

Ralton Dividend Builder

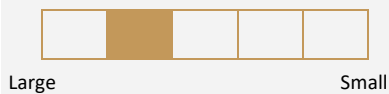
Portfolio Report | January 2022

Key facts

Income versus growth target



Market cap bias



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

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

Portfolio Performance

January saw the first major pullback in the market since March 2020. The Ralton Dividend Builder portfolio returned -3.90% for January, strongly outperforming its the ASX300 index which fell just over -6%. 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 it is no surprise that markets will remain volatile. However history has shown that markets settle after the first 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 term winners.

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	-3.90%	-2.57%	8.41%	5.54%	6.34%	10.44%	7.26%
Income	0.00%	0.53%	5.08%	4.57%	4.74%	4.77%	4.91%
Growth	-3.90%	-3.10%	3.33%	0.97%	1.60%	5.67%	2.35%
Index ²	-6.45%	-4.49%	9.59%	10.05%	8.65%	9.50%	5.90%

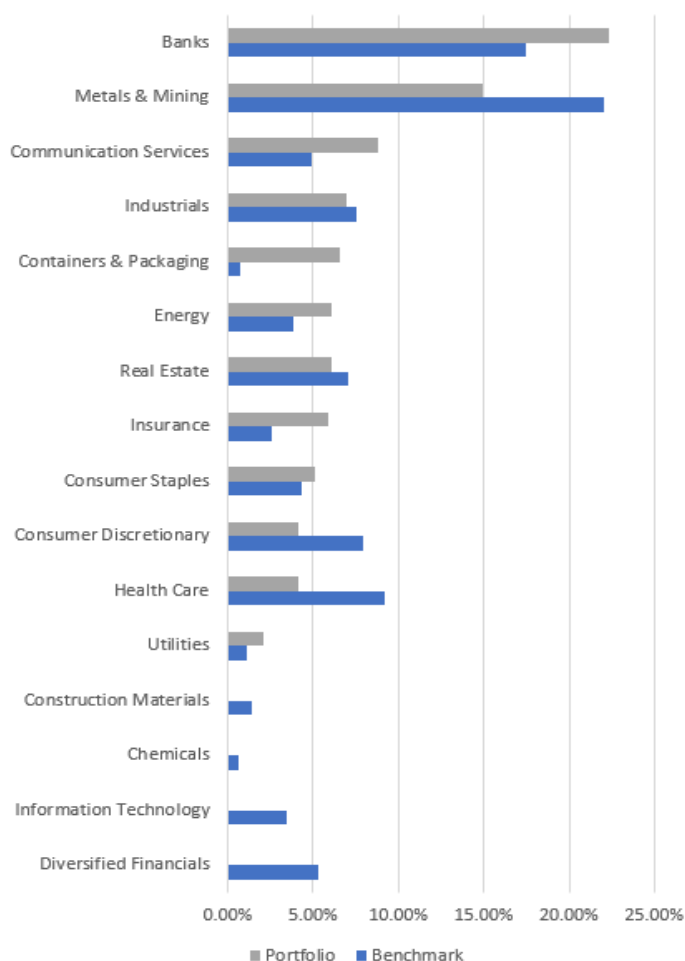
¹Performance is based on a model portfolio and is gross of investment management and administration fees, but net of transaction costs. Total returns assume the reinvestment of all portfolio income.

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

Contributors	Comment
Woodside Petroleum Ltd (WPL) +14.32%	WPL's BHP Petroleum merger confirmation looks like a very strong strategic move as US domestic shortages and increasing tensions between Russia and Ukraine boosted energy prices during the month. We remain positive on the sector and are attracted to the company's growth projects as well as synergy benefits.
Amcort Ltd (AMC) +1.82%	Amcort's exposure to non-cyclical food and beverage sector saw the stock outperform a sharp sell off in global stocks. These characteristics as well as strong balance sheet and management quality are core to our investment thesis.
Worley Limited (WOR) +8.65%	Post the Jacobs acquisition WOR has maintained strong exposure to hydrocarbon capex. With strong commodity prices and an increasing de-carbonisation pipeline we believe the company is well positioned for strong returns.
Detractors	Comment
Sonic Healthcare Ltd (SHL) -18.70%	SHL gave back pandemic gains as the government moved to allow RAT test to be used in place of PCR COVID testing. We believe the market underestimates the strength of the core business and optionality from strong balance sheet.
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.
Perenti Global Ltd (PRN) -16.76%	Post strong outperformance in December, PRN declined as investors were reminded of geopolitical risk comes with the high growth African operations. Burkina Faso is the subject of a military crew, the company noted operations continue.



Sector Positions



Top 10 holdings (alphabetical)

Amcor PLC
 BHP Group Ltd
 Coles Group Ltd.
 Commonwealth Bank of Australia
 National Australia Bank Limited
 QBE Insurance Group Limited
 Sonic Healthcare Limited
 Telstra Corporation Limited
 Westpac Banking Corporation
 Woodside Petroleum Ltd

Portfolio metrics *

	Ralton	XKOAI [^]
# of Securities	27	301
Market Capitalization	60,893.0	70,338.8
Active Share	64.4	--
Tracking Error	4.12	0.00
Beta	0.93	1.00
Est 3-5 Yr EPS Growth	7.2	8.7
ROE	14.4	15.2
Div% NTM	4.79	3.87
P/E using FY2 Est	12.8	15.5
Price/Cash Flow	7.4	11.2

*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 Yield %

Comment

NO
TRADES

SELL

NO
TRADES



Stock spotlight | Woodside Petroleum Ltd (WPL) +14.32%

While the market points the finger at Russia for an explanation into why global oil prices are rising we have been positive on the commodity for a period now as we see an underlying supply/demand gap that will likely support prices ongoing. US markets remain short oil and OPEC remains disciplined with questions remaining as to how much spare capacity they really have. The portfolios holding in Woodside Petroleum Ltd (WPL.ASX) has performed strong as the market now looks towards May 2022 approval of the merger with BHP Petroleum assets. We expect the newly appointed CEO to move to sell non-core assets, re-invest the subsequent strong cash position in growth projects and delivers cost out through merger synergies, following this we expect a focus on capital returns. Despite its strong performance we see further upside as a clear strategy for value creation is executed by an experienced management team, supported by a robust balance sheet.