

# Ralton Australian Equity Ex 50

Monthly Portfolio Report | May 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.)<sup>1</sup>

At month end	1 mth	3 mth	1 yr	2 yr	3 yr	5 yr	10 yr	Inception
Ralton	-1.42%	-0.51%	-1.99%	-1.60%	4.31%	0.13%	6.84%	5.95%
Income	0.02%	0.68%	2.71%	2.61%	2.46%	2.53%	2.80%	3.35%
Growth	-1.45%	-1.19%	-4.71%	-4.21%	1.85%	-2.39%	4.05%	2.60%
Index <sup>2</sup>	-3.26%	-1.29%	-5.77%	-5.17%	4.46%	2.46%	6.01%	2.03%
Outperformance	1.83%	0.77%	3.78%	3.57%	-0.14%	-2.33%	0.83%	3.91%

<sup>1</sup> 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.

<sup>2</sup> Index means the S&P/ASX Small Ordinaries Accumulation Index

## Portfolio Performance

The Ralton Ex 50 Portfolio outperformed the ASX Small Ordinaries in May, returning -1.42%, versus the index return of -3.26%. 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
<b>Worley Limited (WOR)</b> 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.
<b>Smartgroup Corporation Ltd (SIQ)</b> 8.0%	Recent commentary from SIQ suggests the business is benefitting from multiple tailwinds, including the adoption of electric vehicles (EV). EV sales will continue to lift SIQ's margin as the average higher vehicle cost means a higher upfront payment. The group has outperformed its competitor MMS for the past three months, and is a good way to gain leverage to the EV thematic.
<b>Jumbo Interactive Limited (JIN)</b> 12.9%	JIN provided a trading update flagging softness in total jackpot numbers, a factor outside of their control. They demonstrated great cost control through lower marketing and customer acquisition spend. Further, the company announced a raft of price increases across its products, which management have successfully implemented previously.

Detractors	Comment
<b>Silver Lake Resources Limited (SLR)</b> -17.7%	At the start of May SLR submitted a nonbinding indicative and conditional proposal to acquire the St Barbara's Leonora assets for \$732 million funded in part by cash and in part by scrip in SLR. By month end SLR had submitted three further increased offers as another gold company made several competing bids for St Barbara. While we remain comfortable with SLR existing assets we need to see how this potential acquisition will play out. We view SLR's existing gold assets of 1.5 million ounces of reserves with annual production of 265koz in FY23 at a cost of AUD2,000 as being attractive.
<b>MMA Offshore Limited (MRM)</b> -8.3%	Vessel contractor MRM services the offshore energy industry which includes oil, gas and renewables. While the company also provides services to wider maritime industries, the share price can be impacted by day traders reacting to moves in the oil price, which retraced over May. MRM is a beneficiary of offshore energy capital expenditure which in turn is influenced by commodity prices. However, the prevailing demand and undersupply of vessels is underpinning the company's earnings profile. Short term movements in the oil price do not change our investment thesis for MRM.
<b>Praemium Ltd (PPS)</b> -10.2%	May saw PPS and the other emerging platform incumbents continue to see share price weakness after collectively missing their flow guidance in their April updates. We believe that the miss is largely attributable to lumpiness in the movement of books across the platforms as opposed to any overall change in advisor behaviour. On a positive note, the recent cash rate increases have been beneficial to the platform businesses, allowing them to earn a better margin on their client's cash.

## Portfolio Activity

### BUY

N/A

### SELL

#### Navigator Global Investments Ltd (NGI)

NGI has continued to see weakness post its first half result despite a small beat, in which management recommitted to their strategy of purchasing minority stakes in various fund managers. 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.

## Portfolio metrics\*

	Ralton	XSOAI <sup>^</sup>
# of Securities	33	201
Market Capitalisation	3,171.9	2,330.6
Active Share	86.3	--
Tracking Error	6.74	--
Beta	0.80	1.00
Est 3-5 Yr EPS Growth	-0.2	6.2
ROE	11.4	9.7
Dividend %	2.87	3.08
P/E using FY2 Est	11.5	13.6
Price/Cash Flow	8.0	7.7

\* Source: FactSet

<sup>^</sup> 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.

## Top 10 holdings (alphabetical)

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

## Sector Positioning

