

Ralton Dividend Builder

Monthly Portfolio Report | February 2023

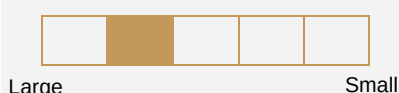


Key facts

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.)¹

At month end	1 mth	3 mth	1 yr	3 yr	5 yr	10 yr	Inception
Ralton	-1.96%	-0.40%	6.19%	6.89%	6.12%	8.55%	7.44%
Income	0.19%	0.50%	4.24%	4.28%	4.54%	4.59%	4.86%
Growth	-2.16%	-0.90%	1.95%	2.61%	1.58%	3.96%	2.58%
Index ²	-2.55%	0.17%	6.54%	7.94%	7.87%	7.91%	6.05%
Outperformance	0.58%	-0.57%	-0.35%	-1.05%	-1.75%	0.64%	1.39%

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 Performance

The Ralton Dividend Builder Portfolio outperformed the ASX300 Accumulated Index in February, returning -1.96%, +0.58% ahead of the -2.55% index return. A focus on investing in companies with strong competitive advantages and valuation support has held the portfolio in good stead during an extended period of volatility.

Contributors	Comment
Commonwealth Bank of Australia (CBA) -6.6%	CBA posted solid results although it appears its net interest margin (NIM) reached a maximum in October 2022 as competitive pressures in loans and deposit growth materialise. Recent APRA statistics indicate that it is back to growing loans following a period of limited growth as it did not compromise price for volume growth. Its lucrative business banking division continues to impress with lending and deposits both growing as it chases NAB's dominance with a corresponding uplift in NIM of 298 basis points (bp) to 363bp. Excluding dividends, for the month, CBA was down -8.5% versus the sector return of -3.9%.
QBE Insurance Group Limited (QBE) 9.8%	QBE provided a positive 1H23 result, with a strong demand for insurance products allowing them to pass on inflation costs with strong growth in gross written premium to bring combined operating ratio down to 93.7% from 95%. Additionally, current interest rate cycle benefits resulted in an increase of investment income by 48% compared to the previous year, resulting in strong share price performance for the month.
Smartgroup Corporation Ltd (SIQ) 13.1%	SIQ reported its first half results at the end of February, hitting slightly above the top end of guidance provided earlier in the month. Improved novated leasing yield offset a modest fall in vehicle settlements. Management also revealed a strong vehicle order pipeline, increased electric vehicle purchasing and a special dividend which was received positively by the market.



Portfolio Performance

Detractors	Comment
Aurizon Holdings Ltd. (AZJ) -8.4%	AZJ has faced headwinds from ESG conscious investors due to its significant haulage of coal in both its above rail and network operations. Its recent release indicated significant underperformance versus consensus due to declining coal volumes from weather impacts, 3rd party derailments and the acceleration of the green energy transition. Subsequently the company reduced full year earnings before income tax and amortisation guidance by 4%. We believe ESG headwinds will remain in the near to medium term as the company transitions to double its bulk business this decade. Positively, it announced its biggest non coal revenue contract win with Team Global Express which will contribute to this transition. Excluding dividends, AZJ was down -10.3% while the Industrial Transportation sector was up +0.7% and Industrials overall was up +1.6%.
National Australia Bank Limited (NAB) -5.6%	NAB posted results in line with consensus and along with the other major banks showed improvement in credit quality given the lagged effects of rate rises. Under its retail business it is continuing to lose market share due to no growth in the investor segment as it appears to be focused on margin management. Its leading business banking segment continues to grow but is facing a slowdown from tighter economic conditions, as companies delay investments, along with intense competition from its peers in an attempt to gain a bigger share of this lucrative segment. NAB was down -5.6% for the month vs -3.9% for the banking subsector.
CSL Limited (CSL) -0.6%	CSL outperformed the broad market in February following a solid half year result release. CSL Behring maintained their near 50% gross margins. Plasma collections rose 36% year on year and are now 10% above their pre covid levels. Seqirus had slightly soft sales growth of 3% but had record gross margins of 69% and Vifor the newly acquired business recorded strong revenue & profit growth with margins strong at 68%. On the negative currency headwinds cost them \$US160m in the half. The company is well positioned to earn 15% profit growth in FY24 and beyond from its extensive R&D portfolio.

