

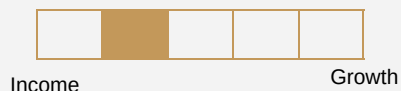
# Ralton Dividend Builder

Monthly Portfolio Report | July 2022

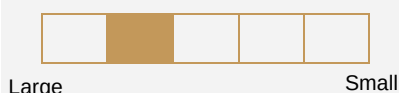


## Key facts

### Income versus growth target



### Market cap bias



### 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.)<sup>1</sup>

	At month end	1 mth	3 mth	1 yr	3 yr	5 yr	10 yr	Inception
Ralton		<b>4.39%</b>	<b>-4.26%</b>	<b>2.64%</b>	<b>3.46%</b>	<b>6.15%</b>	<b>10.29%</b>	<b>7.38%</b>
Income		0.00%	0.18%	3.82%	4.16%	4.56%	4.63%	4.83%
Growth		4.39%	-4.44%	-1.17%	-0.70%	1.59%	5.67%	2.55%
Index <sup>2</sup>		<b>5.95%</b>	<b>-6.21%</b>	<b>-2.31%</b>	<b>4.43%</b>	<b>8.15%</b>	<b>9.42%</b>	<b>5.80%</b>
Outperformance		<b>-1.57%</b>	<b>1.95%</b>	<b>4.95%</b>	<b>-0.97%</b>	<b>-2.00%</b>	<b>0.87%</b>	<b>1.59%</b>

<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 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.



## Portfolio Performance

The Ralton Dividend Builder Portfolio underperformed the ASX300 Accumulated Index in July, taking the total return over the last year to +2.64%, +4.95% 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
<b>Super Retail Group Ltd (SUL)</b> 16.4%	While consumer confidence continues to weaken all indications are that consumer demand remains robust. Strong balance sheets built up in COVID are being drawn down to drive consumption. As such we see an elevated chance that this reporting season will see retailers reporting strong results, with outlooks the key.
<b>Northern Star Resources Ltd (NST)</b> 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.
<b>National Australia Bank Ltd (NAB)</b> 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
<b>Ancor Plc (AMC)</b> 2.5%	AMC's defensive qualities has delivered strong performance in recent weak markets, however lagged in a strong July. We expect the August result to show solid volume growth with evidence that inflation has been passed through in price increases.
<b>Telstra Corporation (TLS)</b> 1.0%	TLS's 1% return lagged the strong market in July. The upcoming reporting season should deliver a solid result with its mobile division leading the groups growth.
<b>QBE Insurance Group Ltd (QBE)</b> -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.

## Portfolio Activity

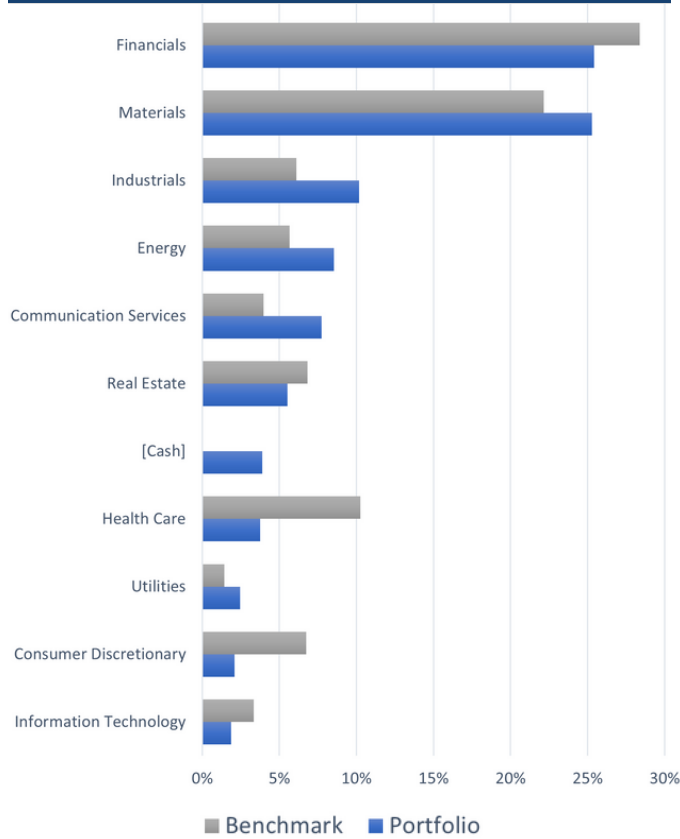
### BUY

Iress Ltd (IRE)	IRE has a strong domestic position in the administration of trading and advice tools as well as a growing offshore business. We see a strong growth outlook driven by a combination of product releases and cost out. Trading at a discount to global peers, we see upside supported by a 4% dividend yield.
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### SELL

NO TRADES

## Sector Positioning



## Top 10 holdings (alphabetical)

Ancor PLC	National Australia Bank Limited
BHP Group Ltd	Sonic Healthcare Limited
Coles Group Ltd	Telstra Corporation Limited
Commonwealth Bank of Australia	Westpac Banking Corporation
Incitec Pivot Limited	Woodside Energy Group Ltd

## Portfolio metrics\*

	Ralton	XKOA1^
# of Securities	28	301
Market Capitalisation	59,457.6	66,728.8
Active Share	61.0	--
Tracking Error	4.16	0.00
Beta	0.86	1.00
Est 3-5 Yr EPS Growth	4.1	3.2
ROE	15.01	16.00
Div% NTM	5.42	4.44
P/E using FY2 Est	14.8	20.8
Price/Cash Flow	8.6	10.4

\* Source: FactSet

^ XKOA1 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 in an index.