

Ralton Australian Equity Ex 50

Monthly Portfolio Report | July 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	2 yr	3 yr	5 yr	10 yr	Inception
Ralton	2.98%	1.70%	2.39%	-2.62%	3.72%	0.39%	6.88%	6.09%
Income	0.09%	0.18%	2.63%	2.63%	2.48%	2.48%	2.79%	3.32%
Growth	2.89%	1.53%	-0.24%	-5.25%	1.24%	-2.09%	4.08%	2.77%
Index ²	3.54%	0.20%	0.77%	-5.26%	5.89%	3.18%	6.18%	2.24%
Outperformance	-0.56%	1.51%	1.62%	2.64%	-2.17%	-2.78%	0.70%	3.85%

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 July, returning 2.98%, versus the index return of 3.54%. 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

Credit Corp Group Limited (CCP) 19.2%

CCP rose strongly in the month on no news items but possibly on expectations of a strong full year result being released in early August. However at the time of writing much of the stock price rise had been reversed post the release of the full year results.

Smartgroup Corporation Ltd (SIQ) 14.1%

SIQ continued its recent positive share price momentum in July, with positive news around new car sales, car delivery times and electric vehicle sales contributing to the movement. New CEO Scott Wharton took over the reins during the month in a move that was flagged months earlier, which we believe was well received by the market. With the highest proportion of novated leasing earnings of the listed players, we expect the company to continue to be well placed for growth in future years.

Perenti Limited (PRN) 16.6%

The share price of mining services company PRN rebounded in July, following the negative market reaction to their acquisition of drilling peer DDH1 in June. We liked the rationale behind the deal, and remain positive on the outlook for PRN given its large work pipeline. We expect costs will start normalising, which should result in positive margin expansion for the combined group.



Detractors	Comment
Praemium Ltd (PPS) -17%	PPS provided an operational update during the month, revealing its flows were weaker than market expectations. This unfortunately follows a trend of recent updates from Praemium into its assets under management growth, which suggests it may be falling behind the relative growth rates of competitors Netwealth and HUB24. Cash levels at PowerWrap were also a bit disappointing, suggesting more clients may be holding cash in accounts off platform.
IGO Limited (IGO) -9.2%	IGO announced larger than expected impairments to the former Western Areas assets including Cosmos during the month, moving the company's share price lower. However, June quarter results were positive with strong production growth at Greenbushes and lower mining costs across the business on a quarter on quarter basis.
Regis Resources Limited (RRL) -8.5%	RRL released their June quarterly report during the month which showed 122,000 ounces (oz) of gold being produced at a cost \$1,851/oz and being sold at an average price of \$2,669/oz. For FY23 the company produced 458,000 oz. RRL finished the year with a strong cash position of \$243 million, however gave cost guidance for FY24 of \$2,155/oz which the market didn't view favourably.

Portfolio Activity

BUY

Ridley Corporation Limited (RIC)	Vertically integrated animal feed producer RIC is one of our key picks this reporting season. Management have reinvested in the business to improve the supply chain and keep costs lower. They have done this whilst improving the group's earnings quality through higher margin, less cyclical products such as dog food. We believe this strategy will continue to drive earnings growth and currently assign a \$2.35 valuation. We are comfortable with adding RIC given its strong balance sheet position, which provides optionality for management to pursue acquisitions or return capital to shareholders.
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SELL

Nufarm Limited (NUF)	We have concerns over NUFs elevated inventory position in key end markets, which we expect will be an issue following the recent downgrades by peers FMC Corporation and Bayer AG group who both sell similar products in similar markets. The pair have each cited weaker sales due to their channel partners destocking their own inventory rather than re-ordering. Despite this news from peers, the NUF share price has remained strong since the Norwegian Omega 3 approval. We have taken the opportunity to exit ahead of what we think will be a soft NUF result.
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Portfolio metrics*

	Ralton	XSOAI [^]
# of Securities	32	199
Market Capitalisation	3,161.9	2,944.9
Active Share	88.5	--
Tracking Error	6.34	--
Beta	0.77	1.00
Est 3-5 Yr EPS Growth	18.2	5.1
ROE	11.8	9.6
Dividend %	2.72	2.82
P/E using FY2 Est	15.0	13.9
Price/Cash Flow	8.8	7.5

* 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.

Top 10 holdings (alphabetical)

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

Sector Positioning

Portfolio Positioning

