

Ralton Australian Equity Ex 50

Portfolio Report | February 2022



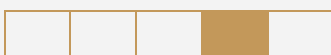
Key facts

Income versus growth target



Income Growth

Market cap bias



Large Small

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

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

Stock spotlight | Nufarm Limited (NUF) +23.1%

The events in Ukraine are resulting in a fundamental shift in the global supply of a number of commodities. While the world is focused on oil, key agricultural commodities are in a strong bull market with the demand for crop nutrients extremely strong. As a global, integrated manufacturer and marketer of agriculture supplements demand is strong and only supply chain issues seem set to derail an extremely strong earnings outlook. Pleasingly Nufarm's February update indicated strong trading. While supply chain issues are keeping inventories tight, all cost increase are passed through enabling the elevated farming conditions to translate to strong earnings. We see continued upside in NUF as it executes well in the positive environment.

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	0.64%	-3.47%	4.38%	3.20%	4.83%	9.48%	6.94%	
Income	0.12%	0.31%	2.78%	2.38%	2.56%	3.04%	3.40%	
Growth	0.52%	-3.78%	1.60%	0.82%	2.27%	6.43%	3.54%	
Index	-0.01%	-7.71%	5.02%	7.74%	9.35%	5.49%	2.91%	

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 Small Ordinaries Accumulation Index

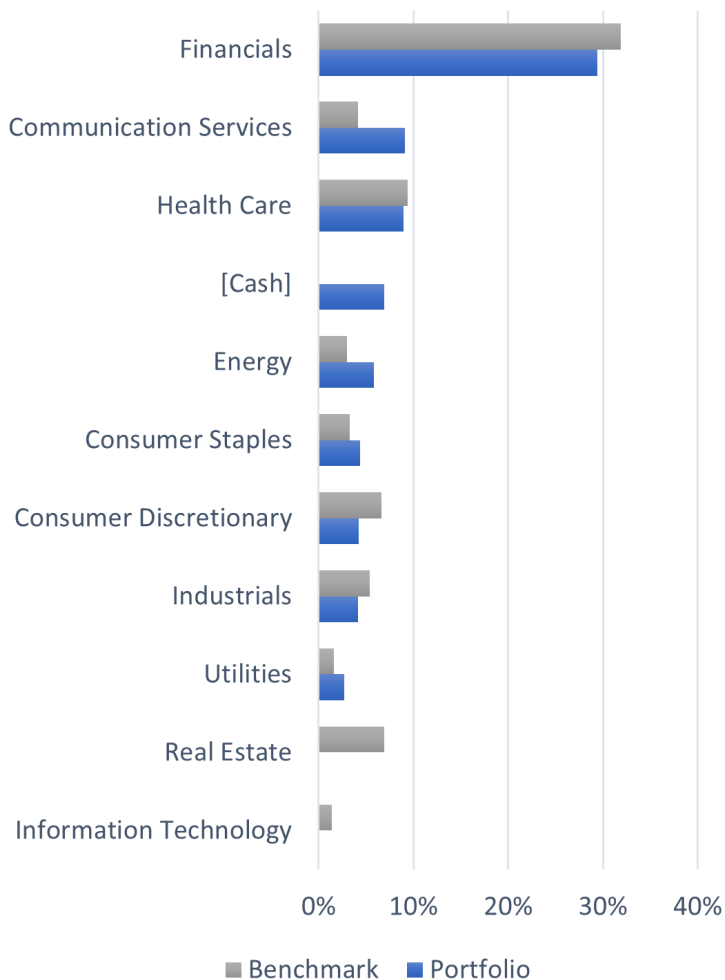
Portfolio Performance

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 Ex50 portfolio returned +0.64% over the month, strongly outperforming it's the ASX Small Ordinaries index which returned a flat -0.1%. 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
Nufarm Limited (NUF) +23.15%	Nufarm performed strongly in February after an early month update indicated strong trading. While supply chain issues are keeping inventories tight, all cost increase are passed through enabling the elevated farming conditions to translate to strong earnings. We see continued upside in NUF as it executes well in the positive environment.
Regis Resources (RRL) +15.00%	Regis Resources rose strongly in February as its key commodity Gold again responded to global uncertainty. The strong gold price is being driven by a combination of negative real interest rates as inflation surges as well as a flight to safety given concern surrounding the effects of Fed Reserve tightening amidst tension in Europe.
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.
Detractors	Comment
Life360, Inc. Shs Chess Depository Interests Repr 3 Sh (360) -23.48%	Life360 has been a strong contributor to portfolio returns having increased over 100% since its acquisition. While the company continues to deliver strong subscriber addition we see growth with less risk in companies exposed to a recovering economy and tight commodity markets.
Reliance Worldwide Corp. Ltd (RWC) -12.95%	Reliance Worldwide (RWC) pulled back in February related to concerns of elevated cost pressures in Copper and the effect of higher interest rates on US housing. However, management and peer commentary remains strong, moreover RWC is exposed to the more resilient repair and remodel segment.
Sims Ltd (SGM) +28.15%	Sims Metal (SGM) is currently benefiting from strong trading condition as high steel prices and supply chain issues favor the recycling of metal. SGM's earnings remains volatile and high sector profits are often met with supply increase due to the low barrier to entry. We remain cautious.



Sector Positioning



Top 10 holdings (alphabetical)

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

Portfolio metrics*

	Ralton	XSOAI [^]
# of Securities	32	198
Market Capitalisation	3,316	2,453
Active Share	87	--
Tracking Error	5.50	0.00
Beta	0.88	1.00
Est 3-5 Yr EPS Growth	9.67	7.45
ROE	13.25	10.07
Dividend %	3.15	2.51
P/E using FY2 Est	13.10	14.55
Price/Cash Flow	8.44	10.32

* Source: FactSet

[^] XSOAI means the S&P/ASX Small Ordinaries 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

NO TRADE

SELL

Life360 (360)

Life360 has been a strong contributor to portfolio returns having increased over 100% since its acquisition. While the company continues to deliver strong subscriber addition we see growth with less risk in companies exposed to a recovering economy and tight commodity markets as such we exit the position, crystallising strong gains.