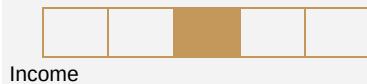
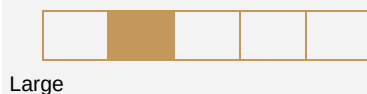


## Key facts

### Income versus growth target



### Market cap bias



### 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 | Coles Group Limited (COL)

Coles holds the no.2 position in the Australian supermarket industry. Post its separation from Wesfarmers, the company has embarked on a dual pronged growth strategy to drive online growth through supply chain efficiency and cost out through its "smarter selling" program. The 1H21 result illustrated Coles strong operational execution with COVID related costs being offset the higher price of sold goods due the emergence of food inflation as excellent management of controllable costs. The next two to three years should see Coles growth accelerate with the benefit of shoppers returning to their destination stores and the Ocado partnership delivering an online competitive advantage. Post a pullback Coles now trades below intrinsic value and with yield greater than 4% and a minimum 20% expected return we add to the current position with a view to strong value realisation.

### Performance (% returns greater than one year are p.a.)<sup>1</sup>

	At month end	1 mth	3 mth	1 yr	3 yr	5 yr	10 yr	Inception
Ralton		3.14%	2.20%	10.88%	6.29%	6.43%	10.24%	7.19%
Income		0.18%	0.31%	3.72%	3.43%	3.78%	3.86%	4.16%
Growth		2.96%	1.89%	7.16%	2.86%	2.65%	6.38%	3.04%
Index <sup>2</sup>		2.09%	-1.97%	10.25%	8.68%	8.63%	9.51%	6.02%

<sup>1</sup> 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.

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

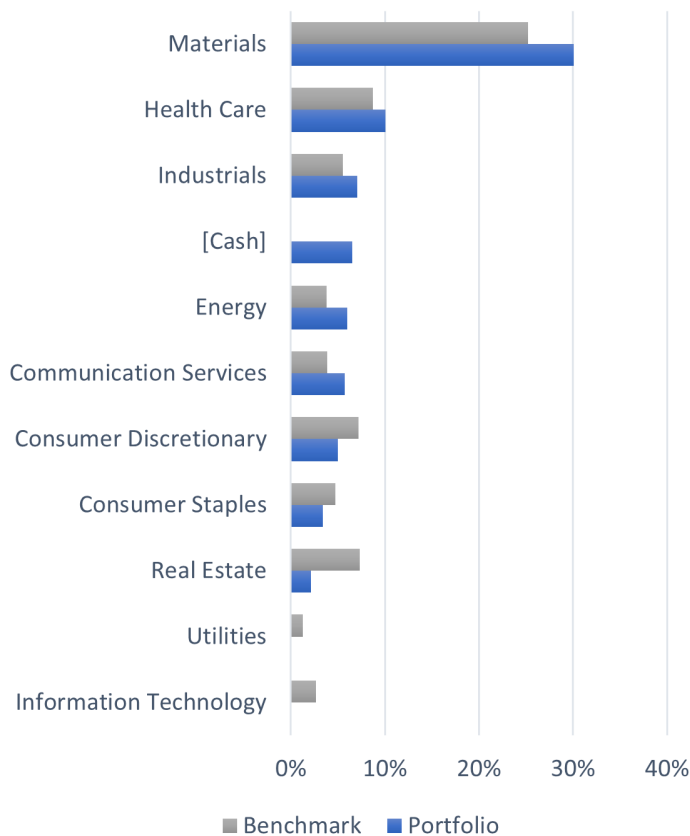
## Portfolio Performance

Post a large pullback in January, the Australian market delivered a strong rebound in February, against the trend of continued weakness in global markets. The Ralton Concentrated portfolio returned +3.14% over the month, strongly outperforming it's the ASX300 index which increased 2.09%. The ASX benefited from surging commodity prices as the war in Ukraine stocked global concern over the supply of oil and other raw materials, moreover the reporting season proved better than expected with encouraging signs reflecting our positive view on the domestic economy. 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 term winners.

