

Ralton Australian Equity Ex 50

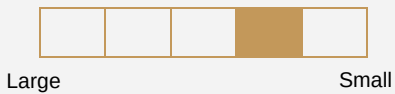
Monthly Portfolio Report | July 2022

Key facts

Income versus growth target



Market cap bias



Investment strategy

A portfolio of ASX-listed equities designed to provide 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		8.98%	-6.68%	-7.38%	1.04%	3.13%	9.21%	6.35%
Income		0.03%	0.23%	2.63%	2.44%	2.51%	2.98%	3.37%
Growth		8.95%	-6.91%	-10.01%	-1.40%	0.61%	6.23%	2.99%
Index ²		11.43%	-9.94%	-10.93%	2.55%	7.30%	6.53%	2.34%
Outperformance		-2.45%	3.26%	3.54%	-1.51%	-4.17%	2.68%	4.01%

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 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 increase.

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 Ex-50 Portfolio underperformed the ASX Small Ordinaries Index in July, taking the total return over the last year to -7.38%, +3.54% ahead of the a -10.93% 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
Mach7 Technologies Ltd (M7T) 38.8%	M7T reported a much needed strong 4Q result with sales orders up 30% and a positive cash flow number. The next catalyst will be the conversion of orders to revenue over the next year.
Regis Resources Ltd (RRL) 35.8%	RRL reported a strong 4Q production result with key asset Duketon and Tropicana delivering production beats. We look to the FY22 result for further clarity on the outlook.
Navigator Global Investments Ltd (NGI) 23.7%	NGI reported a strong 4Q with net inflows continuing and performance solid during the market volatility. We expect the company to use its balance sheet to drive further growth ahead.
Detractors	Comment
Jumbo Interactive Ltd (JIN) 1.3%	JIN pre-released its FY22 result in July with the market disappointed by a lower than expected revenue number and higher reinvestment costs delivering lower margins. We will await further information at the FY22 result in August to conduct a full review.
Worley Ltd (WOR) 0.5%	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.
Perenti Global Ltd (PRN) -12.2%	After a strong end to the June quarter, PRN declined in July with no incremental newsflow. Increasing mining capex should support the growth outlook with a stronger gold price a key catalyst.

Portfolio Activity

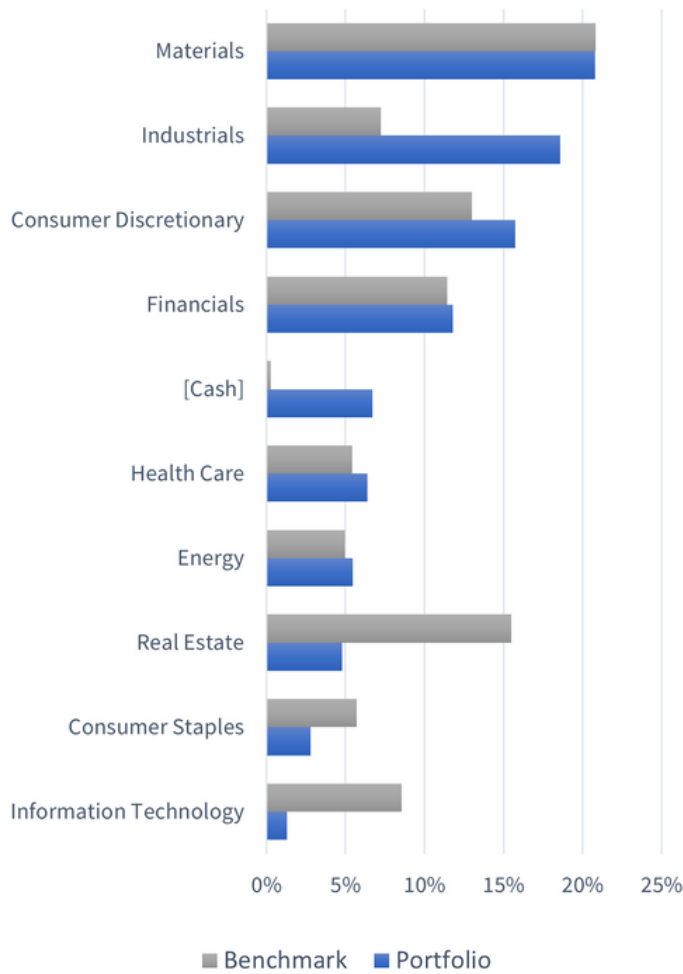
BUY

NO TRADES

SELL

NO TRADES

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 [^]
# of Securities	36	200
Market Capitalisation	3,422.9	2,248.5
Active Share	86.7	--
Tracking Error	6.87	--
Beta	0.76	1.00
Est 3-5 Yr EPS Growth	6.9	3.3
ROE	11.97	10.78
Dividend %	3.78	3.01
P/E using FY2 Est	17.6	22.3
Price/Cash Flow	8.3	9.5

* 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.