Ralton Dividend Builder

Monthly Portfolio Report | January 2024

Key facts

Income versus growth target

Income — Growth

Market cap bias

Large — Small

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	**1.66%**	**11.06%**	**3.31%**	**7.96%**	**8.11%**	**6.50%**	**8.03%**	**7.35%**
Income	*0.13%*	*1.02%*	*4.91%*	*4.61%*	*4.77%*	*4.59%*	*4.66%*	*4.87%*
Growth	*1.53%*	*10.04%*	*-1.60%*	*3.34%*	*3.34%*	*1.91%*	*3.37%*	*2.47%*
Index[2]	**1.10%**	**13.89%**	**6.66%**	**9.11%**	**9.27%**	**9.67%**	**8.36%**	**6.29%**
Outperformance	**0.56%**	**-2.83%**	**-3.35%**	**-1.15%**	**-1.16%**	**-3.17%**	**-0.33%**	**1.05%**

[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 January, returning 1.66%, versus the index return of 1.1%. 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.

Macro Comment

After a very strong Santa rally in December, markets consolidated to end January a touch higher. Good performance in asset markets was driven by inflation falling faster than expectations, recession forecasts subsiding, bond market yields retreating, and central banks pivoting from raising rates to thinking about when rates might be lowered. The AUD slipped lower over the month, from around USD 0.68 to close at around USD 0.657.

The ASX 200 Accumulation Index rose by +1.18% during January, somewhat less than most other developed markets. The US economy has shown surprising strength, with US shares achieving all-time record highs. European markets generally rose, while Japan's Nikkei 225 climbed +8.44% over the month. In contrast, the MSCI China index fell close to -12%, reflecting the crisis in the Chinese real estate sector and disappointment with their economic recovery post the pandemic.

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Key themes in January

Oil prices moved +5% in January on the escalating tension in the Red Sea. As a result, the energy sector was the strongest performer, up +5.2%. The portfolio benefited from its overweight position in Woodside (ASX: WDS).

Financials returned +4.9%, led by Insurance names +5.9%. The gains were broad-based, with portfolio holdings QBE and MPL both returning over +7% for the month. We believe the strength for Insurers was a mean-reversion, since the sector performed poorly in late 2023, when lower bond yields drove a rotation out of the sector.

The Metals & Mining sector was the worst performer in January, down -5.7%. Weak China sentiment and a stronger US Dollar were headwinds for commodities. Gold performed particularly poorly, and our lack of exposure in the portfolio helped performance. Lithium producers including portfolio holding Mineral Resources (ASX: MIN) continue to face challenges, as the price of the commodity remains under pressure.

Investors are increasingly favouring cyclical stocks, whose performance is linked to the economic cycle, as concerns about the macro-outlook wane. Falling interest rate expectations have caused valuations on high growth stocks to increase, as a result Australian growth marginally outperformed value for the month.

Resilient consumer behavior is proving advantageous for high-quality consumer discretionary companies. Some retailers have released strong trading updates, featuring margin expansion which has surprised a more conservative market outlook. In addition, Smartgroup (ASX: SIQ) and Jumbo Interactive (ASX: JIN) both were the portfolios largest contribution to performance.

Agricultural names have been strong, as future conditions look better than feared. Portfolio holding GrainCorp (ASX: GNC) was one of the beneficiaries.

Looking ahead

We remain optimistic for the domestic economy, supported by strong migration and signs that the housing market has started to recover. We anticipate company earnings to benefit from an improvement in economic confidence. As we enter the February reporting season, we are confident in the positioning of the portfolio. We have conducted extensive fundamental research on our watchlist and believe that it may lead to some promising additions.

