Ralton Concentrated Australian Equity

Monthly Portfolio Report | August 2022

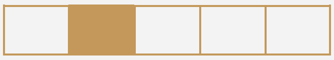
RALTON ASSET MANAGEMENT

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	**2.19%**	**-2.69%**	**1.41%**	**5.91%**	**6.20%**	**10.12%**	**7.14%**
Income	**0.46%**	*0.57%*	*2.61%*	*3.05%*	*3.58%*	*3.72%*	*4.08%*
Growth	*1.73%*	*-3.27%*	*-1.19%*	*2.87%*	*2.61%*	*6.40%*	*3.06%*
Index[2]	*1.18%*	**-2.41%**	**-3.67%**	**5.64%**	**8.24%**	**9.32%**	**5.85%**
Outperformance	**1.01%**	**-0.28%**	**5.08%**	**0.27%**	**-2.04%**	**0.81%**	**1.29%**

[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

August shaped up as a test case for whether the recent decline in market valuations was to be the harbinger of earnings downgrades, as increasing interest rates look to slow global activity. Much like the US reporting season which comes directly before the Australian reporting season, company results failed to give the bears the evidence they needed for a further fall in markets.

The better than feared results season was reflected in the ASX300 increasing 1.2% for the month, with more companies beating estimates than missing. The beats were largely driven by revenues, reflecting the effect of inflation on the price of goods, while margins came in lower than expected as companies struggled to pass on higher input costs and wages. Looking into 2023 the market is forecasting 5.7% earnings per share growth.

Evidence that developed economies are holding up better than feared supported resource and energy sectors in August, with Financials, Real Estate, and Staples lagging. Evidence of economic resilience, combined with Jerome Powell confirming the US Fed's intention the squash inflation saw rates move higher again, weighing on the interest rate sensitive parts of the market.

The investment team incorporates a top-down and bottom-up approach to investing and as such is cognisant of economic themes. We utilise these insights to understand the impact at a company level. Within the Energy and Materials sectors, portfolios benefited from higher oil prices and surging Lithium exposures. Conversely, given our view that market will remain volatile we have looked for companies that can deliver sustainable growth in the event of a slowdown as well as hold strong market positions to pass on prices. Additionally, our exposures in the Healthcare and Staples delivered high quality results.

Looking ahead, we believe that current valuations are reflecting a slowing outlook with the risk of a sharp downturn in growth and value unlikely. Markets should stabilise in the fourth quarter as inflation continues to ease to long term levels, allowing the Fed to become less aggressive. We are selectively taking advantage of mis-priced opportunities we are seeing in the market which are a result of the current volatility and with a focus on companies with competitive positions and strong management teams with the ability to maintain or improve returns on capital.

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

CONTACT Ralton AM | 0425 725 800 | info@raltonam.com.au | raltonam.com.au

Portfolio Performance

The Ralton Concentrated Portfolio outperformed the ASX300 Accumulated Index in August, taking the total return over the last year to +1.41%, +5.08% 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
Mineral Resources Ltd (MIN) -19.0%	MIN returned 19% in August as strong lithium prices aided earnings expectations for its rapidly growing and vertically integrated lithium mining and processing business. MIN's FY22 results were pleasing, and its sizable growth project pipeline was reinforced by the approved investment decision to go ahead with the Onslow Red Hill JV iron ore project.
Incitec Pivot Ltd (IPL) 8.9%	IPL performed strongly in August as brokers upgraded their earnings as fertiliser prices remain high. Incitec continues to benefit from surging prices and buoyant farming conditions as well as resurgent mining capex driven by robust commodity markets. Furthermore IPL is uniquely positioned to make super profits in the near term as global Ammonia prices remain elevated due to high EU gas input prices. Upside remains with over 20% return available, supported by a 4%+ dividend yield.
Qantas Airways Ltd (QAN) 16.7%	Qantas responded positively to a robust result that indicated the company is on track to benefit from surging demand for leisure travel. The confidence in the outlook was supported by the announcement of a buyback by the board, despite the company being under fire from poor customer service. A more rational Virgin underpins Qantas no.1 position in the Australian airline industry. We back Alan Joyce to deliver strong returns ongoing.

Detractors	Comment
Coles Group Ltd (COL) -6.4%	Coles result showed strong top line growth however market performance was impacted by concerns over the impact of rising inflation on the groups cost base. Peer results showed this as a sector wide issue and while subdued margins and elevated capex spend, near term higher costs will be soon overtaken by the strong outlook with Ocado supply chain benefits to be realised in FY24 and 25.
Amcor PLC (AMC) -3.6%	With a strong period of performance leading into the August reporting season an inline result from AMC was not enough to push the stock to new highs. With its key customers in the FMCG sector, the group has defensible earnings growth with the recent FY22 result delivering 11% constant currency EPS growth amid rising costs and a slowing economy. A well-established management team has a track record of capital allocation which has supported long term shareholder value creation. With high single digit EPS growth forecast over the medium term, valuation remains attractive given in the context of market volatility.
James Hardie Industries PLC (JHX) -4.8%	JHX delivered a very high quality FY22 result delivering 19% sales growth, largely driven by new product development and pass through of higher input costs through price. We believe Hardies is well positioned to continue to win share in a slowdown and look for any further weakness driven by a slowing housing market as a buying opportunity.

Portfolio Activity

BUY

NO TRADES

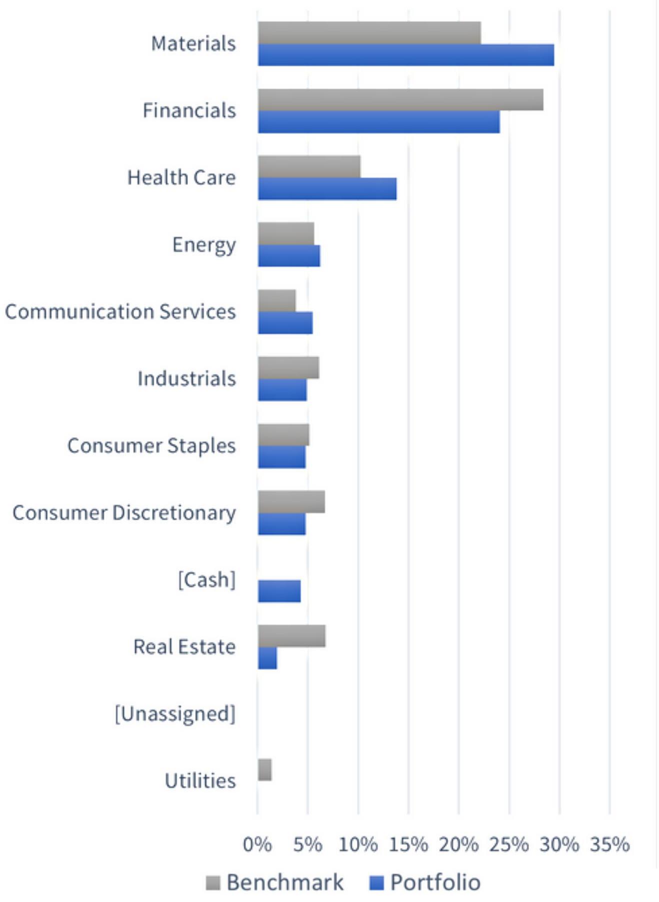
SELL

NO TRADES

Top 10 holdings (alphabetical)

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

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.