Ralton Australian Equity Ex 50

Portfolio Report | March 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

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	**3.16%**	**-3.51%**	**7.88%**	**4.09%**	**4.54%**	**9.52%**	**7.07%**
Income	*0.66%*	*0.78%*	*2.47%*	*2.44%*	*2.53%*	*3.06%*	*3.43%*
Growth	*2.50%*	*-4.29%*	*5.41%*	*1.65%*	*2.01%*	*6.46%*	*3.64%*
Index[2]	**5.26%**	**-4.21%**	**9.68%**	**9.64%**	**9.90%**	**6.02%**	**3.27%**

[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 Commentary

The start to 2022 felt like a watershed moment for markets with the US Federal reserve raising rates for the first time since late 2018, an extraordinary event in the invasion of Ukraine by Russia amongst a backdrop of high inflation. The impact on markets has been material with the global technology sectors down over 40%, conversely commodities have surged as supply constraints, largely attributable to the Russian conflict, meets robust global growth. While international markets continued to faulter, the Australian market outperformed by an extraordinary 9% over the last quarter, reflective of the positive impact of higher commodities on Australia's terms of trade.

At Clime we are positioning for a continuance of the current environment with higher interest rates and commodity prices. Favouring financials and resource sectors while equally understanding that further challenges are still to come particularly for high growth companies including technology names and companies with low earnings history. In the commodity space our preference is for companies exposed to future facing metals such as copper and lithium with portfolio holdings performing strongly over the quarter. While we have actively reduced remaining exposure to technology and less liquid names, ensuring the portfolio remains exposed to benefit from the current environment whilst also being resilient to any further volatility.

While ever vigilant, we do not see any emerging indication of stress in the global economy, largely evident in functioning credit markets. However, the greatest challenge remains around how central bankers balance the need to temper inflation through raising rates with the risk that they slow the economy too far i.e., before the recovery takes hold. To ensure we meet our target to deliver long term returns ahead of the market, while offering downside protection, we balance our growth exposures with a set of leading global companies, an allocation to gold, non-cyclical companies as well an allocation to cash, which we will look to actively deploy in the event of future volatility.

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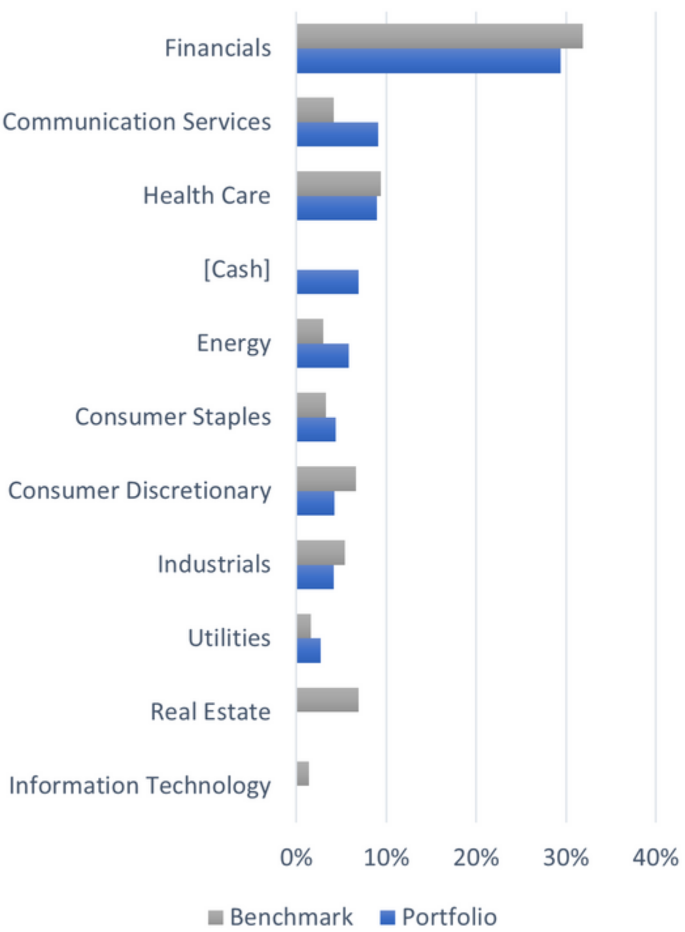
Portfolio Performance

