

Ralton Australian Equity Ex 50

Quarterly Portfolio Report | April 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	2.28%	-1.81%	-6.05%	7.26%	0.79%	6.81%	6.08%
Income	0.08%	0.96%	2.69%	2.45%	2.52%	2.81%	3.36%
Growth	2.20%	-2.77%	-8.74%	4.80%	-1.73%	4.00%	2.72%
Index ²	2.78%	-1.74%	-9.43%	9.22%	3.90%	5.95%	2.27%
Outperformance	-0.50%	-0.07%	3.38%	-1.96%	-3.11%	0.86%	3.81%

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 April, returning 2.28%, versus the index return of 2.78%. 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
IGO Limited (IGO) 7.7%	IGO released a mixed quarterly production report during the month. Solid results were recorded by the lithium division (Greenbushes) & Kwinana while Nova (nickel) volumes were 9% below expectations due to lower grades and Forrester output was somewhat below consensus. Net profit for the quarter was \$412 million up 22% from the December quarter which allowed the company to become debt free. The nickel division has been disappointing for a couple of years and the company has flagged a write down for the FY23 results in August. Pleasingly the capital expenditure for the Cosmos project has been revised from \$412 million to \$345 million which will have significant cost reductions benefits for the company in FY25.
Reliance Worldwide Corporation Ltd (RWC) 10.9%	RWC finished strongly for the month (share price +10.8%) with a 9 month trading update released on 27 April indicating resilient sales growth of 15% versus the prior corresponding period with strong growth in the Americas and Europe, Middle East and Africa and flat line volume growth in Asia Pacific with a notable peak in input costs positively impacting future operating margins. The stock outperformed the Industrial Capital goods sub sector segment which averaged +0.7% for the month.
Corporate Travel Management Limited (CTD) 15.8%	CTD performed exceptionally well over the month, rising approximately 16%, outperforming the ASX All Ordinaries by 14%, following its achievement of securing its most significant contract win to date, valued at AUD3 billion with the UK Home Office. Against the backdrop of the current macroeconomic outlook, this achievement is a testament to CTD's high quality services. Importantly, this contract win means that government contract work comprises more than 50% of total group revenue (subject to the upcoming renewal of its WoAG contract) increasing its earnings quality and transparency. CTD's FY23-FY24 guidance now appears conservative, as the company possesses a strong pipeline of demand. With net cash on its balance sheet and trading below its long-term valuations, we maintain our positive outlook.

Detractors	Comment
Praemium Ltd (PPS) -8.1%	April saw PPS and the other emerging platform incumbents post their quarterly flow updates, with all missing market consensus to varying degrees. Whilst not wanting to dismiss a poor result out of hand, the nature of the platforms business is that adviser and book transitions are often lumpy and can make comparing directly to prior periods messy. Our thesis remains intact, as we expect flow transitions to normalise over the coming quarters.
Perenti Limited (PRN) -4.9%	PRN retraced some of its gains over April despite positive mid-month newsflow regarding a contract extension. On May 1 the group announced yet another material contract extension, which has since seen the share price recover. These extensions, as well as signs of improving operational conditions give us confidence that PRN will achieve its FY23 revenue guidance.
Omni Bridgeway Ltd (OBL) -13.9%	We are attracted to OBL's ability to generate income independently of the business cycle. However, the company has a history of lumpy financial results, a result of time taken to complete litigation and lawsuits which are notoriously difficult to predict. We decided to exit the position to re-allocate capital into more promising investment opportunities.

