Ralton Concentrated Australian Equity

Monthly Portfolio Report | July 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 capital growth with some 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	**4.22%**	**-5.28%**	**2.11%**	**3.97%**	**5.68%**	**10.18%**	**7.02%**
Income	**0.00%**	*0.11%*	*2.81%*	*3.08%*	*3.66%*	*3.80%*	*4.07%*
Growth	*4.22%*	*-5.40%*	*-0.69%*	*0.89%*	*2.02%*	*6.38%*	*2.95%*
Index[2]	*5.95%*	**-6.21%**	**-2.31%**	**4.43%**	**8.15%**	**9.42%**	**5.80%**
Outperformance	**-1.73%**	**0.92%**	**4.42%**	**-0.46%**	**-2.46%**	**0.76%**	**1.23%**

[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 sharp recovery in share markets in July was largely led by the banks and a rebound in interest rate sensitive sectors, namely consumer discretionary and information technology. With the sell off in late June, valuations hit recession lows, moreover, the usual “confession season” in the month leading into results season gave scarce indication of material downgrades ahead as the Australian economy remains robust and consumers continue to spend their savings while the cost of living increases.

Our belief is that forward looking indicators such as consumer confidence show that the consumer will slow, as will economic growth and portfolio positioning in high quality franchises will deliver above market returns.

We have recently repositioned the portfolio by reducing cyclical exposures and increasing our positions in long-term structural growth sectors and companies with non-cyclical growth drivers, inclusive of healthcare and future facing materials.

We enter the August reporting season with cash available to deploy into sectors and stocks that prove themselves to be strong in the face of the upcoming volatile environment. We see the short-term lift in interest rate sensitive sectors as a great opportunity to position the portfolio for the period ahead, one that we see as an attractive environment for alpha generation through high conviction investing.

The key drivers of portfolio performance and major portfolio changes are outlined in the tables on the next page.

Top 10 holdings (alphabetical)

Amcor PLC	National Australia Bank Limited
BHP Group Ltd	QBE Insurance Group Limited
Coles Group Ltd	Telstra Corporation Limited
CSL Limited	Westpac Banking Corporation
Incitec Pivot Limited	Woodside Energy Group Ltd

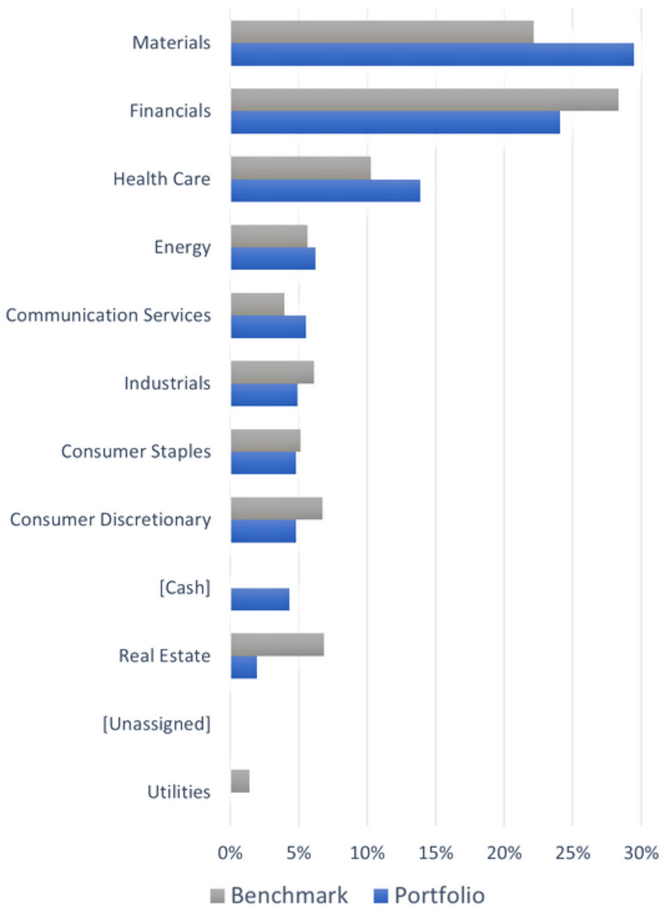
Portfolio Performance

The Ralton Concentrated Portfolio underperformed the ASX300 Accumulated Index in July, taking the total return over the last year to +2.71%, +4.42% 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
Ansell Ltd (ANN) 17.5%	ANN performed strongly in July as easing of inflationary pressure in input prices is expected to remove cost headwinds. The more defensive healthcare segment of the group should prove more defensive in a slow down. A strong balance sheet and low valuation keeps us invested.
Northern Star Resources Ltd (NST) 14.6%	An easing of interest rate expectations saw a weak gold price find a floor in July which supported gold equities. NST also reported a robust 4Q sales number with all in sustaining cost better than expectations.
National Australia Bank Ltd (NAB) 11.7%	NAB performed strongly in July as bank shares rallied post their June quarter sell off. Strong economic data in July supported bank shares as investor concerns relating to loan defaults lessened as spending and employment remained robust. NAB led its peer group reflecting strong operating momentum.

Detractors	Comment
Worley Limited (WOR) 10.3%	Weaker commodity and energy prices weighed on WOR's share price in July. We see underlying tailwinds continuing with mining, energy and chemical capex increasing with the added driver of the shift to a sustainable economy delivering long term growth.
Ramsay Health Care (RHC) -4.2%	RHC pulled back in July as a series of board meetings between the group and its PE acquirer failed to result in an agreed deal. We remain of the view that the current price underestimates the probability of a deal.
QBE Insurance Group Ltd (QBE) -5.1%	A key driver of QBE's earnings are the returns it makes on its investment book of securities. The peaking of bond yields during the month drove a rotation away from interest rate increase beneficiaries. We look to the August result for confirmation of the benefits of strong premium increases as well as global diversification on the groups earnings.

Sector Positioning



Portfolio metrics*

	Ralton	XKOAI^
# of Securities	*26*	*301*
Market Capitalisation	*59,734.2*	*66,728.8*
Active Share	59.4	--
Tracking Error	*3.57*	*0.00*
Beta	*0.89*	*1.00*
Est 3-5 Yr EPS Growth	6.3	3.2
ROE	*17.37*	*16.00*
Dividend %	4.60	4.44
P/E using FY2 Est	15.6	20.8
Price/Cash Flow	9.2	10.4

* 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	
Coles Group Ltd (COL)	With inflation set to remain a feature of the economic backdrop we see COL as well placed to benefit from a larger revenue line as prices rises with the opportunity to increase margin or drive market share gains.
Woodside Energy Group Ltd (WDS)	We rotated our energy position into WDS during July, taking profits from Santos. WDS's global footprint and large cost out opportunity drives our outperform rating.
SELL	
Worley Ltd (WOR)	We reduced the WOR position in July, taking profits as we expect a period of consolidation while commodity prices see off recessionary fears.
Amcor Plc (AMC)	AMC has been a stellar performer for the portfolio, given the increased position size sell down to our target weight.
Santos Ltd (STO)	The STO position emerged from the takeover of Oil Search. We see greater exposure to LNG and global markets from WDS.