# Ralton Leaders

Quarterly Portfolio Report | September 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 for long-term capital growth and some tax-effective income

### Investment objective

Outperform index by over 3% p.a.

### Benchmark index

S&P/ASX 100 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

### Key platforms

Brightday, Linear, OneVue, Praemium

## 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 | **-5.15%** | **1.22%** | **-2.54%** | **5.30%** | **7.37%** | **9.75%** | **6.98%** |
| Income | *1.01%* | *1.52%* | *3.16%* | *3.28%* | *3.81%* | *3.94%* | *4.32%* |
| Growth | *-6.16%* | *-0.30%* | *-5.70%* | *2.02%* | *3.56%* | *5.81%* | *2.66%* |
| Index[2] | **-5.68%** | **0.57%** | **-5.89%** | **3.21%** | **7.21%** | **8.77%** | **5.76%** |
| Outperformance | **0.52%** | **0.64%** | **3.35%** | **2.09%** | **0.16%** | **0.98%** | **1.22%** |

[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 100 Accumulation Index.

## Portfolio Commentary

The -1.45% move in the ASX200 over the September quarter masks the volatility and change in narrative over the period.

The Australian market made a very strong start to the FY23 financial year led by the Resources, Energy and IT sectors as the market took the view that the Fed may begin to ease its tightening cycle. As has been the case, the bond market gave context with the 10-year US and Australian yield moving lower. However, as we were cheering an August result period that showed consumers continuing to spend and general resilience in economic and corporate health, bonds moved aggressively higher as this same strong economic data and stubborn inflation forced the Fed’s hand.

For a period now we have taken the view that we are best served seeking out strong businesses, with low debt levels that are less sensitive to economic headwinds and higher interest rates. A strong balance sheet is a material competitive advantage.

Reporting season brings an opportunity to review and test our assumptions and identify mispricing opportunities where short term earnings mask long term structural growth. We seek to buy and sell with conviction, with changes to the portfolio and rationale set out in the table below.

We expect the final quarter of the year to be marked by falling EPS expectations, weaker economic data with politics and policy taking centre stage as global and country leaders meet at a range of roundtables. Ever watchful of systematic risk showing itself in the functioning of credit markets, we believe we are closer to the bottom, with valuations well below decade long averages and the market to deliver a 4.50% yield in the next 12 months. History show that markets generally bottom 6 months before earnings do and we are positioning the portfolio to benefit from upside ahead.

## Portfolio Performance

The Ralton Leaders Portfolio outperformed the ASX100 Accumulated Index in September, taking the total return over the last year to -2.54%, +3.35% ahead of the index return of -5.89%. 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)** 38.5% | MIN performed well over September due to its strong position for the demands of the battery industry, as well as rumours of a potential NYSE listing that emerged, which we view as a positive catalyst for the stock. |
| **Northern Star Resources Ltd (NST)** 16.3% | NST is one of Australia's leading gold producers with a strong capital position (net cash) and a proven track record of operational execution and delivery of exploration success that adds value to its assets. Its impressive production growth is self funded, and is diversified across multiple projects. We think NST's acquisition of Saracen will continue to provide material synergies for the combined group, which now include complete ownership of the Kalgoorie Superpit Operation. |
| **Detractors** | |
| **Ramsay Health Care Ltd (RHC)** -21.3% | RHC share price suffered following news that KKR walked away from the planned $88 all cash takeover of RHC as management could not agree on a strike price. The stock is now trading below pre-bid level, with COVID-related headwinds continuing to subside, paving the way for normalised activity and earnings. |
| **APA Group (APA)** -14.9% | Utilities were hit hard over September, and APA was no exception. The stock price was also been impacted by uncertainty surrounding CEO departure announced at the August result. Despite this, we believe APA will continue to generate an attractive income stream, underpinned by high quality earnings, and pricing that is CPI linked. |
| **Coles Group Ltd (COL)** -6.2% | Inflationary pressures are building particularly in meats and vegetables with COL having reported a +4.3% increase in inflation for the June quarter impacting investor sentiment. COL boss Steven Cain expects demand to remain stable leading up to an expected bumper Christmas trading period with demand expected to taper off thereafter. |

