Ralton Concentrated Australian Equity

Quarterly Portfolio Report | April 2023

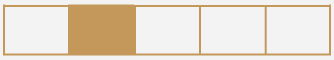
RALTON ASSET MANAGEMENT

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	**1.41%**	**-1.85%**	**3.75%**	**15.20%**	**6.69%**	**8.64%**	**7.31%**
Income	**0.00%**	*1.05%*	*3.67%*	*3.24%*	*3.70%*	*3.78%*	*4.11%*
Growth	*1.41%*	*-2.90%*	*0.08%*	*11.97%*	*3.00%*	*4.86%*	*3.20%*
Index[2]	*1.85%*	**-0.98%**	**2.13%**	**13.97%**	**8.23%**	**7.87%**	**6.10%**
Outperformance	**-0.44%**	**-0.87%**	**1.62%**	**1.23%**	**-1.54%**	**0.77%**	**1.21%**

[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 Concentrated Portfolio underperformed the ASX300 Accumulated Index in April, returning 1.41%, versus the index return of 1.85%. 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
Northern Star Resources Ltd (NST) 9.3%	Although NST reported a softer quarter in production they also reiterated that FY23 guidance remains on target, implying the June quarter will be stronger. The softer March quarter was not a surprise with the Pogo plant down for a three week repair as released to the ASX. Pogo is now back at full production. The Kalgoorlie Consolidated Gold Mines (KCGM) plant was also down for repairs. During the month the company issued USD600 million of long term debt at favourable interest rates to fund the potential expansion at KCGM which will be an accretive long term growth strategy. For the June quarter we are expecting higher volumes and grades across all NST production facilities.
Fortescue Metals Group Ltd (FMG) -6.9%	FMG shipped an impressive 46.3 million tonnes (mt) of iron ore at an average price of USD109 realising 87% of the average Platts 62% CFR Index for the quarter. This brought their 9 months to 31 March shipments to a record 143.1 mt and reiterated FY23 shipment guidance of 187-192 mt. Cost containment was a strong with C1 ('direct' production) costs only rising by 2% to USD17.73 per wet metric tonne. Also pleasing was that first concentrates were produced with a grade of 68% Iron at the Iron Bridge magnetite project and the company reiterated unchanged capex on this project at USD3.9 billion. In addition FMG continues to advance its Belinga Iron ore Project in Gabon. Works continued for Fortescue Futures Industries with construction in Gladstone ongoing at the electrolyser plant. The Norwegian 300MW green hydrogen and green ammonia plant has now secured renewable power while a similar size project in Kenya was advanced with the Government of Kenya providing support and offtake agreements.

Portfolio Performance

Contributors	Comment
ANZ Group Holdings Limited (ANZ) 6.2%	ANZ outperformed the other major banks and registered a +6.19% increase in its share price for the month ahead of banks overall performance of +2%. Banks were heavily sold off as a result of the US and Swiss banking dramas but have rebounded. ANZ recently reported confirming its lower risk profile, greater diversified business model versus the other majors along with a positive growth trajectory through its ANZplus app, and registered risk adjusted returns exceeding the cost of capital across all segments.
Detractors	**Comment**
Mineral Resources Limited (MIN) -8.6%	MIN released a soft March quarterly report with lower production than consensus in lithium, iron ore and mining services. Mt Marion spodumene costs were revised up from $875 per tonne to $1,225 per tonne while Wodgina spodumene production remains on target. Lithium battery chemical guidance is now 37% lower than prior guidance “reflecting current market dynamics”. Spodumene and lithium hydroxide prices remain soft despite medium term favourable fundamentals. The large Onslow iron ore project is a new growth project which is on target with first ore due in June 2024. In addition the company is advancing the Stanley Point Berth 3 project, exploring for gas in the Perth Basin and bidding to takeover Norwest ($400 million). We have revised our short term dividend projections sharply down to allow the company the flexibility to manage these projects within conservative debt levels.
South32 Ltd. (S32) -3.0%	S32 released a weak quarterly with the company cutting production guidance across five assets for FY23. Cannington (silver, lead zinc) missed production guidance on account of weather issues while Illawarra (metallurgical coal) encountered difficulties at the Appin mine. Both these assets have also experienced higher cost of production issues which disappointed the market. In addition, Mozal Aluminium encountered floods which severely effected operations. Following the soft quarterly the consensus share price target has been lowered. While we like the extensive diverse commodities across aluminium, alumina, nickel, copper, coal and manganese across multiple geographic locations the company has some short term operational issues which we believe will be rectified in the coming quarters.
Amcor PLC Shs Chess Depository Interests (AMC) -1.7%	Amcor detracted from portfolio performance in April as global packaging peer indicated a slowing in volumes in key European and US markets. Amcor's exposure to staples largely prove resilient in a slowing environment, however following large inventory build in COVID, we are seeing evidence of de-stocking. We are currently expecting a weak short term outlook, however post the next 2 quarters we should see Amcor outperform more cyclical companies. Compared to defensive peers, AMC is trading at an attractive valuation. Looking through short term volatility, we see strong upside.

