Ralton Concentrated Australian Equity

Monthly Portfolio Report | February 2024

RALTON ASSET MANAGEMENT

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	**-0.12%**	**6.94%**	**3.57%**	**6.66%**	**7.82%**	**6.30%**	**7.77%**	**7.08%**
Income	**0.28%**	*0.52%*	*3.93%*	*3.55%*	*3.61%*	*3.48%*	*3.71%*	*4.08%*
Growth	*-0.40%*	*6.42%*	*-0.36%*	*3.10%*	*4.22%*	*2.83%*	*4.06%*	*3.00%*
Index[2]	*0.98%*	**9.46%**	**10.53%**	**8.52%**	**9.09%**	**8.61%**	**7.94%**	**6.32%**
Outperformance	**-1.10%**	**-2.52%**	**-6.95%**	**-1.86%**	**-1.27%**	**-2.31%**	**-0.17%**	**0.76%**

[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 February, returning -0.12%, versus the index return of 0.98%. 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
Light & Wonder, Inc. Shs Chess Depository Interests Repr 1 Sh (LNW) 20.0%	LNW delivered significant contribution to portfolio performance following its better than expected FY23 result. Double-digit revenue growth across each of its key segments including Land-based gaming, SciPlay and iGaming were the drivers of growth, along with a 300bps expansion in its consolidated AEBITDA margin to 39%. LNWs strategic focus on delivering a best-in-class cross platform gaming solution is translating to sustained market share gains in the North American and Global markets, coupled with a commitment to capital allocation and shareholder returns, underpins our positive outlook for LNW.
Jumbo Interactive Limited (JIN) 16.9%	JIN's H1 FY24 performance was characterised by strong operational metrics across its core lottery retailing and SaaS/managed services segments. The company witnessed a record-breaking 3Q lottery retailing TTV, driven by an unprecedented jackpot cycle, auguring well for continued growth. While reaffirming its conservative guidance, JIN's strong free cash flow generation, coupled with a solid balance sheet, positions it favourably for potential merger and acquisition activity in the charity lotteries space. The company's operational excellence, coupled with its successful diversification efforts, highlights its ability to deliver consistent shareholder value.
Worley Limited (WOR) 12.9%	WOR has performed strongly during the month as contract pipeline concerns unwound, and the company reaffirmed its order book outlook with investors at the half yearly result. Clime met management post the half yearly result, and retain conviction in WOR's ability to deliver both margin expansion and contract growth through its market leading position in the sustainability engineering space.

Detractors	Comment
Resmed Inc CHESS Depositary Interests on a ratio of 10 CDIs per ord.sh (RMD) -8.4%	The NEM share price has performed poorly post acquisition of Newcrest Mining, as operational setbacks at Brucejack and Telfer along with currency moves relative to Australian gold miners created headwinds. There is also market uncertainty for the 2023 full year results, potential resource revisions and changes to capital projects. We continue to view NEM as a high quality gold miner approaching 5-year price to earnings lows offering a quarterly dividend north of 4.5% p.a.
Newmont Corporation Registered Shs Chess Depositary Interests Repr 1 Sh (NEM) -12.8%	NEM's weak share price during the month reflected investor caution coming into the half yearly result, and subsequently 2024 production guidance missed relative to expectations. NEM additionally announced 6 assets it intends to divest, including its plan to prioritise tier-1 assets going forward. NEM remains a high quality gold and copper miner, with clear valuation upside as investors digest the new mine portfolio post the acquisition of Newcrest Mining.
CSL Limited (CSL) -5.1%	CSL provided HY results in Feburary which were broadly inline with consensus. CSL's core business Behring saw a recovery in gross margins. This was offset by the challenges that remain with the dialysis business Vifor, aswell as seasonality in the flu vaccination business Seqirus. Their drug development update was also dissapointing, with the failure of heart attack prevention drug CSL112. Despite a -5% share price decline over the month, we maintain a bullish stance on CSL, anticipating their resilient portfolio to drive double-digit earnings growth in FY24 and beyond.

