

Ralton Australian Equity Ex 50

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 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	-1.32%	0.44%	-8.64%	11.37%	0.98%	6.71%	5.96%
Income	0.57%	0.88%	2.65%	2.43%	2.52%	2.87%	3.38%
Growth	-1.90%	-0.44%	-11.30%	8.94%	-1.54%	3.84%	2.58%
Index ²	-0.72%	1.88%	-13.19%	13.15%	3.89%	5.16%	2.09%
Outperformance	-0.60%	-1.43%	4.55%	-1.78%	-2.91%	1.55%	3.86%

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 Performance

The Ralton Ex 50 Portfolio underperformed the ASX Small Ordinaries in March, returning -1.32%, versus the index return of -0.72%. 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
Regis Resources Limited (RRL) 19.5%	RRL reiterated its target to produce 500,000 ounces of gold per year by FY24 when the 150 ounce per year Tropicana project comes on stream. In addition the McPhillamy Gold project received Independent Planning Commission go ahead. McPhillamy has a life of mine project cost per ounce of AUD1,600 which compares favourably with the current gold price. The market took these two announcements positively which saw the RRL share price rise 19.5% in the month.
Perenti Limited (PRN) 14.6%	PRN was able to increase revenue and margins in the first half of FY23, allowing the group to de-lever its balance sheet. According to management, operational conditions are strong and labour markets have improved significantly with the groups job vacancies back near normal levels. We believe the stock presents good value, trading on a FY24 price to earnings of 7x and expect management to achieve its earnings before income tax guidance of \$250-265 million.
PEXA Group Limited (PEXA) 13.9%	Positive news flow around clearance rates in the domestic residential property market saw the PEXA share price rebound over in March. The rebound followed a decline post 1H23 results, as the anticipation for ongoing investment into the UK-start up segment weighed on investors' minds. We believe the domestic business alone backs the current valuation and anticipate the UK asset will deliver results in time, acting as a free option on the current share price.

Detractors	Comment
Calix Ltd (CXL) -17.9%	CXL sold off during March on no news. In our view, the potential catalysts including further commercialisation of Leilac, ZESTY and the Pilbara Minerals (ASX: PLS) joint-venture, offer shareholders considerable future upside potential. However, it will take time before we see material earnings realised, which will lead to short term volatility in the share price. In the meantime the company is well capitalised with \$88 million cash to continue to invest across its various verticals.
Credit Corp Group Limited (CCP) -15.5%	The company's share price remained weak in March following their half year result the month prior. The disappointing aspect in the result was the US Purchased Debt Ledger (PDL) division which was caused by a higher than expected volume of purchases combined with hiring more staff to run the asset down. As such we have moderated our short term outlook but are still comfortable with the FY24 prospects for the company. Interestingly, the PDL book in Australia is performing quite well and Credit Corp has flagged they will be launching their own branded credit card next year.
Incitec Pivot Limited (IPL) -9.0%	IPL continues to decline amid a relatively strong market as its key product ammonia declined. Ammonia demand has remained depressed after the warmer than expected European winter. A key catalyst for release of value should crystallise over the next quarter with approval for the sale of the US ammonia plant. Furthermore, we expect commodity prices to stabilise and the strong farming demand environment to drive strong growth going forward.

Portfolio Activity

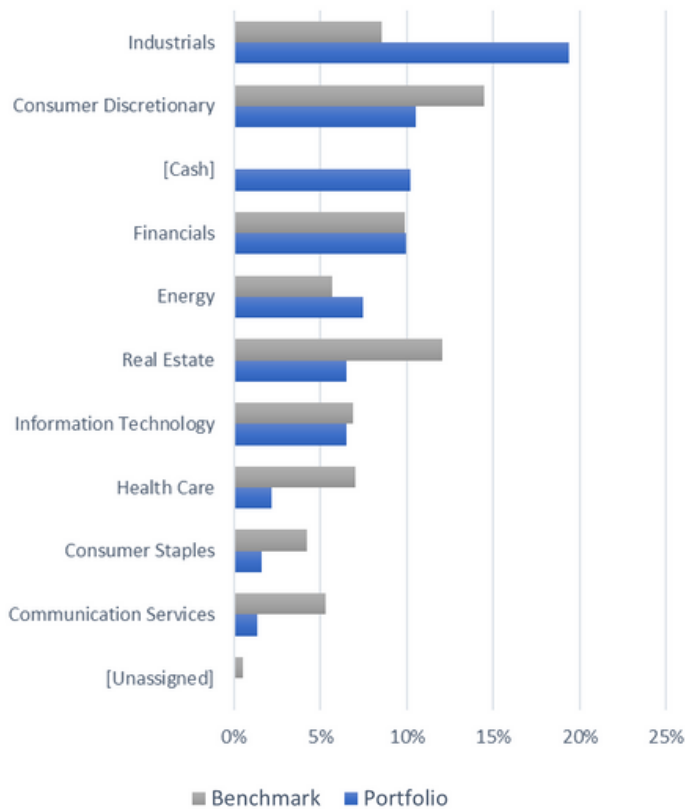
BUY

N/A

SELL

N/A

Sector Positioning



Top 10 holdings (alphabetical)

ARB Corporation Limited	Regis Resources Limited
IGO Limited	Seven Group Holdings Limited
MMA Offshore Limited	Smartgroup Corporation Ltd
Nufarm Limited	Steadfast Group Limited
Perenti Limited	Worley Limited

Portfolio metrics*

	Ralton	XSOAI [^]
# of Securities	35	199
Market Capitalisation	2,977.9	2,490.0
Active Share	85.8	--
Tracking Error	6.94	--
Beta	0.78	1.00
Est 3-5 Yr EPS Growth	-14.7	2.6
ROE	10.3	12.1
Dividend %	3.02	3.07
P/E using FY2 Est	12.8	14.2
Price/Cash Flow	7.9	7.8

* 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.