

Ralton Dividend Builder

Monthly Portfolio Report | October 2023



Key facts

Income versus growth target



Market cap bias



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		-3.32%	-8.10%	-1.30%	1.11%	9.16%	4.70%	6.58%	6.75%
Income		0.03%	1.27%	4.73%	4.36%	4.56%	4.62%	4.64%	4.89%
Growth		-3.35%	-9.37%	-6.03%	-3.25%	4.60%	0.08%	1.94%	1.87%
Index ²		-3.80%	-7.29%	2.51%	-0.08%	8.68%	7.15%	6.56%	5.52%
Outperformance		0.48%	-0.81%	-3.82%	1.18%	0.48%	-2.45%	0.02%	1.23%

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 October, returning -3.32%, versus the index return of -3.8%. 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
Rio Tinto Limited (RIO) 3.5%	RIO performed strongly in October, reflecting upwards movements in the price of iron ore towards USD 120 per tonne, driven by tight iron ore inventory in China and higher than expected steel mill production rates. RIO is guided to deliver a circa 6-7% full franked dividend yield in FY24.
Smartgroup Corporation Ltd (SIQ) 3.6%	SIQ's outperformance was catalysed by McMillan Shakespeare's robust trading update, signalling strong novated lease growth propelled by the government's Electric Car Discount Policy. With electric vehicles (EV) forming a growing slice of novated sales and low awareness offering room for market expansion, SIQ is well-positioned to capitalise on this momentum. The firm's potential to increase its share in the novated market, amid a rising EV trend, supports our outlook for sustained earnings growth and further upside.

Portfolio Performance

Detractors	Comment
Mineral Resources Limited (MIN) -14.6%	<p>The price of lithium has continued to trend downwards, causing weakness in MIN. This has been driven by lower demand expectations for lithium in the short term, as indicated by weaker electric vehicle sales. MIN is likely to pull levers to improve its balance sheet position, and continues to seek both inorganic and organic growth opportunities via the Onslow Iron Ore Project and the acquisition of Bald Hill.</p>
Pilbara Minerals Limited (PLS) -14.7%	<p>The price of lithium has continued to trend downwards, causing price weakness in PLS. This has been driven by lower demand expectations for lithium in the short term, as indicated by weaker electric vehicle sales. PLS is a high quality lithium miner, with robust project economics and a strong balance sheet. Over the medium to long term we remain positive on PLS's leverage to the transport electrification thematic.</p>

Portfolio Activity

BUY	
CSL Limited (CSL)	<p>The recent surge in fixed interest rates has seen traditional defensives selloff in line with broader market weakness. CSL has been caught up in the selloff and now trades at price/earnings (PE) levels far below our long term view, reflecting the company's ability to generate sustainable growth at high returns on capital. The November capital markets day is an opportunity for the market to be reminded of the company's exposure to a mid single digit growing plasma market and near term margin expansion from lower input costs.</p>
Medibank Private Ltd (MPL)	<p>As Australian net migration numbers continue to surprise, MPL has strong upside potential given its large network for higher-margin insurance products. On top of this, the higher yield environment improves their investment income, and the slower recovery of hospital activities post COVID-19 reopening are all beneficial to MPL's future insurance margins.</p>
Woodside Energy Group Ltd (WDS)	<p>A confluence of factors has seen us reposition the portfolio to better reflect our view that we are likely to see inflation remain higher for longer and that oil as a commodity will provide a strong hedge in the portfolio to further geopolitical uncertainty. WDS has a global set of assets, with forecast production growth and an under-gearred balanced sheet. Prior to the tragic events unfolding in the Middle East, we saw a challenging supply outlook for the commodity, more so now it is likely that global energy exposure will deliver strong diversification and returns.</p>

SELL

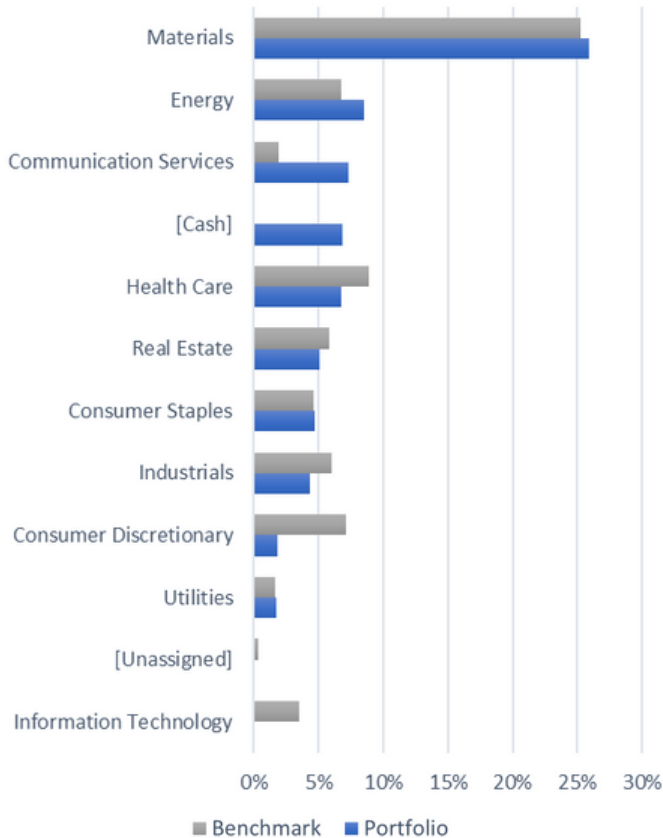
James Hardie Industries PLC Chess Units of Foreign Securities (JHX)	<p>We expect JHX to continue to deliver growth over the medium term as it executes its strategic plan to increase its share of an under-supplied US housing market. However, post a recovery in housing starts and commensurate recovery in the share price we believe surging mortgage rates in the US will impact industry growth, and hence impacting the JHX near term outlook. We exit the position and look to buy back into the high quality operator when foreseen risks are better reflected in the share price.</p>
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Top 10 holdings (alphabetical)

Amcor PLC Shs Chess Depository Interests
 ANZ Group Holdings Limited
 BHP Group Ltd
 Mineral Resources Limited
 National Australia Bank Limited

QBE Insurance Group Limited
 Rio Tinto Limited
 Sonic Healthcare Limited
 Telstra Group Limited
 Woodside Energy Group Ltd

Sector Positioning



Portfolio metrics*

	Ralton	XKOAI [^]
# of Securities	30	300
Market Capitalisation	67,276.0	71,140.8
Active Share	62.0	--
Tracking Error	3.14	--
Beta	0.90	1.00
Est 3-5 Yr EPS Growth	0.8	5.0
ROE	21.0	19.0
Div% NTM	5.65	4.34
P/E using FY2 Est	12.6	13.6
Price/Cash Flow	6.8	8.3

* 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 in an index.