

Ralton Australian Equity Ex 50

Monthly Portfolio Report | November 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	5.45%	-3.45%	-2.43%	-5.23%	-0.29%	1.65%	5.52%	5.66%
Income	0.12%	1.03%	2.76%	2.62%	2.68%	2.53%	2.78%	3.34%
Growth	5.33%	-4.48%	-5.19%	-7.85%	-2.96%	-0.88%	2.75%	2.33%
Index ²	7.04%	-2.88%	-3.19%	-8.77%	-0.48%	4.03%	5.54%	1.92%
Outperformance	-1.59%	-0.57%	0.76%	3.54%	0.19%	-2.38%	-0.01%	3.74%

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 November, returning 5.45%, versus the index return of 7.04%. 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
MMA Offshore Limited (MRM) 25.3%	MRM provided 1H24 guidance in November, well ahead of our expectations which saw the share price move up over the month. MRM now expect 1H earnings before income tax, depreciation and amortisation (EBITDA) of \$55-60 million, versus financial year consensus expectations of \$81.67 million. Despite the second half (2H) typically being a tougher half, we anticipate the group will be able to achieve a similar figure for 2H given the ongoing increase in day rates. Despite the share price rally, we think MRM is still in value, with a net cash balance sheet, and impressive growth in the midst of a cycle that sounds like it has a long way to run.
IRESS Limited (IRE) 40.9%	IRE surged during November on a positive FY23 and FY24 earnings outlook, fuelled by a positive update on its transformation strategy. The update signals early signs of stabilisation through business optimisation, improved financials, and strategic initiatives. Notably, net debt had been reduced comfortably within covenant limits, reducing investor concerns and negating the need for an emergency capital raise.
Seven Group Holdings Limited (SVW) 15.9%	SVW performed strongly during the month as the business upgraded its earnings before income tax (EBIT) growth guidance to low-to-mid teens at its AGM. SVW remains positively leveraged to increased mining production and aging mining fleets, demand for transitional energy and the resilient construction and infrastructure pipeline in Australia.

Detractors (cont.)	Comment
Praemium Ltd (PPS) -24.3%	Credit Corp underperformed the index in October following a \$45 million post-tax impairment and a \$10 million guidance reduction, reflecting prolonged difficulties in US Purchased Debt Ledger (PDL) collections. Persistent collection challenges and management's assumption of these conditions continuing us to revise our forecasts downward and ultimately to divest from the stock. The decision to sell aligns with our disciplined investment approach, ensuring we mitigate risks and preserve capital in light of uncertain collection outcomes and a subdued earnings trajectory.
IGO Limited (IGO) -9.8%	Following a solid month in September, the stock retraced all its gains in October as negative sentiment continued with the rates higher for longer scenario taking centre stage in investors minds. This resulted in some profit taking, compounded by concerns relating to a potential scale back in infrastructure and construction projects.

Portfolio Activity

BUY

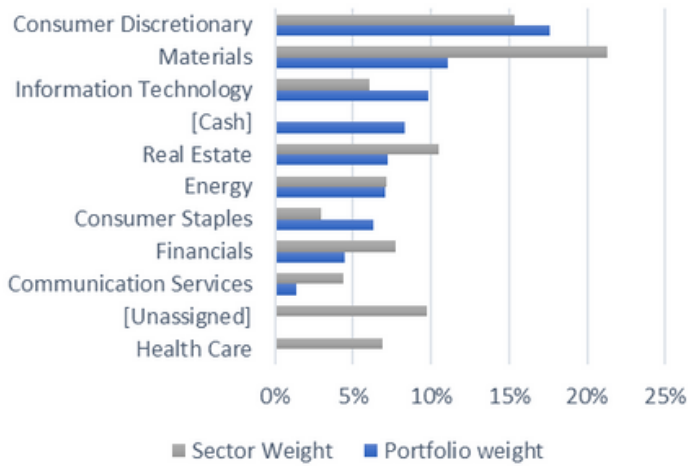
Light & Wonder, Inc. Shs Chess Depository Interests Repr 1 Sh (LNW)	LNW is one of the world's leading creators and developers of gaming experiences across land-based poker machines, Social Casino's and iGaming. We have initiated a position based on our outlook of the resilient industry backdrop with 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 viable margins as well positioned to capture further market share gains.
Audinate Group Ltd. (AD8)	AD8 is the global leader in audio networking solutions, with its innovative Dante chips and software suite providing a step change in how audio professionals connect their devices and systems to each other. Post its immense success in audio, the company is looking to replicate this in the video networking solutions industry. We took part in the recent capital raise, of which the funds have been earmarked for acquisitions in the video space. The early signs are positive for AD8's video trajectory, and we see a long runway of growth to come.
Genesis Minerals Limited (GMD)	GMD is a growing gold producer and beneficiary of the consolidating Leonora region in WA, with plans to more than double gold production. GMD has a high quality leadership team, and aims to optimise existing production and mill rates while developing a new growth hub at its Mt Morgan operations.

SELL

Nickel Industries Limited (NIC)	Persistent weakness in the price of nickel has been driven by oversupply from Indonesia, which when combined with higher electricity prices has compressed margins for nickel producers. This has negatively impacted NIC's earnings profile. We have exited NIC in the portfolio to provide room for higher conviction investments.
Healius Limited (HLS)	Margins have been impacted by higher rents and wages, and we believe revenue growth will be harder to generate. We lost confidence in the management teams handling of recent events and have subsequently decided to trim on strength to redeploy cash into other names where we perceive there to be a greater chance of upside.

Sector Positioning

Portfolio Positioning



Top 10 holdings (alphabetical)

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

Portfolio metrics*

	Ralton	XSOAI [^]
# of Securities	35	201
Market Capitalisation	3,091.5	3,145.1
Active Share	88.4	--
Tracking Error	5.93	--
Beta	0.79	1.00
Est 3-5 Yr EPS Growth	16.2	6.9
ROE	14.5	10.8
Dividend %	2.75	2.87
P/E using FY2 Est	14.8	12.8
Price/Cash Flow	10.6	7.3

* 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.