

Ralton Leaders

Portfolio Report | January 2022

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

Portfolio Performance

January saw the first major pullback in the market since March 2020. The Ralton Leaders portfolio returned -3.97% for January, strongly outperforming its ASX100 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 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 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	-3.97%	-2.67%	12.35%	9.65%	8.44%	10.71%	7.30%
Income	0.00%	0.66%	4.18%	3.63%	4.00%	4.10%	4.35%
Growth	-3.97%	-3.33%	8.17%	6.02%	4.43%	6.61%	2.95%
Index ²	-6.07%	-3.95%	10.05%	10.06%	8.56%	9.79%	6.19%

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

Santos Limited (STO)
+13.15%

Santos's first full month as a merged entity was strong as surging energy prices supported valuations. US domestic shortages and increasing tensions between Russia and Ukraine risk oil disruption boosted energy prices during the month.

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.

Amcor Ltd (AMC)
+1.82%

Amcor'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.

Detractors

Comment

RIO Tinto Ltd (RIO)
+11.44%

Rio Tinto outperformed a sharp sell off as Iron ore process strengthened. We maintain a preference for BHP due to a more diversified earnings base as well as a stronger ESG track record.

James Hardie Industries. (JHX)
-14.90%

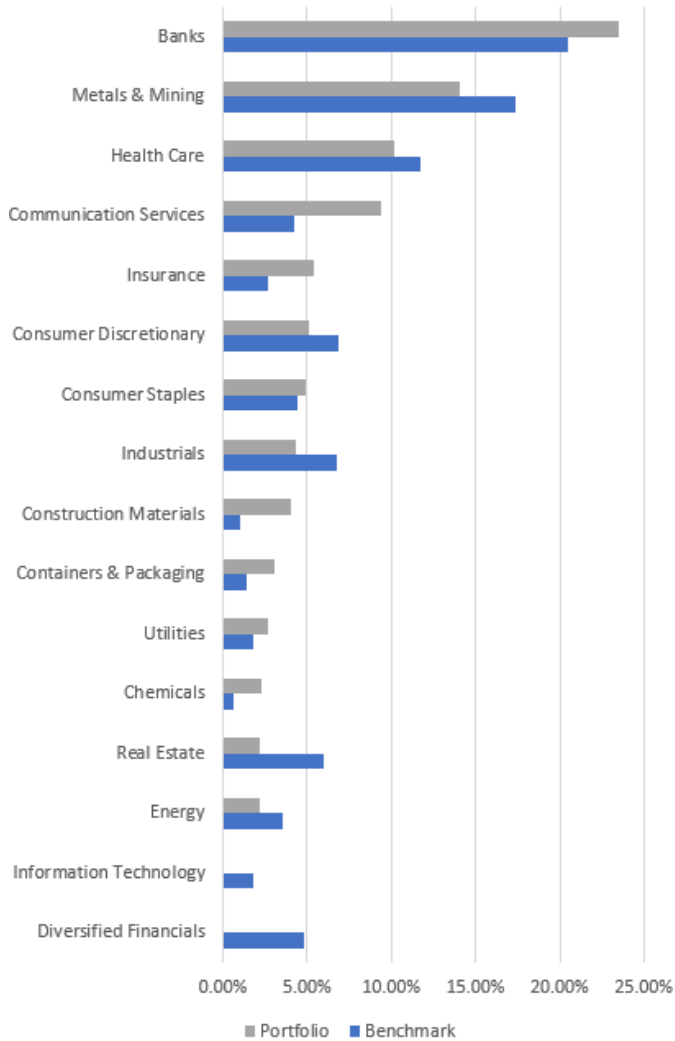
The prospect of higher interest rates lowering the affordability of housing as well as higher lumber and transport prices impacting margins saw global housing stocks underperform in January. Housing supply shortages and JHX's strong pipeline of new products will see continued earnings growth in the years 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)

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	99
Market Capitalization	66,390.0	76,586.6
Active Share	56.2	--
Tracking Error	3.09	0.00
Beta	1.01	1.00
Est 3-5 Yr EPS Growth	9.0	7.5
ROE	14.0	14.5
Div% NTM	3.85	3.69
P/E using FY2 Est	15.8	16.7
Price/Cash Flow	10.0	11.9

*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

NO TRADES

SELL

NO TRADES



Stock spotlight | Santos Limited (STO) +13.15%

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 Santos (STO.ASX) has emerged post the takeover of holding Oil Search (OSH.ASX). Kevin Gallagher (Santos CEO) has proven himself as an excellent CEO and now has a unique opportunity to deliver growth as he targets the sell-down of non-core assets, re-invests in growth projects and delivers cost out through merger synergies. He has also indicated an intention to increase 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.