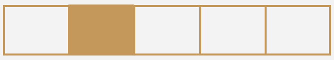
Ralton Dividend Builder

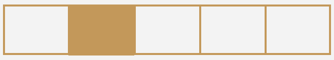
Quarterly Portfolio Report | March 2023

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	**-0.95%**	**1.40%**	**-0.07%**	**15.57%**	**6.62%**	**8.54%**	**7.33%**
Income	*1.33%*	*1.53%*	*4.73%*	*4.48%*	*4.70%*	*4.67%*	*4.92%*
Growth	*-2.28%*	*-0.12%*	*-4.80%*	*11.10%*	*1.92%*	*3.87%*	*2.41%*
Index[2]	**-0.24%**	**3.33%**	**-0.57%**	**16.59%**	**8.64%**	**8.13%**	**6.00%**
Outperformance	**-0.71%**	**-1.93%**	**0.49%**	**-1.01%**	**-2.02%**	**0.41%**	**1.33%**

[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 underperformed the ASX300 Accumulated Index in March, returning -0.95%, versus the index return of -0.24%. 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
Sonic Healthcare Limited (SHL) 9.5%	SHL's 1H23 result, released in February, was below our top of the market expectations but exceeded consensus forecasts. Management revealed base business activity has continued to grow strongly with January 2023 revenues increasing 14% year on year and being 10% higher than pre-COVID levels. While SHL's stock price enjoyed a strong bounce, we continue to believe it is undervalued.
Rio Tinto Limited (RIO) 5.7%	RIO which is rated A by ratings agency S&P issued USD1.5 billion fixed rate 10 and 30 year notes at a favourable 5% p.a. interest rate. The company released more details about its large Simandou expenditure plans. Over the next 3 years this new project will represent 45% of the company's capital expenditure plans. Simandou which is located in Guinea has a resource of over 2 billion tonnes of high grade iron ore. In addition, RIO recommitted its organic plans to grow its production in copper and lithium.
Telstra Group Limited (TLS) 3.5%	TLS is finalising its T22 strategy of simplifying its business and reducing its cost base and is now embarking on its T25 strategy of improving its technological stack across its segments including the 5G and associated technology rollout. TLS has since completed its corporate restructure with a view to maximise future shareholder value with the stock benefitting from heightened investor demand due to its defensive attributes including a S&P/ASX200 matching annual volatility of just 15%. The stock is up 1.4% for the month at 5 year highs.

Portfolio Performance

Detractors	Comment
National Australia Bank Limited (NAB) -7.6%	Banks were heavily impacted by the US banking failures as well as the Credit Suisse takeover by UBS. Positively, Australian banks are well insulated from a liquidity and capital perspective but are incurring well known pressures affecting funding, competitive asset and liability growth pressures. All banks are in a similar position with the majors winning the largest share in refinancings. Positively, NAB being more heavily skewed to the higher margin business loan segment, is not chasing retail loans as hard as its competitors, maintaining margins. Although the competitive pressures in business banking have grown materially as competitors attempt to close the gap. The NAB share price was 7.6% lower for March compared to -3.2% for the Bank subsector.
ANZ Group Holdings Limited (ANZ) -7.0%	Banks were heavily impacted by the US regional banking failures as well as the Credit Suisse takeover by UBS. Positively, Australian banks are well insulated from a liquidity and capital perspective but are incurring well known pressures affecting funding, competitive asset and liability growth pressures which are crimping net interest margins. Refinancing activity is up 65% which now accounts for more than 50% of flows as customers transition from fixed to variable loans or attempt to find a better deal. All banks are in a similar position with the majors winning the largest share in refinancings. Positively for ANZ, it is gaining market share in loans and deposits, it has the lowest funding requirement out of the big four and has the best online deposit rate under its ANZPlus banner. ANZ's share price was 7% lower in the month below the Banks subsector performance of -3.2%.
GPT Group (GPT) -10.0%	Despite the yield on the 10-year Australian Bonds declining from 3.3%, Australian real estate investment trusts (AREITS) underperformed the broader ASX. Asset valuation remains an uncertainty, particularly for Office assets. While GPT has a touch over one third of its portfolio in Office, we believe the implied market capitalisation (cap) rate that has expanded to over 6.1% (versus the last stated cap rate of 4.86%) is excessive and overdone.

Portfolio Activity

BUY

N/A

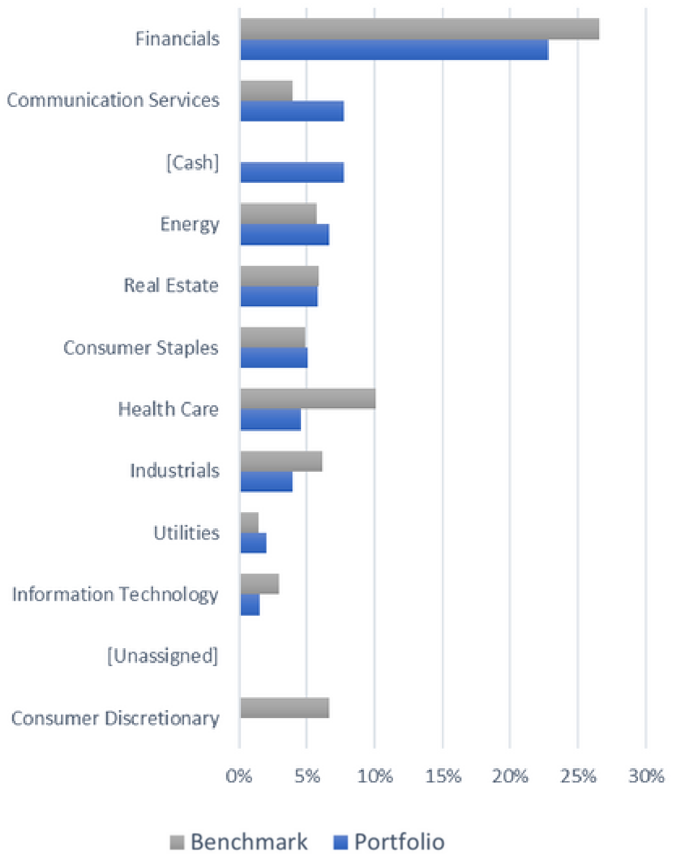
SELL

N/A

Top 10 holdings (alphabetical)

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

Sector Positioning



Portfolio metrics*

	Ralton	XKOAI^
# of Securities	*27*	*307*
Market Capitalisation	*65,622.9*	*74,886.8*
Active Share	63.4	--
Tracking Error	*4.05*	--
Beta	*0.90*	*1.00*
Est 3-5 Yr EPS Growth	2.4	3.6
ROE	*18.5*	*18.9*
Div% NTM	5.76	4.48
P/E using FY2 Est	12.1	14.0
Price/Cash Flow	6.9	8.7

* 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.