Ralton Concentrated Australian Equity

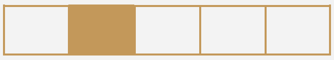
Quarterly Portfolio Report | June 2023

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	2 yr	3 yr	5 yr	10 yr	Inception
Ralton	**0.01%**	**-1.20%**	**11.22%**	**4.78%**	**12.10%**	**5.24%**	**8.70%**	**7.04%**
Income	**0.23%**	*0.86%*	*4.44%*	*3.76%*	*3.51%*	*3.71%*	*3.79%*	*4.12%*
Growth	*-0.22%*	*-2.06%*	*6.78%*	*1.02%*	*8.59%*	*1.53%*	*4.91%*	*2.92%*
Index[2]	*1.73%*	**0.99%**	**14.40%**	**3.27%**	**11.07%**	**7.12%**	**8.55%**	**5.97%**
Outperformance	**-1.72%**	**-2.19%**	**-3.17%**	**1.51%**	**1.03%**	**-1.88%**	**0.15%**	**1.07%**

[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 June, returning 0.01%, versus the index return of 1.73%. 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
James Hardie Industries PLC Chess Units of Foreign Securities (JHX) 4.9%	Whilst no company specific releases came out in June, JHX saw a significant rerate on the back of improving macro indicators in the US. Housing starts saw a substantial increase of 22%, a significant beat on consensus of -1%, with building permits also showing strong growth. Whilst the series is inherently volatile, it still represents the largest absolute increase since 1990 and relative increase since 2016. This reiterated the underlying robustness of housing demand in light of a 7% mortgage rate in the country.
ANZ Group Holdings Limited (ANZ) 3.4%	The tumultuous performance of the banking sector rolls on, gyrating from pessimism to optimism. ANZ is preferred bank stock given its lower credit risk profile and larger exposure to the transactional based institutional banking segment with clear plans to expand into the high growth Indian and Chinese markets. ANZ's strategy is to also increase its retail banking segment, winning new business away from the other major banks with competitive pricing and service offerings. Looking forward, later this month we will get an update on the Suncorp bank acquisition decision which will potentially add 10% of annual earnings to ANZ's retail segment.

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Portfolio Performance

Contributors	Comment
Aristocrat Leisure Limited (ALL) 4.1%	ALL performed solidly in June, returning over 4%. Whilst ALL released no announcements during the month, we believe the market had more time to digest its half year numbers from May, which showed record sales in the Americas, supply chain issues easing and a net cash balance sheet which places it favourably for future mergers and acquisitions. Another point of interest in ALL's earnings was its digital arm Pixel United, which saw bookings numbers decrease, however actually increased its market share as it fell less than system. We view ALL as presenting upside.

Detractors	Comment
CSL Limited (CSL) -9.5%	CSL updated the market during the month on foreign exchange (FX) headwinds, inflation, and competition from generics. CSL has increased its expected FX headwind for FY23 to ~USD230-250 million from a previously estimated USD175 million. The company has also downgraded its FY24 net profit after tax and amortisation guidance to USD2.88-3.01 billion, below consensus expectations. Despite these short-term challenges, CSL anticipates modest improvements in Behring margins due to operational efficiencies, yield improvements, and a 20% fall in average cost per litre of plasma collection. Price increases and new product launches are expected to help restore pre-COVID margins.
Northern Star Resources Ltd (NST) -6.4%	Gold stocks were generally weaker in June reflecting the 2.5% fall in the underlining commodity price due to higher interest rates. NST released the long-awaited final investment decision on the expansion of its KCGM project. The company has committed to spend $1.5 billion to double the processing capacity. This accretive project is fully funded and ensures that NST will remain in the second quartile of the global gold stock cost curve for the long term.

Portfolio Activity

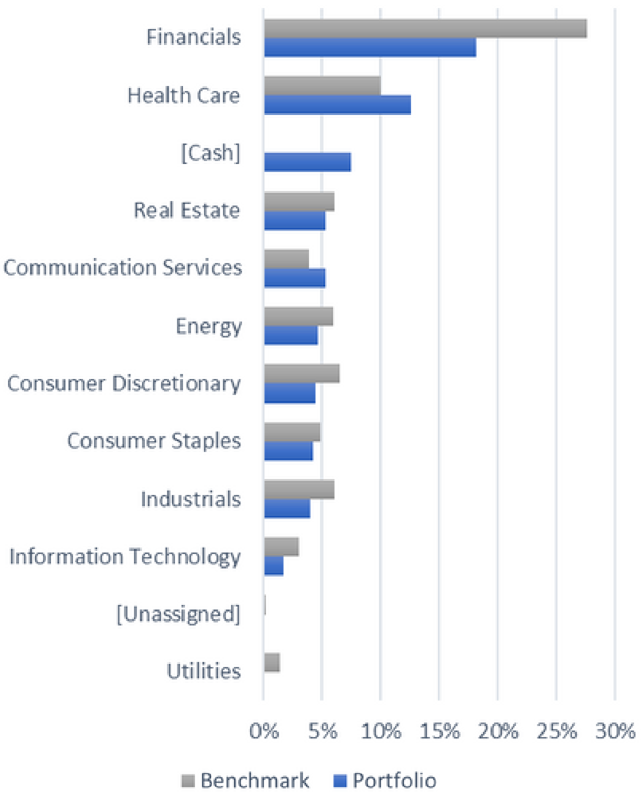
BUY	
Qube Holdings Ltd (QUB)	QUB operates a portfolio of port and logistic assets across Australia which together provide the only end to end logistics solution for global companies. With the acquisition of Asciano, the former Patricks team under Chris Corrigan and now Paul Digney QUB offers shareholders exposure to operating assets with high barriers to entry and in our view increasing pricing power. The key near term risk is a slowing in logistic volumes however recent market diligence has uncovered evidence of increasing pricing power. Monopolistic like assets exposed to GDP growth with margin upside provides a strong investment proposition, with forecast 10% compound annual growth and a 3% fully franked dividend.

SELL	
Bapcor Ltd (BAP)	BAP owns the largest distribution network for vehicle parts and accessories in Australia. While the end demand for servicing of the aging fleet of cars on the road has low cyclical volatility, 20% of group earnings is exposed to the retail channel which is under increasing pressure from higher rates and inflation. We see near term risk to earnings growth and potential the planned BTB (better than before) cost out strategy to cost more than expected. The result is lower earnings before income tax (EBIT) and return on capital meaning BAP is unlikely to trade back to recent highs.

Top 10 holdings (alphabetical)

Amcor PLC Shs Chess Depository Interests
ANZ Group Holdings Ltd
BHP Group Ltd
Coles Group Ltd
CSL Ltd
James Hardie Industries PLC Chess Units of Foreign Securities
Mineral Resources Limited
National Australia Bank Limited
Northern Star Resources Ltd
Telstra Group Limited

Sector Positioning



Portfolio metrics*

	Ralton	XKOAI^
# of Securities	*26*	*298*
Market Capitalisation	*67,510.0*	*72,459.6*
Active Share	59.1	--
Tracking Error	*2.84*	*0.00*
Beta	*0.89*	*1.00*
Est 3-5 Yr EPS Growth	1.1	2.8
ROE	*19.9*	*18.7*
Dividend %	4.48	4.43
P/E using FY2 Est	14.4	14.5
Price/Cash Flow	8.0	8.7

* 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.