Ralton Concentrated Australian Equity

Monthly Portfolio Report | November 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	**4.64%**	**-2.98%**	**-3.98%**	**3.94%**	**7.06%**	**6.50%**	**7.16%**	**6.74%**
Income	**0.66%**	*1.28%*	*3.79%*	*3.44%*	*3.62%*	*3.62%*	*3.76%*	*4.11%*
Growth	*3.98%*	*-4.26%*	*-7.77%*	*0.50%*	*3.44%*	*2.88%*	*3.40%*	*2.63%*
Index[2]	*5.06%*	**-1.85%**	**1.14%**	**2.69%**	**6.96%**	**8.69%**	**7.25%**	**5.82%**
Outperformance	**-0.42%**	**-1.13%**	**-5.12%**	**1.25%**	**0.11%**	**-2.19%**	**-0.09%**	**0.92%**

[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 November, returning 4.64%, versus the index return of 5.06%. 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
CSL Limited (CSL) 12.9%	CSL's stock price bounced back in November. Despite this we think there is still value in the company which we expect will grow earnings at a compound annual growth rate of +14% from FY23-FY27 driven by margin recovery across the business. We think CSL should also benefit from peaking interest rates, so we remain bullish on the outlook and anticipate a re-rating from here.
Resmed Inc CHESS Depositary Interests on a ratio of 10 CDIs per ord.sh (RMD) 12.0%	RMD outperformed in a strong market, rebounding significantly in November after being oversold in prior months. Late in November, some incremental positive news for RMD shareholders came in as main rival Phillips had yet another hiccup, with the FDA issuing an alert on their competing product. We think RMD offers appealing value, trading on only 21x price to earnings (P/E) for the next 12 months.
ALS Ltd. (ALQ) 15.9%	ALQ performed strongly during the month post the release of its half yearly results, which showed it beat market expectations with underlying net profit after tax (NPAT) above the top end of its guidance range. ALQ also maintained its leading earnings before income tax (EBIT) margins above 19%, supported by strong performance from its Environmental and Geochemistry businesses.

Portfolio Performance

Detractors	Comment
Woodside Energy Group Ltd (WDS) -9.5%	Short term weakness in the price of oil translated to a lower share price for WDS during the month, driven by higher than expected US oil supply and a weaker global growth outlook. We are constructive on the potential merger between WDS and STO which could be an accretive deal to drive synergies between the two oil and gas majors.

