

# Ralton Australian Equity Ex 50

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 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.)<sup>1</sup>

At month end	1 mth	3 mth	1 yr	3 yr	5 yr	10 yr	Inception
Ralton	-5.50%	-3.05%	-1.21%	2.17%	2.92%	9.51%	6.52%
Income	0.02%	0.73%	2.53%	2.43%	2.52%	3.04%	3.39%
Growth	-5.53%	-3.78%	-3.73%	-0.26%	0.41%	6.47%	3.13%
Index <sup>2</sup>	-7.01%	-3.58%	-4.56%	5.50%	8.49%	6.33%	2.60%
Outperformance	1.51%	0.53%	3.35%	-3.34%	-5.57%	3.17%	3.92%

<sup>1</sup> 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.

<sup>2</sup> Index means the S&P/ASX Small Ordinaries 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

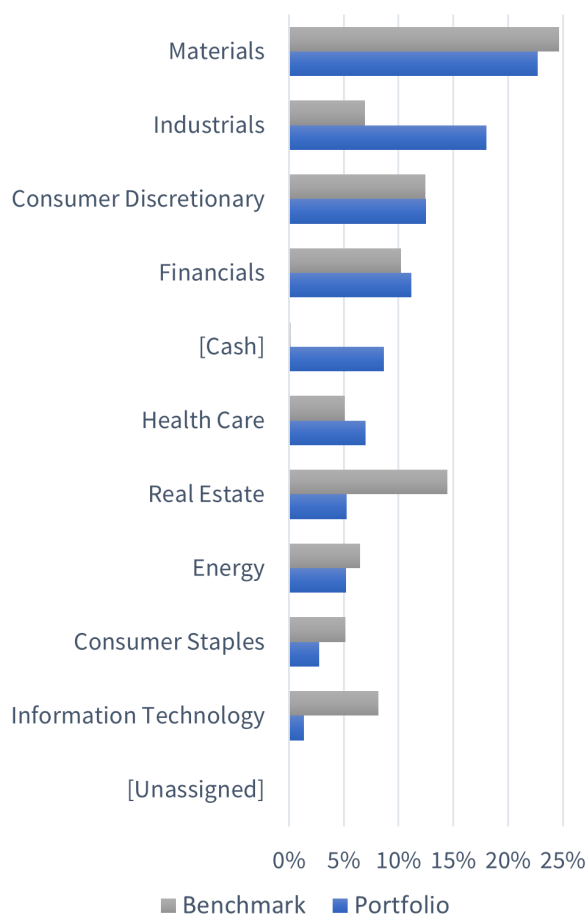


## Portfolio Performance

The Ralton Ex-50 Portfolio outperformed the ASX Small Ordinaries Index in May, taking the total return over the last year to -1.21%, +3.35% ahead of the index return. A focus on investing in companies with strong competitive advantages and valuation support has held the portfolio in good stead during the period of volatility.

Contributors	Comment
<b>Worley Limited (WOR)</b> 5.97%	Worley continues to perform strongly we see an improving outlook driven by high commodity prices and global supply chain disruption quickening global incentives to invest in new energy markets. We remain overweight.
<b>MMA Offshore Ltd (MRM)</b> 6.14%	Mermaid Marine continues to benefit from increasing activity in the Oil and gas sector due to higher commodity prices. In addition the lack of new vessels over the last decade is leading to higher day rates.
<b>Atlas Arteria (ALX)</b> 3.30%	Atlas Alteria and its toll road asset in the US and Europe have provided the portfolio the targeted support in a weaker market. We continue to see infrastructure assets in high demand from superannuation funds looking to match their long term liabilities.
Detractors	Comment
<b>Nufarm Limited (NUF)</b> -17.37%	Nufarm gave back some of its strong performance leading into its May result as expectations of another upgrade were not fulfilled. Strong results across all divisions driven by strong demand for products given positive agriculture markets were evident. Remain overweight.
<b>Nine Entertainment Co. Holdings Limited (NEC)</b> -18.22%	Nine entertainment has fallen due to overarching concerns that a slowdown in the Australian economy will impact its advertising and property divisions (Domain.com.au). With strong operating momentum and little evidence of a slowdown we remain overweight and attracted to the growth and dividend yield.
<b>Corporate Travel Management Limited (CTD)</b> -15.54%	Corporate Travel declined in May as concerns regarding a slowing of the global economy were thought to hit business travel. All indications are that travel continues to return to normal levels with the added benefit of recent acquisitions set to boost 2022 earnings.

## Sector Positioning



## Top 10 holdings (alphabetical)

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

## Portfolio metrics\*

	Ralton	XSOAI <sup>^</sup>
# of Securities	33.0	199.0
Market Capitalisation	3456.0	2380.3
Active Share	87.2	0.0
Tracking Error	6.4	--
Beta	0.8	1.0
Est 3-5 Yr EPS Growth	13.0	5.8
ROE	11.5	9.2
Dividend %	3.7	2.7
P/E using FY2 Est	12.5	13.0
Price/Cash Flow	8.3	10.0

\* Source: FactSet

<sup>^</sup> 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.