Portfolio Performance

Contributors	Comment
Jumbo Interactive Limited (JIN) 12.9%	JIN's leading position as a reseller of OzLotto and Powerball tickets, coupled with extensive market experience since the early 1990s, has resulted in steady growth. With a compelling valuation and recent momentum from a $200 million jackpot, JIN is well-positioned for continued growth throughout FY24.
Smartgroup Corporation Ltd (SIQ) 11.4%	SIQ had strong share price performance January following its significant December contract win from McMillan Shakespeare. The company's growth is underpinned by a surge in demand for novated leases for electric vehicles, benefiting from favourable Australian tax legislation, an unwinding of its vehicle pipeline due to better car delivery times and the impact of a major contract win with the South Australian Government, expected to bolster earnings from 2H24.
GQG Partners, Inc. Shs Chess Depository Interests Repr 1 Sh (GQG) 10.3%	GQGs share price strength continued following further positive FUM updates and investment performance across each of its strategies. Improving sentiment towards equities, strong underlying investment performance and forecasted net inflows, supports our favourable outlook for GQG in FY24. Trading on a FY25e price earnings (PE) of approximately 10x, a discount to its peers, and a forecasted dividend yield of +6%, we continue to see material upside in GQG.
Detractors	**Comment**
Mineral Resources Limited (MIN) -14.4%	Cyclically weak lithium prices have downgraded the earnings profile of MIN, and taking advantage of the price strength post its December 2023 quarterly announcement we have since exited the position. PLS will remain in the portfolio at a small weight, and is our preferred name for exposure to lithium due to its decreasing cost base and stronger balance sheet.
Atlas Arteria (ALX) -6.2%	ALX's share price was weak throughout January, in the lead up to its market update. Despite this, recent data has exceeded expectations, marking a decent end to CY23. However, the introduction of the French Concession tax in CY24 cast a shadow over the results. This tax will be contested by concession holders, with a resolution expected to take nearly three years. Although the tax presents a near-term challenge, ALX, on our metrics, is trading well below fair value. Some caution is maintained, however, due to the farmers' demonstrations in France and the ongoing recovery of Dulles Greenway.
Pilbara Minerals Limited (PLS) -10.1%	The PLS share price has struggled in line with the broader lithium mining sector as weaker than anticipated lithium prices have caused indiscriminate downgrades to earnings expectations. PLS however reported a strong quarterly result noting reduced capital expenditure and made clear a focus on reducing costs to maintain margins through the weaker lithium price environment. We maintain a small allocation to high quality lithium producers via PLS.

Portfolio Activity

BUY	
N/A	
SELL	
Mineral Resources Limited (MIN)	We have exited MIN on price strength post the reporting of its December 2023 quarterly. Cyclically weak lithium prices have downgraded the earnings profile of MIN, and due to its sizable debt position the company's balance sheet is stretched. We have decreased total portfolio exposure to lithium with PLS to remain in the portfolio at a small weight. Clime is optimistic on the growth outlook for mining services which is a high quality division of MIN, however we will seek exposure to this thematic through investments in pure play mining services businesses.

Top 10 holdings (alphabetical)

Amcor PLC Shs Chess Depository Interests

ANZ Group Holdings Limited

BHP Group Ltd

Commonwealth Bank of Australia

National Australia Bank Limited

QBE Insurance Group Limited

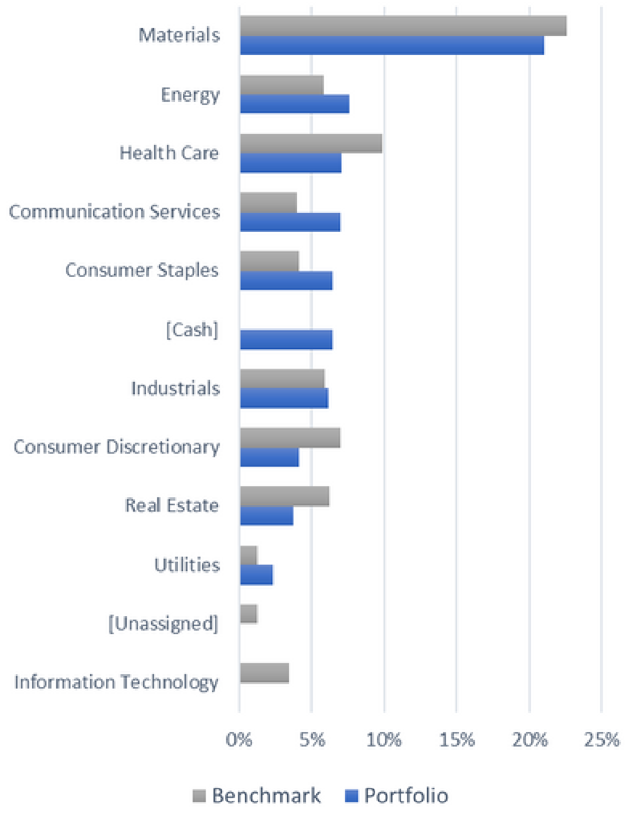
Rio Tinto Limited

Sonic Healthcare Limited

Telstra Group Limited

Woodside Energy Group Ltd

Sector Positioning



Portfolio metrics*

	Ralton	XKOAI^
# of Securities	*31*	*296*
Market Capitalisation	*71,142.7*	*81,107.6*
Active Share	61.9	--
Tracking Error	*3.06*	--
Beta	*0.87*	*1.00*
Est 3-5 Yr EPS Growth	1.0	3.8
ROE	*18.7*	*15.8*
Div% NTM	5.08	3.88
P/E using FY2 Est	14.8	16.1
Price/Cash Flow	8.3	10.1

* 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.