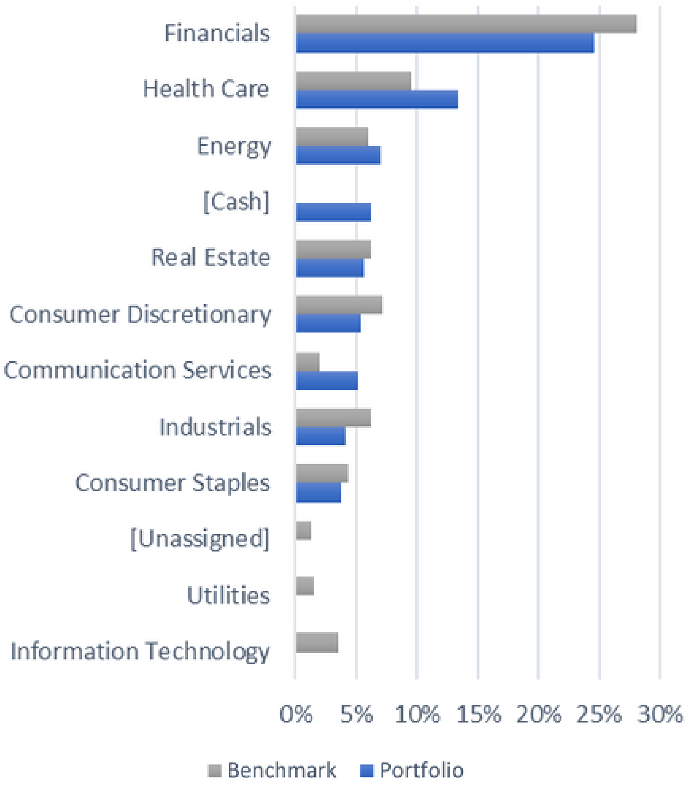
Portfolio Activity

BUY	
NIB Holdings Ltd (NHF)	Private health insurance for temporary residents is a necessary product that is extremenly profitable for NHF. Historically, during strong migration periods, as we are experiencing currently, NHF benefits from margin expansion. Current hospital activities remaining subdued post COVID, is a tailwind as claims cost goes down. The prevailing interest rate environment should boost NHF's investment income and we expect the company to print strong top and bottom line numbers and with the recent drop in the share price we initiated a position.
Rio Tinto Limited (RIO)	We have initiated a position in RIO funded by a reduction in our BHP allocation. This change serves to diversify our iron ore exposure between the two majors. We remain constructive on the price strength of iron ore going into 2024 and see upside to earnings expectations for both miners.
Light & Wonder, Inc. Shs Chess Depository Interests Repr 1 Sh (LNW)	LNW is one of the world's leading creators and developers of gaming experiences across land-based poker machines, Social Casino's and iGaming. We have initiated a position based on our outlook of the resillient industry backdrop with high barriers to entry and LNW's experienced management team that is successfully executing its cross-platform technology solution. With a transformed balance sheet enabling strong investment into Design & Development, we view LNW's content-led gaming portfolio with eviable margins as well positioned to capture further market share gains.
Macquarie Group, Ltd. (MQG)	MQG's share price has struggled to recover, unlike other retail banks, given market activities such as initial public offerings (IPOs) and merger and acquisition (M&A) opportunities have been silent on the back of the aggressive rate hike cycle. As the peak in rates approaches, we see MQG as well positioned to perform well as market activities and volumes pick up.
SELL	
IPH Ltd. (IPH)	We sold our position in IPH after theannouncement of its third Canadian acquisition. Whilst our valuation is still showing upside, several small missteps appear to have taken the wind out of the company’s sails. Notably, the cyber incident which occurred earlier in the year combined with larger than industry inflationary price rises, appear to have caused some customer churn, in what is typically a very sticky business. Further, a drop in filings in IPH’s China/HK business and paying at the top end up acquisition multiples for subsequent Canadian acquisitions has weighed on our return outlook for the company. Whilst we still like the defensive investment attributes of IPH, we see better value elsewhere for now.
BHP Group Ltd (BHP)	The BHP allocation has been reduced to fund the addition of RIO. This serves to diversify the portfolio's iron ore exposure between the two majors. We remain constructive on the price strength of iron ore as we head into 2024 and see upside to earnings expectations.
ANZ Group Holdings Limited (ANZ)	ANZ's recent major strategy of pursuing volume to gain market share has resulted in net interest margin compressing harder than its peers. With the rate cuts sometime next year becoming more probable, this will likely put pressure on ANZ's top-line volume growth as the credit cycle turns around with ANZ having less room to grab market share strongly whilst margins compress.

Top 10 holdings (alphabetical)

ANZ Group Holdings Limited
BHP Group Ltd
Coles Group Ltd.
CSL Limited
Macquarie Group, Ltd.
National Australia Bank Limited
Northern Star Resources Ltd
Rio Tinto Limited
Telstra Group Limited
Woodside Energy Group Ltd

Sector Positioning



Portfolio metrics*

	Ralton	XKOAI^
# of Securities	*27*	*299*
Market Capitalisation	*72,514.7*	*75,558.1*
Active Share	59.4	--
Tracking Error	*2.77*	--
Beta	*0.87*	*1.00*
Est 3-5 Yr EPS Growth	5.1	4.5
ROE	*19.1*	*18.9*
Dividend %	4.33	4.18
P/E using FY2 Est	15.1	14.6
Price/Cash Flow	8.8	8.6

* 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.