

Key facts

Income versus growth target



Market cap bias



Investment strategy

A portfolio of ASX-listed equities designed for long-term capital growth and some tax-effective income

Investment objective

Outperform index by over 3% p.a.

Benchmark index

S&P/ASX 100 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

Key platforms

Brightday, Linear, OneVue, Praemium



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 to 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	-1.46%	-2.98%	16.40%	11.17%	9.68%	11.21%	7.49%
Income	0.50%	1.29%	4.08%	3.77%	3.99%	4.13%	4.39%
Growth	-1.96%	-4.28%	12.32%	7.40%	5.69%	7.08%	3.10%
Index	-0.56%	-2.43%	15.68%	12.78%	10.13%	10.57%	6.54%

¹Performance 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.

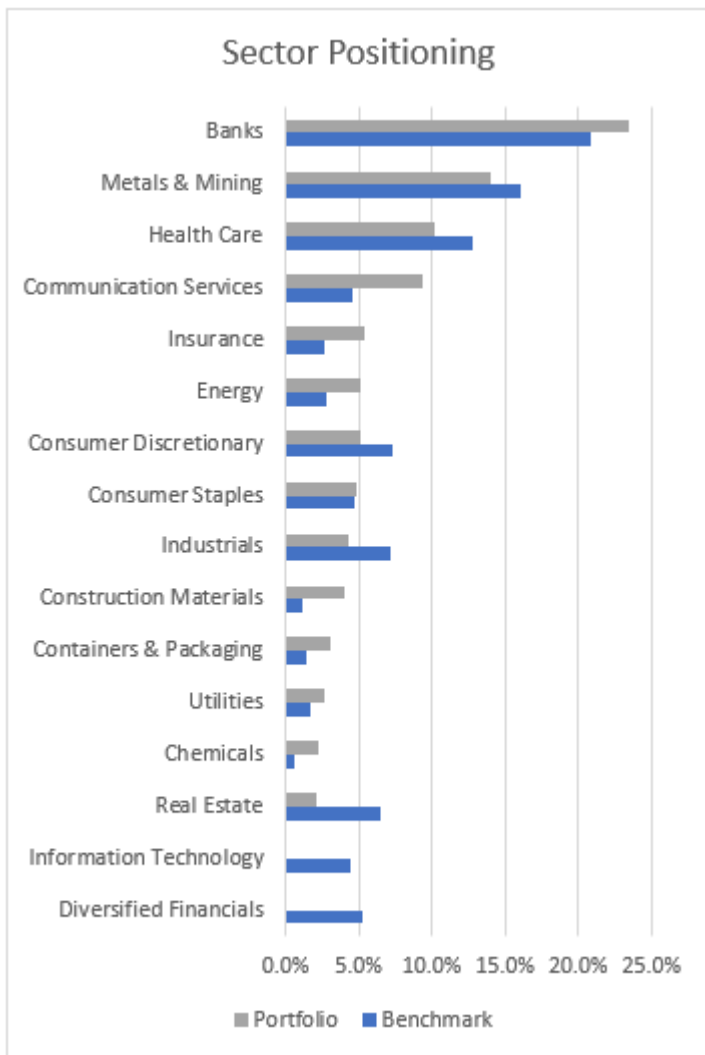
²Index means the S&P/ASX 300 Accumulation Index.

Portfolio Performance

The Ralton Leaders portfolio returned -1.46% for November, underperforming a weakening -0.56% ASX100 Index 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 the portfolio well positioned 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.
Telstra Corporation Limited (TLS) +6.54%	Continued positive signs of a rational mobile market and increasing belief that post NBN and COVID19 impacts earnings growth is set to accelerate supported TLS during the month.
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 WBC management and review the position in light of evidence of poor operational control.
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.
ALS Ltd (ALQ) -7.87%	Despite evidence that both mining volumes and pharma testing has recovered post COVID19 disruptions, labor shortages impacted margins. Given the strong performance and limited upside to valuation we exited the position.





Top 10 holdings (alphabetical)

Aristocrat Leisure Limited
 BHP Group Ltd
 Commonwealth Bank of Australia
 CSL Limited
 James Hardie Industries PLC
 National Australia Bank Limited
 QBE Insurance Group Limited
 Telstra Corporation Limited
 Westpac Banking Corporation
 Woolworths Group Ltd

Portfolio metrics*

	Ralton	XTOAI [^]
# of Securities	24	100
Market Capitalisation	65,113.8	74,833.4
Active Share	56.7	--
Tracking Error	3.13	0.00
Beta	1.00	1.00
Est 3-5 Yr EPS Growth	7.3	7.4
ROE	13.7	14.5
Div% NTM	4.12	3.73
P/E using FY2 Est	15.5	16.3
Price/Cash Flow	10.0	11.7

*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 in an index

Portfolio Activity

BUY

APA Group (APA) Post a period of corporate uncertainty coloured by a failed bid for AusNet Services (AST) we increased the position in **APA** as the company now trades at a significant discount to similar regulated assets. Superannuation funds continue to be attracted to the long term nature of the cash flows, as such we expect the valuation gap to close through share price accretion or M&A.

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

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, the company 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.