** underperformed as Energy stocks were sold off in line with a weaker global OSH price. Very strong liquid natural gas markets and organic growth from the now completed merger with STO will drive strong earnings over the next period.



Top 10 holdings (alphabetical)

Amcor PLC

Aristocrat Leisure Limited

BHP Group Ltd

Incitec Pivot Limited

James Hardie Industries PLC

National Australia Bank Limited

Northern Star Resources Ltd

QBE Insurance Group Limited

Telstra Corporation Limited

Westpac Banking Corporation

Portfolio metrics*

	Ralton	XKOAI^
# of Securities	25	200
Market Capitalisation	53,719.3	62,342.9
Active Share	66.5	--
Tracking Error	3.89	--
Beta	0.97	1.00
Est 3-5 Yr EPS Growth	8.0	8.5
ROE	12.6	11.0
Div% NTM	4.12	3.46
P/E using FY2 Est	14.6	16.9
Price/Cash Flow	8.1	11.5

*Source: FactSet

^XKOAI means the S&P/ASX 300 Accumulation Index. 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 an in index

Portfolio Activity

BUY

Mineral Resources (MIN)

MIN is a founder led company that has delivered strong returns for shareholders through the cycle. The Iron Ore division is set to benefit from expansion projects that will bring on growth at a lower marginal cost, crushing business (mining services) has stable forecast growth and lastly the Lithium business is set the accelerate growth post a period of capex. Having de-rated due to recent Iron Ore weakness, trading on a single digit PE with material growth ahead we see the prospect of significant share gains for investors.

SELL

Regis Resources (RRL)

RRL has de-rated post paying a higher than expected value for IGO's Tropicana mine with the objective of buying scale and growth. In the recent period the borader Gold sector has caught up and we now see relative value in conviction position Northern Star (NST) which offers production growth amid a more diversified company.

ALS Limited (ALQ)

ALQ has been a strong performer for the portfolio, increasing over 70% since its addition. Over the last 18 months we have seen a return to GDP+ growth in lab testing and a strong acceleration in testing volumes in mining, the combination of which has driven revenue and margin strength. While we remain positive on the industry outlook for both segments, ALQ has moved closer to our view of underlying value and as such we have exited and will reinvest in a number of high conviction investment ideas.