Ralton Dividend Builder

Portfolio Report | May 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 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	**-1.27%**	**4.25%**	**8.45%**	**5.48%**	**6.85%**	**11.36%**	**7.70%**
Income	*1.44%*	*2.31%*	*5.61%*	*4.66%*	*4.85%*	*4.79%*	*4.98%*
Growth	*-2.71%*	*1.94%*	*2.84%*	*0.82%*	*2.00%*	*6.57%*	*2.72%*
Index[2]	**-2.76%**	**3.08%**	**4.71%**	**8.01%**	**8.98%**	**10.33%**	**6.13%**
Outperformance	**1.49%**	**1.17%**	**3.74%**	**-2.52%**	**-2.13%**	**1.03%**	**1.57%**

[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

Having seen a relief rally post the US Fed's first rate increase in March we now look to whether financial tightening has managed to reduce inflation without sending the US into recession. Early data indicates that inflation may be peaking and if so, we expect the markets to find their bottom and move higher.

We remain focused on the beneficiaries of inflation including key exposures to Resources and Energy as well as to those companies set to benefit from increased sector activity. We expect commodity prices to remain elevated primarily due to ongoing supply tightness, with the result being ongoing inflation. While we are seeing a resurgence in fossil fuel companies, our view is that the elevated prices will drive a faster rotation to the new energy sources. As such, within the portfolio, we are focused on groups that contribute to the creation of a circular economy, provide necessary raw materials, and companies that will build the decarbonized economy.

Our focus on quality means we look to invest in businesses that maintain returns in the face of higher input costs. Moreover, the de-rate of growth stocks to more sustainable valuations is increasing the universe of opportunities where quality and growth are now trading close to intrinsic value. We are selectively adding to several long-term holdings.

We expect continued volatility, however with tempering inflation and signs that China is set to stimulate its economy, we are increasingly positive on the outlook for the portfolio, holding a suite of companies at attractive valuations set to deliver sustainable growth in earnings as well as dividends.

Portfolio Activity

BUY

NO TRADES

SELL

NO TRADES

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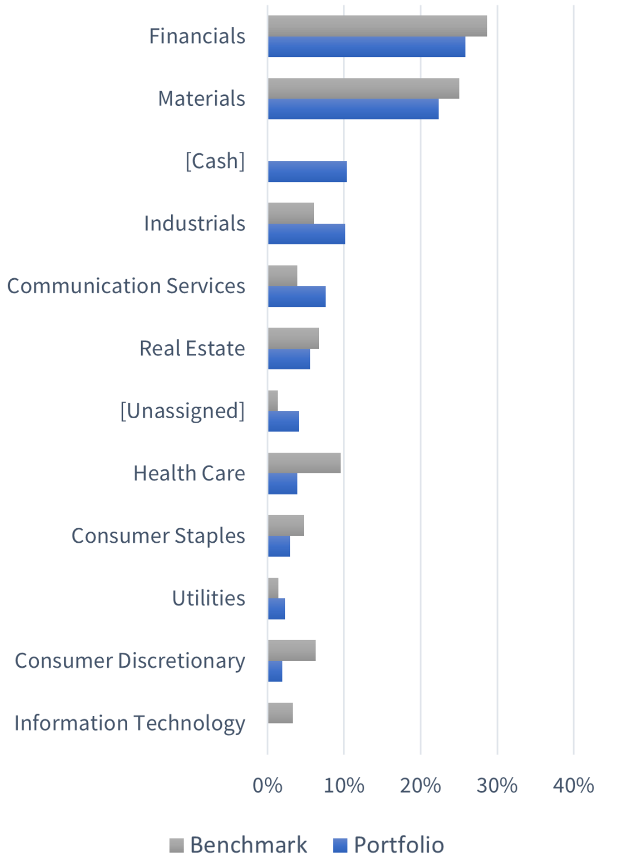
Portfolio Performance

The Ralton Dividend Builder Portfolio outperformed the ASX300 Accumulated Index in May, taking the total return over the last year to +8.45%, +3.74% ahead of the index return. A focus on investing in companies with strong competitive advantages, valuation support and sustainable yields has held the portfolio in good stead during the period of volatility.

Contributors	Comment
Amcor PLC Shs Chess Depository Interests (AMC) 9.46%	Following on from a strong April, AMC again outperformed a weak market in May. The catalyst was a better than expected 3Q trading update where the group flagged double-digit revenue allowed the company to upgrade its earnings guidance. AMC continues to play a key role in the delivery of earnings growth and dividends for investors in the strategy.
Worley Limited (WOR) 5.97%	Worley continues to perform strongly we see an imprving ourlook driven by high commodity prices and global supply chain disruption quickening global incentives to invest in new energy markets. We remain overweight.
Westpac Banking Corporation (WBC) 2.60%	Westpac declined in sympathy with the broader bank index as concerns increased that the RBA's targeted increases in interest rates may spillover into lower housing prices. We see near term tailwinds of higher NIM as offsetting the risk of higher bad debts.
Detractors	**Comment**
Nine Entertainment Co. Holdings Limited (NEC) -18.22%	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.
Incitec Pivot Limited (IPL) -8.81%	Despite a continuing strong growth outlook IPLs share price declined in May as the market took a negative view of the merits of the announced separation of its fertiliser and explosives business. We continue to see IPL as a beneficiary of strong agriculture and commodity markets, the supply chain issues driving these are unlikely to recede.
Northern Star Resources Ltd (NST) -8.86%	The gold miner's share declined as gold suffered from a stronger USD amid unfavourable macro environmental factors. We see strong value in NST with a sector leading FCF of over 10%, with likely upside from gold commodity prices as inflation expectations moderate.

Sector Positioning



Top 10 holdings (alphabetical)

Amcor PLC	QBE Insurance Group Limited
BHP Group Ltd	Sonic Healthcare Limited
Commonwealth Bank of Australia	Telstra Corporation Limited
Incitec Pivot Limited	Westpac Banking Corporation
National Australia Bank Limited	Woodside Energy Group 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.