

Ralton Australian Equity Ex 50

Portfolio Report | January 2022

Key facts

Income versus growth target



Market cap bias



Investment strategy

A portfolio of ASX-listed equities designed to provide high capital growth

Investment objective

Outperform index by over 4% p.a.

Benchmark index

S&P/ASX Small Ordinaries Accumulation Index

Portfolio Manager

Will Riggall

Inception date

February 2008

Management fee

0.75% p.a. (may vary across platforms)

Number of stocks

20-35

External ratings

Zenith "Approved"

Key platforms

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

Portfolio Performance

January saw the first major pullback in the market since March 2020. The Ralton Ex-50 portfolio returned -6.33% for January, strongly outperforming its the ASX Small Ordinaries index which fell -9.00%. The US continued to print elevated inflation figures and as we have been commenting the Federal Reserve will be forced to act to slow inflation. Consequently, the market now expects 7 rate rise with an increasing chance of a 50bps rise as soon as March. As we transition to a higher rate environment its is no surprise that markets will remain volatile. However history has shown that markets settle after the fits rate rise and we view the current volatility as an opportunity to tilt the portfolio more towards inflation and growth beneficiaries with the team using the current reporting season to scour the market for long

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	-6.33%	-4.91%	3.17%	4.11%	5.13%	10.01%	6.93%
Income	0.00%	0.21%	2.92%	2.47%	2.57%	3.08%	3.41%
Growth	-6.33%	-5.12%	0.25%	1.64%	2.56%	6.94%	3.52%
Index ²	-9.00%	-7.99%	6.65%	10.13%	9.64%	6.17%	2.93%

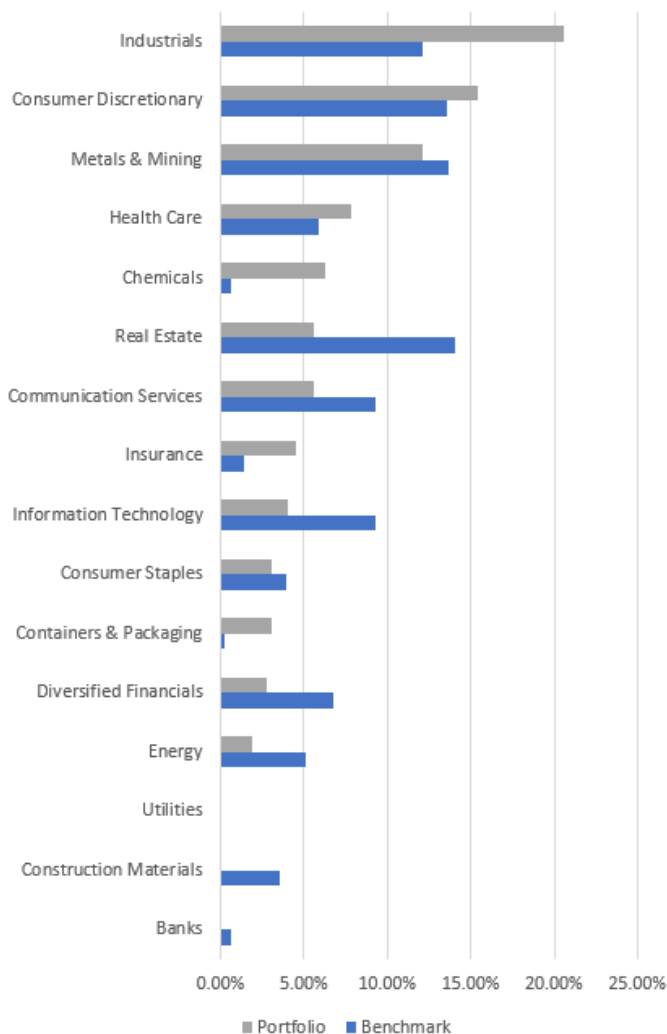
¹Performance is based on a model portfolio and is gross of investment management and administration fees, but net of transaction costs. Total returns assume the reinvestment of all portfolio income.

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

Contributors	Comment
Incitec Pivot Ltd (IPL) +1.23%	In the December quarterly report we flagged our positive view on Incitec. Continued strong farm planting and continued European energy uncertainty continues to provide a strong growth outlook for the company.
Independence Group Ltd (IGO) +2.44%	While developed countries seek to reduce stimulus, China cut its rates in an effort to support its economy. In combination with supply shortages IGO's key commodities Lithium and Nickel surged supporting the share price.
Seven Group Ltd (SVW) +0.37%	Expectations of a strong capital return from majority owned Boral Ltd (BLD) and resilient commodity price supporting key assets Beah Petroleum and Westrac business saw SVW perform strong as the broader market declined.
Detractors	
Reliance Worldwide Corporation (RWC) -17.54%	The prospect of higher interest rates lowering the affordability of housing as well as higher copper prices impacting margins saw global housing stocks underperform in January. Housing supply shortages and RWC's strong pipeline of new products will see continued earnings growth in the years ahead.
Adairs Ltd (ADH) -23.19%	ADH provided a pre-reporting season update indicating higher than expected earnings impacts from lockdown period store closures. Post meeting with management we view the impacts as one off and see a strong 2H rebound ahead.
Ansell Ltd (ANN) -15.07%	ANN provided a disappointing update in January flagging the impact of COVID related supply disruptions will impact 1H earnings. We view the discounted share price and strong outlook will be evident with a strong 2H rebound.



Sector Positions



Top 10 holdings (alphabetical)

Bapcor Ltd
 Centuria Industrial REIT
 IGO Limited
 Incitec Pivot Limited
 Jumbo Interactive Limited
 Nickel Mines Ltd.
 Regis Resources Limited
 Seven Group Holdings Limited
 Steadfast Group Limited
 TPG Telecom Limited

Portfolio metrics*

	Ralton	XSOAI [^]
# of Securities	33	200
Market Capitalization	3,342.1	2,461.8
Active Share	87.2	--
Tracking Error	5.52	--
Beta	0.88	1.00
Est 3-5 Yr EPS Growth	7.0	7.3
ROE	13.0	9.1
Div% NTM	3.10	3.01
P/E using FY2 Est	13.6	14.5
Price/Cash Flow	8.2	10.4

*Source: FactSet

[^]XKOA1 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

NO TRADES

SELL

NO TRADES



Stock spotlight | Incitec Pivot Ltd (IPL) +13.19%

In our September quarterly we highlight the potential upside from continued strong ammonia prices for key holding Incitec Pivot. High gas prices in Europe enables the company to derive strong price realisation as the gas price in the US shows low volatility. Incitec has been a strong performer for the current quarter however we see continued upside from geopolitical unrest between Russia and the Ukraine driving gas prices higher with impending sanctions on key gas supplier Russia very likely. Combined with improving operational performance we see a strong outlook for the group. Strong farm economics and commodity prices together should see stronger growth with the added benefit of a lower capex period ahead set do drive free cashflow and further share price gains.