Contributors	Comment
IGO Limited (IGO) +8.56%	IGO performed strongly over the quarter as its key commodities in Nickel and Lithium surged given global supply concerns and increased demand for EV. We see further upside as the globe transitions away from fossil fuels.
Nufarm Limited (NUF) +16.64%	Nufarm performed strongly over the quarter after an update indicated strong trading. While supply chain issues are keeping inventories tight, all cost increase are passed through enabling the elevated farming consitions to translate to strong earnings. We see continued upside in NUF as it executes will in the positive environment.
Incitec Pivot Limited (IPL) +7.30%	IPL continues to benefit from surging fertiliser prices and buoyant farming conditions. The Russia/Ukraine situation and subsequent shortages is driving high commodity prices, converting to strong earnings. We expect further upsid from current levels as the market moves to factor these higher earnings as we do not see any short term solution to ongoing supply constraints.
Detractors	
Life360, Inc. Shs Chess Depository Interests Repr 3 Sh (360) +6.89%	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) -7.26%	Reliance Worldwide (RWC) pulled back in the March quarter 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.
Whitehaven Coal Limited (WHC) +12.38%	The Coal price has surged with global shortages triggered by the war in Ukraine. While see a short term opportunity for excess returns, we see an acceleration of the de-carbonisation agenda to result in a more accelerated switching to renewable fuels.

Sector Positioning



Top 10 holdings (alphabetical)

Bapcor Limited
IGO Limited
Incitec Pivot Limited
Jumbo Interactive Limited
Nickel Mines Limited
Nufarm Limited
Regis Resources Limited
Seven Group Holdings Limited
Steadfast Group Limited
TPG Telecom Limited

Portfolio metrics*

	Ralton	XSOAI^
# of Securities	*32*	*200*
Market Capitalisation	*3,638.87*	*2,558.09*
Active Share	**87.36**	**-**
Tracking Error	*6.56*	-
Beta	*0.78*	*1.00*
Est 3-5 Yr EPS Growth	**8.92**	**5.59**
ROE	*11.69*	*8.47*
Dividend %	**3.27**	**3.17**
P/E using FY2 Est	**13.88**	**14.45**
Price/Cash Flow	**9.05**	**10.87**

* 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 an in index.

Portfolio Activity

BUY	
MMA Offshore Ltd (MRM)	We believe MRM is increasingly well positioned to see material earnings growth with soaring energy prices sees O&G companies looking to increase production and optimise operating performance. We expect increase in offshore capex in the coming periods, combined with an ongoing fall in the supply of support vessels to drive higher utilisation and day rates.
Silver Lake Resources Ltd (SLR)	We remain positive on the outlook for gold miners, as sustained high levels of geopolitical tension is translating to demand for alternative stores of value such as gold. Operating two high grade mines in WA, SLR has recently acquired Harte Gold who own the Sugar Zone mine in Ontario Canada and are expecting production growth of 10-20% this financial year. SLR has a strong ability to generate cash flow (10% FCF yield FY23) and have a healthy financial position to support mine expansions in coming years.
SELL	
Pact Group Holdings Ltd (PGH)	We exited Pact Group in the quarter as the contuning supply chain and disruptions and high commodity prices will see the group face a period of higher costs. With a high level of debt we do not see our positive view on strategy and management as being offset by elevated corporate risk.
Santos Ltd (STO)	We removed Santos from the portfolio as following the merger of mid cap holding Oil Search with the company the group now sits outside the portfolios investible universe.