

# Ralton Australian Equity Ex 50

Monthly Portfolio Report | September 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	-3.47%	-1.50%	7.69%	-6.09%	2.30%	-0.66%	5.78%	5.73%
Income	0.81%	1.22%	2.72%	2.56%	2.63%	2.52%	2.76%	3.36%
Growth	-4.28%	-2.72%	4.96%	-8.64%	-0.32%	-3.18%	3.01%	2.37%
Index <sup>2</sup>	-4.04%	-1.94%	6.85%	-9.04%	2.57%	1.63%	5.13%	1.86%
Outperformance	0.57%	0.44%	0.84%	2.95%	-0.26%	-2.29%	0.65%	3.86%

<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 September, returning -3.47%, versus the index return of -4.04%. 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>Seven Group Holdings Limited (SVW)</b> 12.2%	SVW's performance is underpinned by the continued strong operational and earnings momentum of its Industrial Services segment, supported by customers ageing fleet and solid bulk commodity outlook. This is further supported by the Coates & Boral segments which are exposed to a significant pipeline of infrastructure and construction projects. SVW's overall portfolio is well balanced with the remaining two segments, namely media and energy (via Beach Energy), which both recently underperformed, remaining critical on a diversification basis and exposed to increasing efficiency gains from digitisation for the former and favourable market dynamics for the latter.
<b>Ridley Corporation Limited (RIC)</b> 6.5%	RIC was a safe haven for investors during September. Management have successfully reinvested into the business to unlock operating leverage. The Bulk Stockfeed division should benefit from the drier conditions upon us. History suggests we should expect a circa +\$5 million uplift in earnings before income tax, depreciation and amortisation. The Packaged Feed segment continues pursue its rendering premiumisation strategy which should see margins increase. We remain positive on the outlook for RIC and the defensive quality it brings to the portfolio.
<b>MMA Offshore Limited (MRM)</b> 4.5%	The month began with a positive contract win for MRM. The rally in oil also played its part, helping MRM and international peers outperform a weaker broader market in September. We recently met with MRM management who remain very confident in the supply demand thematic that continues to play out. We expect vessel utilisation, day rates and as a result earnings to increase from here.

Detractors	Comment
<b>Calix Ltd. (CXL)</b> -26.6%	No company specific news caused the CXL share price to fall as much as it has. However, given the longer duration of the investment, it is more susceptible to increasing interest rates, hence why we had limited the size of the position in the portfolio. We remain positive on the growth story. We are particularly excited by the Leilac division which is currently being commercialised. CXL's technology has proven to be the cheapest and most effective process for CO2 capture in the cement manufacturing sector. During the month we gained further confidence in the commerciality of the lithium salt project joint venture with PLS, following a discussion with industry insiders
<b>Rural Funds Group (RFF)</b> -16.9%	The ASX200 A-REIT index declined -8.72% in September due to the rally in bond yields. Unfortunately, RFF followed the fate of its Australian real estate investment trust (AREIT) peers. There was no negative company specific news. We remain positive on high quality agricultural property assets with sufficient water rights, such as those within the RFF portfolio. We expect the groups net asset value to continue to rise as macadamia investments mature.

## Portfolio Activity

BUY	
-	-
SELL	
-	-

## Portfolio metrics\*

	Ralton	XSOAI <sup>^</sup>
# of Securities	36	200
Market Capitalisation	2,985.4	2,963.5
Active Share	87.2	--
Tracking Error	5.93	--
Beta	0.84	1.00
Est 3-5 Yr EPS Growth	16.7	2.4
ROE	14.7	10.4
Dividend %	2.95	2.88
P/E using FY2 Est	12.8	12.5
Price/Cash Flow	8.8	7.1

\* 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)

Hansen Technologies Limited	Ridley Corporation Limited
Johns Lyng Group Ltd	Seven Group Holdings Limited
MMA Offshore Limited	Smartgroup Corporation Ltd
Nick Scali Limited	Steadfast Group Limited
Perenti Limited	Worley Limited

## Sector Positioning

### Portfolio Positioning