Portfolio Activity

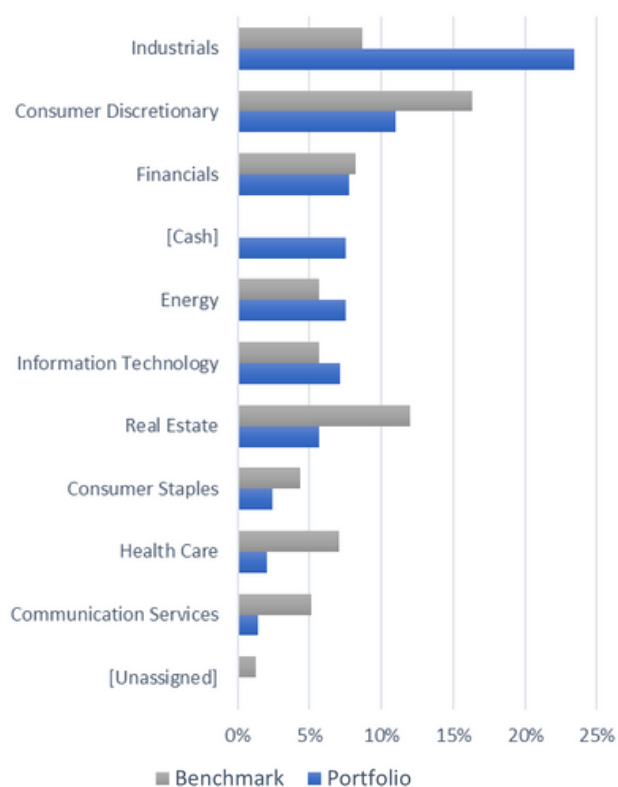
BUY

NRW Holdings Limited (NWH)	We initiated a position in NWH during April, given the groups strong earnings outlook, underpinned by a total pipeline worth \$19.3 billion and secured work of \$2.6 billion for FY23. Despite delays caused by adverse weather and a challenging macroeconomic environment, the company is expected to achieve earnings before income tax and amortisation (EBITA) between \$162 million and \$172 million for the full year. NWH's directors have declared an 8.5 cent dividend, indicating the company's financial stability. Overall, NWH's positive outlook and strong financial performance make it a valuable addition to the portfolio.
Graincorp Limited Class A (GNC)	We added to the GNC position during April. The large volume of grain in GNC's reserves underpins the companies' earnings over the next year and a half. The group has a substantial net cash position, allowing optionality to fund future growth initiatives. We feel the anticipated decline in earnings is priced in, presenting an attractive opportunity to top up our position.
Reliance Worldwide Corporation Ltd (RWC)	RWC finished strongly for the month (share price +10.8%) with a 9 month trading update released on 27 April indicating resilient sales growth of 15% versus the prior corresponding period with strong growth in the Americas and Europe, Middle East and Africa and flat line volume growth in Asia Pacific with a notable peak in input costs positively impacting future operating margins. The stock outperformed the Industrial Capital goods sub sector segment which averaged +0.7% for the month.

SELL

Navigator Global Investments Ltd (NGI)	NGI saw continued weakness post its first half result despite a small beat, in which management recommitted to their strategy of purchasing minority stakes. At the same time, to fund these acquisitions, management have reduced the payout ratio and moved to a once-a-year dividend. We have exited the stock for now despite the cheap valuation and would reconsider on a shift in capital-management strategy from management.
Centuria Office REIT (COF)	While we maintain a view that market-implied valuations had fallen to a level below actual valuations, we decided to exit COF from the portfolio. We feel COF will struggle to re-rate in the foreseeable future given the preference for prime office real estate as opposed to metro office like that within the COF portfolio. Given these market dynamics, we believe there are better investment opportunities elsewhere in the commercial real estate sector, selling COF allows us to re-allocate capital to more promising investment opportunities.
Omni Bridgeway Ltd (OBL)	We are attracted to OBL's ability to generate income independently of the business cycle. However, the company has a history of lumpy financial results, a result of time taken to complete litigation and lawsuits which are notoriously difficult to predict. We decided to exit the position to re-allocate capital into more promising investment opportunities.

Sector Positioning



Top 10 holdings (alphabetical)

Credit Corp Group Limited	Regis Resources Limited
IGO Limited	Seven Group Holdings Limited
MMA Offshore Limited	Smartgroup Corporation Ltd
Perenti Limited	Steadfast Group Limited
PEXA Group Limited	Worley Limited

Portfolio metrics*

	Ralton	XSOAI [^]
# of Securities	33	202
Market Capitalisation	3,138.9	2,497.0
Active Share	85.1	--
Tracking Error	6.85	--
Beta	0.80	1.00
Est 3-5 Yr EPS Growth	-0.3	4.5
ROE	11.2	10.2
Dividend %	2.83	2.97
P/E using FY2 Est	14.0	12.2
Price/Cash Flow	8.1	7.9

* 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.