Ralton Dividend Builder

Portfolio Report | April 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

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%**
Outperformance	**1.15%**	**1.75%**	**1.38%**	**-3.28%**	**-2.15%**	**0.99%**	**1.47%**

[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 Commentary

The Australian share market materially outperformed global markets, led by the defensives sector in Utilities (+9.33%) and Staples (+3.29%) while the falling Tech (-10.37%) sector was joined by the Materials sector (-4.34%) after a very strong run since late 2021. Central banks continued to flag higher rates which saw long term bond yields march higher, putting high PE valuations at risk, but we are also starting to see broader concern for equity markets emerge. Questions remain whether central bank rate tightening can be done without disrupting global growth momentum. We are of the view that the market is entering a consolidation phase where described global growth uncertainty will lead to the Resource sector taking a breath after a strong run with a continuing period of elevated volatility. We have bolstered the resilience of the portfolio recently taking profits in higher beta resources, less liquid stocks and industrials sectors while simultaneously adding to the defensive sectors in Staples and Utilities. While we are expecting volatility to remain we believe the second half of the year should deliver a period of solid investment returns. The trigger for this being early signs lower inflation risks, likely China stimulus and continued recovery in the global economy. In this environment, our focus on fundamental investing and construction of conviction positioning will be rewarded. We see the current volatility as an excellent opportunity to build positions in future leaders.

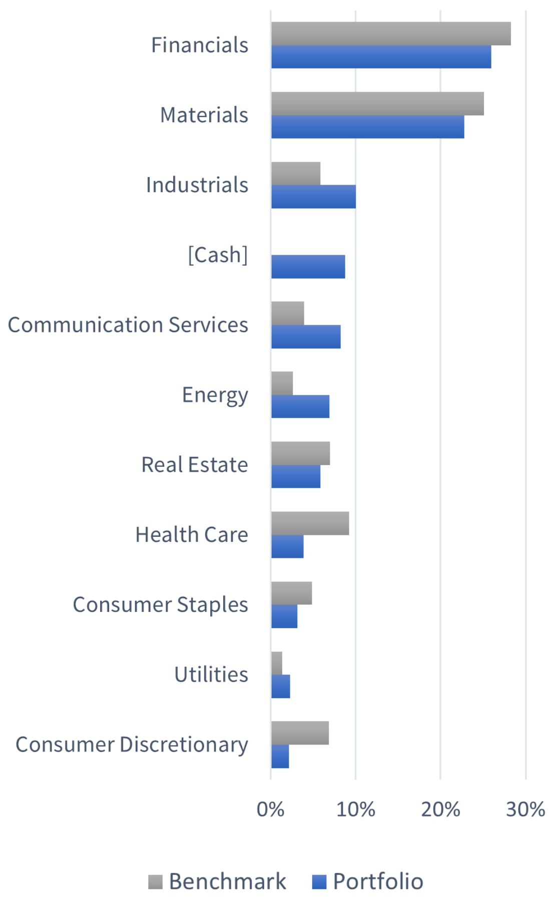
CONTACT Ralton AM | 0425 725 800 | info@raltonam.com.au | raltonam.com.au

Portfolio Performance

The Ralton Dividend Builder Portfolio outperformed the ASX300 Accumulated Index in April, taking the total return over the last year to +11.55%, +1.38% ahead of the index.

Contributors	Comment
Amcor PLC Shs Chess Depository Interests (AMC) (AMC) +10.39%	Key FMCG customers Coke and Pepsi reported strong results during the month bodes well for the company's upcoming result. Strong volumes from US companies and evidence that suppliers such as Amcor are successfully passing through price increase should see further strong performance.
Aurizon Holdings Ltd. (AZJ) +9.21%	Sanctions placed on Russia following its invasion of Ukraine has disrupted the global supply of coal pushing other nations to turn to Australian coal to fill the gap. The $2.3 billion acquisition of One Rail Australia extends the company's reach into South Australia and the Northern Territory opening up new opportunities in bulk haulage related to green metals.
Worley Limited (WOR) +7.75%	Worley Limited share price continues to perform strongly as high commodity prices should strengthen the outlook for the company with increase activity. Moreover the next decade will see a surge in capex to drive the de-carbonisaiton transition. With further upside to out target price we remain overweight.
Detractors	**Comment**
Nine Entertainment Co. Holdings Limited (NEC) -9.43%	Industry feedback continues to indicate a positive advertising market for Australian media companies. However, the market grew cautious as to the outlook for Nine's Stan business as Netflix had a precipitous fall following the unearthing of unpaid accounts. We see limited read through for the domestic streaming players.
Northern Star Resources Ltd (NST) -8.57%	Despite the recent decline, NST continues to show evidence of improving operational capabilities, delivering both production and cost synergies as evidenced in the 1H22 result.
Woodside Petroleum Ltd (WDS) -2.96%	Lockdowns in China and Fed induced slowing of the US economy has tempered the outlook for Oil and Gas players. We see a continues strong outlook for the Energy space as given ongoing global supply shortages.

Sector Positioning



Top 10 holdings (alphabetical)

Amcor PLC
BHP Group Ltd
Commonwealth Bank of Australia
Incitec Pivot Limited
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	*24*	*301*
Market Capitalisation	*71,472.70*	*75,370.90*
Active Share	**63.5**	**--**
Tracking Error	*4.17*	*0*
Beta	*0.89*	*1*
Est 3-5 Yr EPS Growth	**6.7**	**6.9**
ROE	*14.38*	*15.82*
Div% NTM	**4.78**	**3.96**
P/E using FY2 Est	**15.7**	**25.8**
Price/Cash Flow	**9.5**	**11.5**

* 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	
Northern Star Resources Ltd (NST)	Northern Star delivered a robust 1H22 result with a higher dividend that expected supporting investor confidence in NST's operational capability. The key driver for the strong share price in February was the resurgent gold price as global uncertainty and the resurgent inflation drive the commodity higher. NST has a unique combination of production, exploration and earnings growth that will deliver upside independent of the external environment.
Downer EDI Ltd (DOW)	DOW is currently in the process of transforming its business to one with lower capital intensity, less volatility in earnings with a mix of operating businesses exposed to broad spending in the Australian economy. Expectations of further stimulus targeting infrastructure sectors where DOW holds a no.1 or no.2 position bolsters our view of a sustainably growing earnings and dividend outlook. In addition to strong valuation support, management has a strong track record of execution with the potential for capital management through the sale of non-core mining and laundries business.
SELL	
Regis Resources Ltd (RRL)	In April we took the opportunity to increased the quality of our gold position in the portfolio in selling RRL and adding NST to the portfolio. RRL has been impacted in similar fashion to the rest of the minig sector with wage increases impacting margins. We see better value and a more sustainable yield in peer NST.
Adairs Ltd (ADH)	We exit the position in ADH given out negative view on the ability of the consumer to weather the increasing cost of living and higher interest rates.