## Portfolio Activity

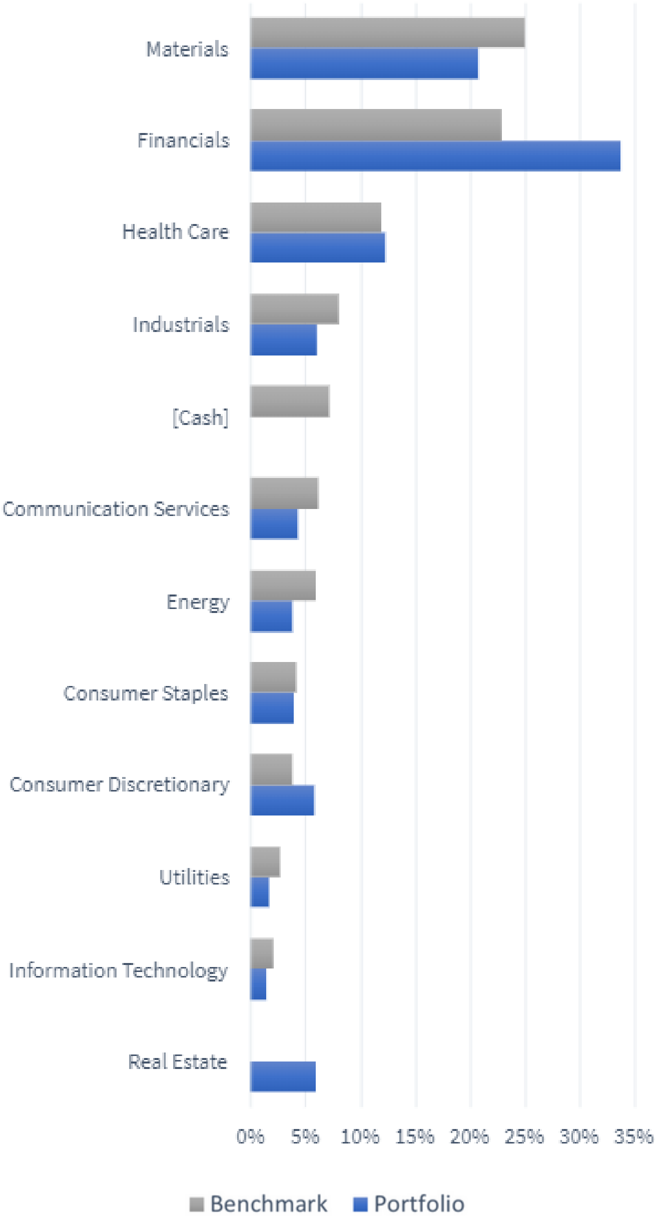
**BUY**

No trades

**SELL**

No trades

## Sector Positioning




## Top 10 holdings (alphabetical)

Amcor PLC
Aristocrat Leisure Limited
BHP Group Ltd
Coles Group Ltd.
Commonwealth Bank of Australia
CSL Limited
National Australia Bank Limited
Telstra Corporation Limited
Westpac Banking Corporation
Woodside Energy Group Ltd

## Portfolio metrics*

| | Ralton | XTOAI^ |
|---|---|---|
| # of Securities | *26* | *99* |
| Market Capitalisation | *63,414.7* | *74,324.1* |
| Active Share | 51.7 | -- |
| Tracking Error | 3.16 | -- |
| Beta | 0.97 | *1.00* |
| Est 3-5 Yr EPS Growth | 7.4 | 4.4 |
| ROE | 17.14 | *16.96* |
| Dividend % | 4.63 | 4.96 |
| P/E using FY2 Est | 14.4 | 16.5 |
| Price/Cash Flow | 9.2 | 9.9 |

* Source: FactSet

^ XTOAI means the S&P/ASX 100 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.