Ralton Dividend Builder

Portfolio Report | February 2022

RALTON ASSET MANAGEMENT

Key facts

Income versus growth target

Income Growth

Market cap bias

Large Small

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

Stock spotlight | Incitec Pivot Ltd (IPL)

The turmoil in Europe is driving a severe shortage of gas in the region, driving up prices, an panacea for which we see no easy fix. IPL is uniquely positioned see higher earnings in this environment as 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.

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	**4.70%**	**4.53%**	**11.47%**	**5.50%**	**6.82%**	**10.77%**	**7.57%**
Income	*0.26%*	*0.36%*	*4.59%*	*4.35%*	*4.64%*	*4.66%*	*4.90%*
Growth	*4.44%*	*4.17%*	*6.87%*	*1.15%*	*2.18%*	*6.12%*	*2.67%*
Index[2]	**2.09%**	**-1.97%**	**10.25%**	**8.68%**	**8.63%**	**9.51%**	**6.02%**

[1] 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.

[2] 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 Febraury, against the trend of continued weakness in global markets. The Dividend Builder portfolio returned +4.70% 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 globl concerrn 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
Woodside Petroleum Ltd (WPL) +19.77%	Woodside has outperformed its peer group since the start of the year and a better than expected 1H22 result in February should continue to support its outperformance. With a number of catalysts including the finalisation of the BHP Petroleum merger in June 22, a sustainable 7-8% FF dividend yield we see WPL to continue to perform strongly.
Smartgroup Corporation Limited (SIQ) +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.
Westpac Banking Corporation (WBC) +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.
Detractors	**Comment**
Sonic Healthcare Limited (SHL) -7.54%	The 1H22 result brought to an end an 18-month upgrade cycle for SHL. While COVID related earnings set to decline, core business growth & a strong balance sheet places the company in a strong position to weather the current volatility and increase earnings through M&A.
Amcor PLC SHS Chess Depository Interests (AMC) -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.
South32 Ltd (S32) +24.94%	South 32 continues to transform its asset mix, with the recent move into large scale copper through its Sierra Gorda acquisition. The Russia/Ukraine situation will likely tightening supply side in key commodities Nickel and Aluminium. We are currently undertaking a deep dive review and across the sector with S32 a key focus for the mining research team.

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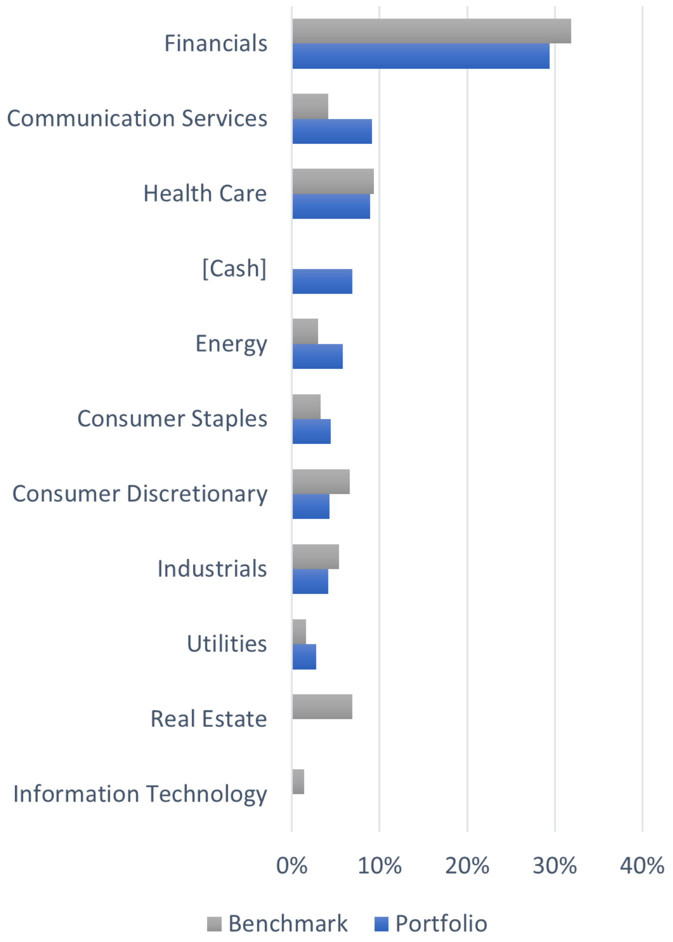
Sector Positioning



Top 10 holdings (alphabetical)

Amcor PLC Shs Chess Depository Interests
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	309
Market Capitalisation	62,533	71,780
Active Share	64	-
Tracking Error	4.09	0.00
Beta	0.91	1.00
Est 3-5 Yr EPS	4.18	5.46
ROE	15.49	15.90
Div% NTM	5.06	3.99
P/E using FY2 Est	13.30	15.57
Price/Cash Flow	7.48	10.91

* Source: FactSet

^ XKOAI 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 an in index.

Portfolio Activity

BUY

No trades

SELL

No trades