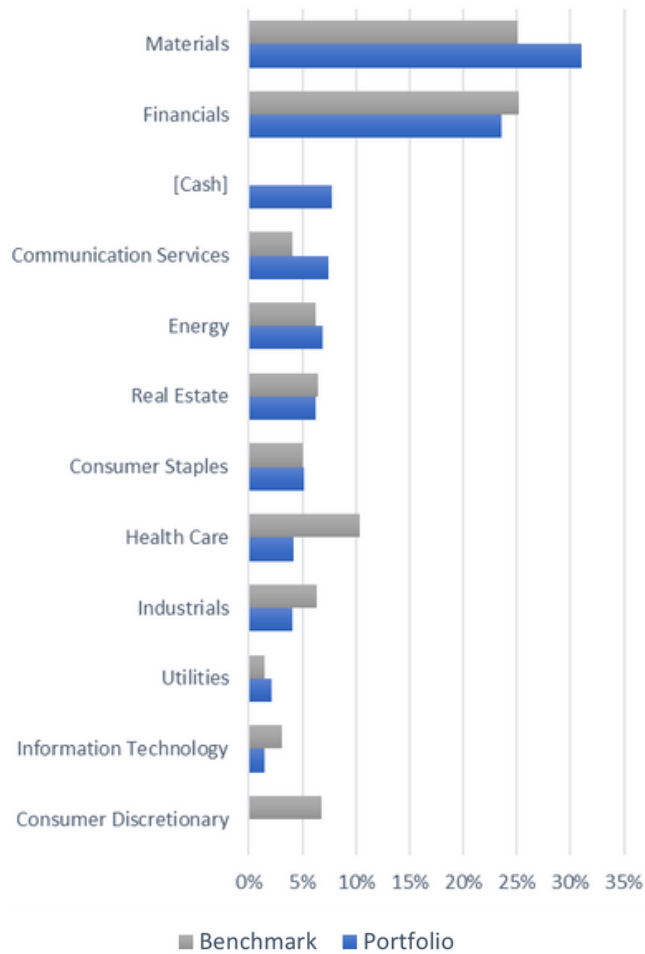
Portfolio Activity

BUY	
N/A	
SELL	
Aurizon Holdings Ltd (AZJ)	AZJ has faced headwinds from ESG conscious investors due to its significant haulage of coal in both its above rail and network operations. Its recent release indicated significant underperformance versus consensus due to declining coal volumes from weather impacts, 3rd party derailments and the acceleration of the green energy transition. Subsequently the company reduced full year earnings before income tax and amortisation guidance by 4%. We exit the position to take advantage of alternative opportunities offering greater upside potential.

Top 10 holdings (alphabetical)

Amcor PLC Shs Chess Depository Interests	Rio Tinto Limited
ANZ Group Holdings Limited	Sonic Healthcare Limited
BHP Group Ltd	Telstra Group Limited
Mineral Resources Limited	Westpac Banking Corporation
National Australia Bank Limited	Woodside Energy Group Ltd

Sector Positioning



Portfolio metrics*

	Ralton	XKOAI [^]
# of Securities	27	296
Market Capitalisation	64,027.7	74,186.7
Active Share	65.9	--
Tracking Error	4.34	--
Beta	0.87	1.00
Est 3-5 Yr EPS Growth	3.0	4.0
ROE	18.2	19.0
Div% NTM	5.63	4.38
P/E using FY2 Est	12.3	14.3
Price/Cash Flow	7.0	8.6

* 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.