Contributors	Comment
<b>Northern Star Resources Ltd (NST)</b> +24.37%	Northern Star delivered a robust 1H22 result with a higher dividend that expected supporting investor confidence in NST's operational capability. NST has a unique combination of production, exploration and earnings growth that will deliver upside independent of the external environment.
<b>Westpac Banking Corporation (WBC)</b> +12.36%	Westpac rebounded following a quarterly update which demonstrated solid progress on cost cutting, reversing recent operational missteps from management. We see a valuation discount to peers with a sector leading 5.3% fully franked yield will to further support.
<b>Smartgroup Corporation Limited (SIQ)</b> +17.23%	Smart Group performed strongly in February as a strong result and a bumper special dividend of \$30c per share offset continuing concerns about vehicle supply. Further upside as new car sales return with the group offering growth and defensive characteristics in a volatile environment.
Detractors	Comment
<b>Mineral Resources Limited (MIN)</b> -18.37%	While reporting an inline result at the revenues line, the 1H22 result missed versus consensus, driven by higher costs in the iron ore division largely attributed to COVID related restrictions on labour mobility. We see the miss as reflective of short term issues, while we are increasingly confident on the long term outlook.
<b>Amcors PLC Shs Chess Depository Interests (AMC)</b> -4.74%	Amcor delivered a solid result for 1H22 with NPAT growing 5% and reiterate its guidance for 7-11% EPS growth. The risk of continued rising input prices is weighing on the share price, however contracted cost pass through mechanisms will maintain its ROIC and margins, supporting our investment thesis.
<b>Incitec Pivot Limited (IPL)</b> -5.79%	IPL underperformed in February noting that a hydrogen pipe had burst at its Waggaman plant in the US. Post an 6-8 week downtime the Louisiana plant be back online to benefit from near perfect Ammonia pricing conditions with high commodity prices and stable US gas prices driving high margins.



## Sector Positioning



## Top 10 holdings (alphabetical)

Amcor PLC Shs Chess Depository Interests  
 Aristocrat Leisure Limited  
 BHP Group Ltd  
 Coles Group Ltd.  
 Incitec Pivot Limited  
 National Australia Bank Limited  
 Northern Star Resources Ltd  
 QBE Insurance Group Limited  
 Telstra Corporation Limited  
 Westpac Banking Corporation

## Portfolio metrics\*

	Ralton	XKOA1 <sup>^</sup>
# of Securities	25	309
Market Capitalisation	59,760	71,780
Active Share	64	--
Tracking Error	3.46	0.00
Beta	0.94	1.00
Est 3-5 Yr EPS Growth	6.62	5.46
ROE	16.05	15.90
Dividend %	3.96	3.99
P/E using FY2 Est	14.36	15.57
Price/Cash Flow	8.96	10.91

\* Source: FactSet

<sup>^</sup> XKOA1 means the S&P/ASX 300 Accumulation Index (Index). The Index is shown 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

#### Coles Group Limited (COL)

The 1H21 result illustrated Coles strong operational execution with COVID related costs being offset the higher price of sold goods due the emergence of food inflation as excellent management of controllable costs. The next two to three years should see Coles growth accelerate with the benefit of shoppers returning to their destination stores and the Ocado partnership delivering an online competitive advantage.

### SELL

#### Woolworths Group Limited (WOW)

Woolworths has been a strong example of Ralton's disciplined process to invest corporate turnarounds, driving strong returns for investors. We see WOW moving to a more mature growth path with better upside from Coles which is exhibiting stronger growth, a higher dividend at a more attractive valuation.

#### Insurance Australia Group Ltd (IAG)

The original investment thesis for the purchase of IAG was based on 3 core growth drivers. 1. higher premium rates, 2. exposure to higher interest rates and 3. improved margin outlook as provisioning for CAT events and COVID business interruption was very conservative. We have seen the first two drivers play out however the recent string of CAT events, marked by the current flooding in central and northern Australia place a high risk that costs will need to be increased. We removed IAG from the portfolio and look to positive thematic highlighted in the recent reporting season.