

Ralton Australian Equity Ex 50

Portfolio Report | April 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	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 ²	-0.01%	-7.71%	5.02%	7.74%	9.35%	5.49%	2.91%
Outperformance	0.95%	-1.23%	1.47%	-4.21%	-5.37%	3.42%	3.85%

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 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.

Portfolio Activity

BUY

Navigator Global Investments Ltd (NGI)

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.

SELL

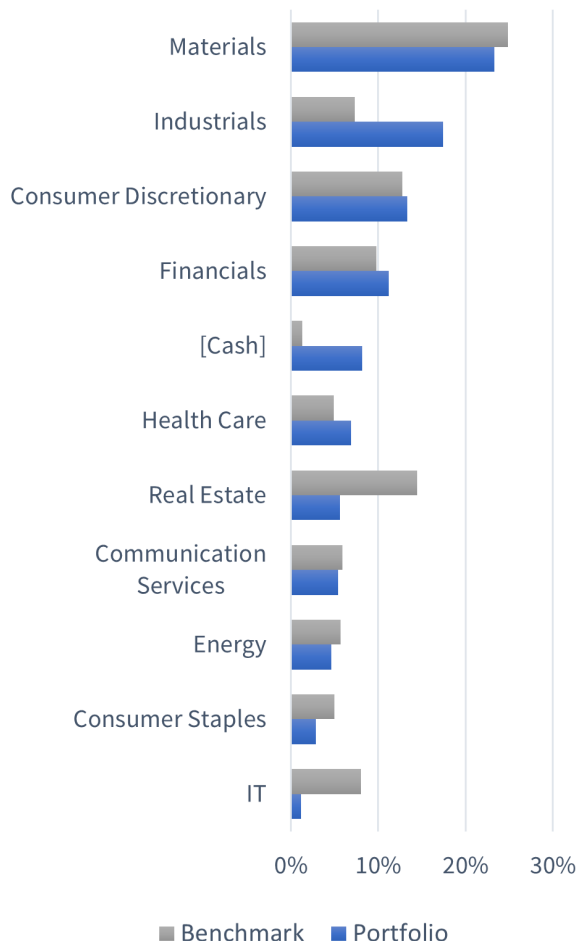


Portfolio Performance

The Ralton Ex 50 Portfolio outperformed the ASX300 Accumulated Index in April, taking the total return over the last year to +4.38%, +1.47% ahead of the index.

Contributors	Comment
Steadfast Group Limited (SDF) 7.95%	Global insurance companies and closest peer AUB reported during April with strong indication that the premium tightening cycle remains robust. Given SDF's direct exposure to price increase as an insurance broking business the outlook remain strong.
Corporate Travel Management Limited (CTD) 10.53%	Corporate Travel remains the portfolios preferred small cap exposure to the recovery in global travel. US airlines and peers are reporting a strong return to profitability with corporate and leisure market returning to normal levels. We look for an update in early May to confirm the strong outlook.
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-carbonisation transition. With further upside to out target price we remain overweight.
Detractors	Comment
Jumbo Interactive Limited (JIN) -6.45%	Jumbo Interactive traded weaker during April with no news. The outlook for lotteries continues to be strong with long term growth of 4% unlikely to change, with Jumbo benefiting from the shift to high margin digital growth.
IGO Limited (IGO) -6.33%	IGO declined in April, in line with the broader resource sector as China lockdowns and the expectation of a slowing global economy tempered demand. We remain of the view that commodities will lead asset returns due to continuing supply side issues.
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.

Sector Positioning



Top 10 holdings (alphabetical)

Bapcor Ltd
 IGO Limited
 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	33	201
Market Capitalisation	3,574.30	2,552.50
Active Share	87.3	--
Tracking Error	6.27	--
Beta	0.79	1
Est 3-5 Yr EPS Growth	10.2	5.1
ROE	11.64	8.77
Dividend %	3.43	2.47
P/E using FY2 Est	19.7	54.7
Price/Cash Flow	8.8	10.7

* 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.