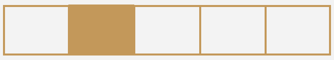
Ralton Dividend Builder

Monthly Portfolio Report | May 2023

RALTON ASSET MANAGEMENT

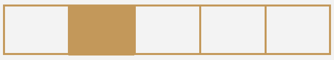
Key facts

Income versus growth target



Income Growth

Market cap bias



Large Small

Investment strategy

A portfolio of ASX-listed equities designed to provide 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	2 yr	3 yr	5 yr	10 yr	Inception
Ralton	**-2.47%**	**-2.54%**	**-0.72%**	**4.41%**	**9.70%**	**5.28%**	**8.12%**	**7.13%**
Income	*0.66%*	*2.00%*	*5.41%*	*3.80%*	*4.66%*	*4.67%*	*4.68%*	*4.91%*
Growth	*-3.12%*	*-4.53%*	*-6.13%*	*0.61%*	*5.04%*	*0.61%*	*3.44%*	*2.22%*
Index[2]	**-2.53%**	**-0.96%**	**2.37%**	**4.71%**	**11.33%**	**7.43%**	**8.10%**	**5.88%**
Outperformance	**0.06%**	**-1.57%**	**-3.08%**	**-0.29%**	**-1.63%**	**-2.15%**	**0.02%**	**1.25%**

[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 May, returning -2.47%, versus the index return of -2.53%. As the market has turned to again reward growth, as evidence by the performance of technology and growth companies, the portfolios tilt to income has resulted in a period of underperformance over the last 12 months. However, the portfolio has delivered strongly on a high and growing income stream with a 5.41% yield delivered to investors over the last year, well ahead of the broader market. We continue to focus on investing in companies with strong competitive advantages and valuation support which has held the portfolio in good stead during an extended period of volatility.

Contributors	Comment
Worley Limited (WOR) 8.3%	WOR held an investor day on 9 May 2023 where they indicated that higher gross margin will continue to flow from pipeline into revenue. The company is growing its share of the market and intends to actively prioritise higher margin work and expect the earnings before income tax and amortisation (EBITA) margins to grow in excess of 7.5% by FY24. We see WOR as one of the most attractive stocks exposed to decarbonisation, a structural growth theme that will play out over multiple decades. WOR is well positioned to meet the opportunities and challenges of the current market, in addition to the geopolitical environment elevating the need for energy independence and security of supply. It is a high quality, global business with strong cyclical and structural tailwinds.
Graincorp Limited Class A (GNC) 12.2%	Graincorp increased 12% in May post a strong 1H23 result. Pessimism has built lately as weather forecasters have increased their expectations for a period of drier conditions. This was proved unfounded as the company upgraded its FY23 forecast ans posted a robust outlook. The strategic value of its assets, strong dividend and net cash position should see the stock move higher as crop concerns ease.
James Hardie Industries PLC Chess Units of Foreign Securities (JHX) 13.1%	JHX rose 13.1% over the month post a strong FY23 result that showed JHX is performing well in a mixed US housing market. Channel checks had proved insightful in supporting our confidence that US housing has seen its bottom. JHX confirmed as much, targeting a return to growth in the 1Q24. With industry indicators turning up, we expect JHX to continue to outperform peers and the broader market.

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Portfolio Performance

Detractors	Comment
Amcor PLC Shs Chess Depository Interests (AMC) -7.7%	As flagged in last months report we were expecting a subdued 3Q print from Amcor however the weak volumes discussed by AMC peers were exacerbated by de-stocking in the group's European operations. We see the impacts as largely short term as de-stocking is expected to complete by end of CY23 and with a slowing economic outlook we expect AMC's exposure to defensive healthcare and FMCG categories to support the stock ongoing.
National Australia Bank Limited (NAB) -7.1%	NAB released half year results early in May indicating net interest income up +11.2% from both margin (higher rates) and higher volume across most segments. This was offset by cost increases of +11% so overall NAB registered flat income growth on the underlying business for the half, however, net interest margin increased 0.14%. NAB which is the leader in business banking is facing competitve pressures in this higher margin segment as its competitors chase market share.
South32 Ltd (S32) -8.5%	During the month the company updated the market on its 100% owned Arizona Hermosa project. The US Government has added the project to its FAST 41 process. To qualify for this process projects must meet rigorous criteria to benefit the US sourcing critical minerals. However the feasibility for the Taylor zinc-lead-silver deposit has been delayed by a few months to the second half of 2023 and capital expenditure is now approaching USD1.8 billion. The company also provided an update on the Clark battery-grade manganese deposit. They are now stating that this deposit has the potential to supply battery grade material to the American electric vehicle supply chain. Using spot commodity prices presents a scenario of the stock trading on a FCF for FY24 of 12%.

Portfolio Activity

BUY

N/A

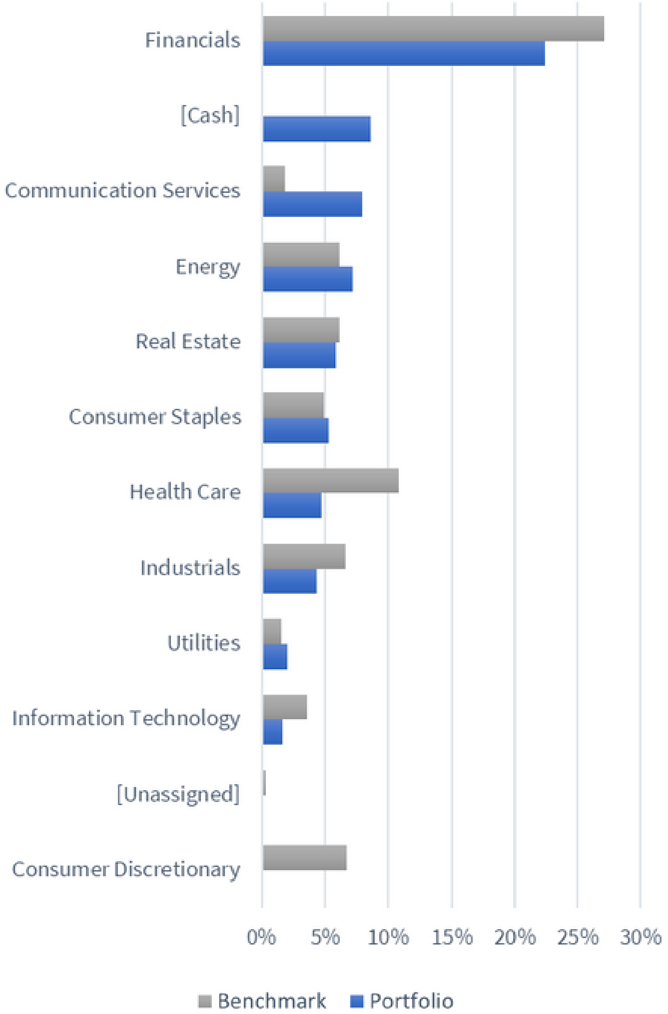
SELL

N/A

Top 10 holdings (alphabetical)

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

Sector Positioning



Portfolio metrics*

	Ralton	XKOAI^
# of Securities	*27*	*298*
Market Capitalisation	*58,175.0*	*69,772.2*
Active Share	66.4	--
Tracking Error	*4.00*	0.00
Beta	*0.88*	*1.00*
Est 3-5 Yr EPS Growth	2.7	2.9
ROE	*18.2*	*18.4*
Div% NTM	5.77	4.45
P/E using FY2 Est	12.4	13.8
Price/Cash Flow	6.7	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.