Portfolio Activity

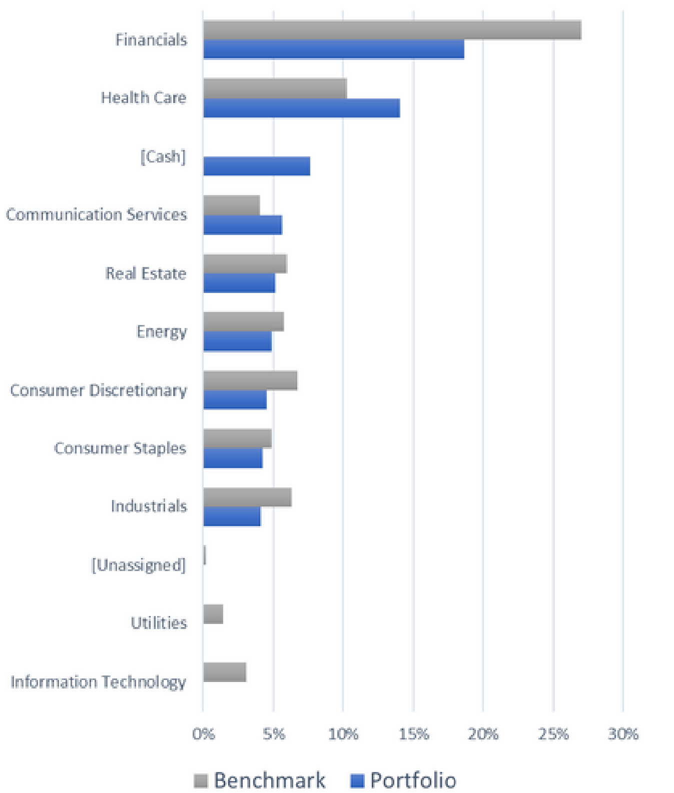
BUY	
Macquarie Group Ltd (MQG)	We have been cautious regarding MQG's ability to perform in an increasing interest rate environment with a tighter liquidity environment a challenge to the recycling of capital. Our view that interest rates have peaked and successful market intervention as credit risk looked to escalate post the US bank credit issues has been a catalyst for review. We believe MQG has positioned itself to deliver sustainable growth as it pivots toward funding the capital spend needed in the transition to a low carbon economy. Offering a 4% yield with evident upside we initiated a position.
CSL Limited (CSL)	CSL looks set to deliver a very strong FY24 as recent growth in plasma collected is sold into the market over the next year. The resulting revenue growth will lead to a recovery in margins that is currently underestimated by the market. Furthermore, we see a series of upcoming catalysts including new drug trials as well as regulatory approvals. Post recent earnings upgrades the company trades at an attractive 30x price to earnings (PE) with the group capping out at 44x PE in the most recent cycle.
SELL	
Westpac Banking Corporation (WBC)	Current industry data indicates that WBC continues to be lagging the growth of the other major banks. Furthermore, we see the recent result as further indication that the group has a long road to control escalating costs and return ROE (return on equity) to industry average. The industry remains highly competitive and with likely interest rates now heading lower we reduce our exposure to WBC to fund a new position in Macquarie Group (MQG).

SELL	
Woodside Energy Group Ltd (WDS)	WDS released their first quarter production report during the month which saw 46.8 mmboe (millions of barrels of oil equivalent) being produced at an average price received of $85 per barrel with Bass Strait and Gulf of Mexico being marginally below expectations. The company continued its recent strategy of selling a meaningful amount of product in the spot market. The proportion for the quarter spot sales was 32% which helped boost their realised average price. The second quarter will be a softer quarter given the upcoming maintenance at the Pluto LNG facility. The company continues to make good progress with upcoming growth projects at Scarborough and Pluto Train 2. In addition, Sangomar is now 82% complete and expected to produce first oil in late 2023. Joint venture partner BP agreed to buy Shell's 27% stake in the $20 billion Browse field which should see the project finally move forward after many delays to replace the aging North West Shelf LNG aging plants. With the stock trading close to fair value we reduced our allocation, maintaining a level of exposure to the sector through a smaller position.
Northern Star Resources Ltd (NST)	Although NST reported a softer quarter in production they also reiterated that FY23 guidance remains on target, implying the June quarter will be stronger. The softer March quarter was not a surprise with the Pogo plant down for a three week repair as released to the ASX. Pogo is now back at full production. The Kalgoorlie Consolidated Gold Mines (KCGM) plant was also down for repairs. During the month the company issued USD600 million of long term debt at favourable interest rates to fund the potential expansion at KCGM which will be an accretive long term growth strategy. For the June quarter we are expecting higher volumes and grades across all NST production facilities. We have taken the opportunity to take profit by reducing our allocation slightly, while maintaining a strong active position.

Top 10 holdings (alphabetical)

- Amcor PLC Shs Chess Depository Interests
- ANZ Group Holdings Ltd
- BHP Group Ltd
- Coles Group Ltd
- CSL Ltd
- Mineral Resources Ltd
- National Australia Bank Ltd
- Northern Star Resources Ltd
- South32 Ltd
- Telstra Group Ltd

Sector Positioning



Portfolio metrics*

	Ralton	XKOAI^
# of Securities	*25*	*307*
Market Capitalisation	*68,015.3*	*72,474.0*
Active Share	56.6	--
Tracking Error	*2.82*	--
Beta	*0.91*	*1.00*
Est 3-5 Yr EPS Growth	5.8	3.7
ROE	*19.3*	*18.6*
Dividend %	4.35	4.29
P/E using FY2 Est	14.1	14.2
Price/Cash Flow	8.2	8.8

* 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.