Portfolio Activity

BUY	
Woolworths Group Ltd (WOW)	Elevated short term negative publicity for supermarkets when combined with a weaker than expected result from WOW has caused a strong sell off in the stock. We have initiated a position to take advantage of the price weakness. WOW is Australia's premium supermarket operator with a market leading online grocery business, strong ancillary business units which support margins, and tailwinds from population growth supporting trends towards eating at home.
Monadelphous Group Limited (MND)	MND is a top-tier construction, maintenance, and industrial service provider in the resource, energy, and infrastructure sector. The group stands out for its exceptional project delivery and margin delivery. We initiated a position in MND, as we see the group benefiting from increased activity due to a decade-long investment lag in mining and energy, amidst high commodity prices, we anticipate a 3–4-year phase of significant earnings growth and margin expansion.
Ampol Limited (ALD)	Ampol (formerly Caltex) is the largest integrated fuels company in Australian and New Zealand. Over the last 5 years the company has pivoted its strategy to increase the consistency of returns through geographic expansion and further integration into the fuels supply chain. The result has been a strengthening growth outlook delivered through margin expansion. Recent result have highlighted strong returns from an improved convenience offer, benefiting from a resilient domestic consumer. The February 24 result was a beat to expectations with investors to benefit from a surprise special dividend. Ampol continues to improve the quality of its earnings, combined with a strengthening growth outlook and further balance sheet capacity we have initiated a position in the portfolio.
Worley Limited (WOR)	The recent price weakness in WOR is due to short term concerns with the company's sales pipeline, specifically a large US gas contract. The share price has declined further than the relative earnings impact of a contract delay which has created an opportunity to add to our position. We continue to view WOR as a high quality company with the ability to expand its margins and sustain long term growth.
Commonwealth Bank of Australia (CBA)	CBA's 1H24 update surpassed market expectations, demonstrating robust top-line revenue growth and bottom-line cash profit. Despite a reduction in overall book size, the bank increased its share of interest income, highlighting its franchise power and maintaining a favourable risk/reward profile. The provision for credit losses came in 20% lower than consensus, aligning with their risk management approach. While CBA's current price-to-earnings ratio for FY24 earnings is relatively high at 19.7 times, their strong track record in managing capital and focus on maintaining return on equity through prioritising margin over volumes justify the valuation. As a result, we are increasing our position in CBA to address our underweight stance relative to the market.

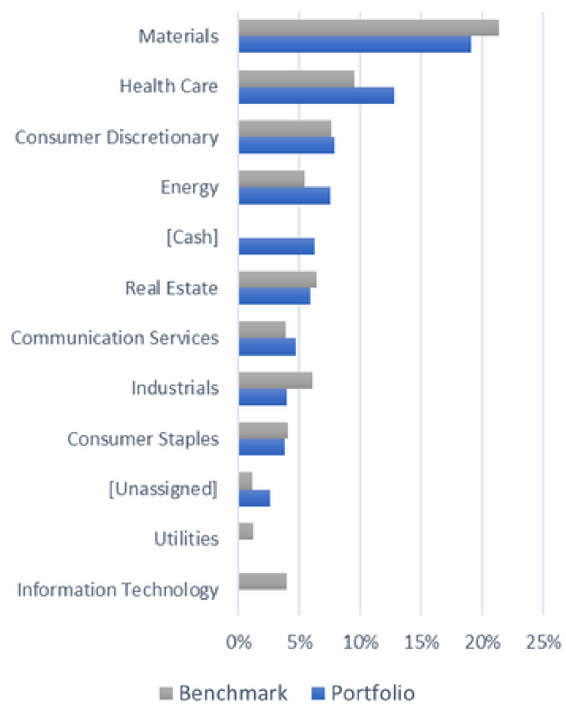
Portfolio Activity

SELL	
Incitec Pivot Limited (IPL)	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.
Amcor PLC Shs Chess Depository Interests (AMC)	CSL Limited has been a strong performer over the last quarter increase 20%+ from its lows. The Healthcare sector as a whole was sold off in 2023 as investors pivoted to growth, creating an opportunity for Clime to add to its position. With strong recent performance we reduce our exposure however still remain convicted in the company's strong outlook and core position in the portfolio.
National Australia Bank Limited (NAB)	ANZ's mortgage market share has increased off the back of their recent strategy which saw them aggressively pushing lower rates on their products. However, early indications are pointing to net interest margin pain due to lower refinance volumes versus other banks. Over the December quarter, the bank's share price rallied well and we are taking the opportunity to bring the ANZ allocation down to a market neutral position.

Top 10 holdings (alphabetical)

ANZ Group Holdings Limited
BHP Group Ltd
Coles Group Ltd.
CSL Limited
Macquarie Group, Ltd.
National Australia Bank Limited
Resmed Inc CHESS Depositary Interests on a ratio of 10 CDIs per ord.sh
Rio Tinto Limited
Telstra Group Limited
Woodside Energy Group Ltd

Sector Positioning



Portfolio metrics*

	Ralton	XKOAI^
# of Securities	*27*	*305*
Market Capitalisation	*80,615.2*	*77,343.6*
Active Share	55.3	--
Tracking Error	*2.75*	*0.00*
Beta	*0.89*	*1.00*
Est 3-5 Yr EPS Growth	7.8	4.8
ROE	*15.6*	*14.8*
Dividend %	3.90	3.88
P/E using FY2 Est	16.3	16.2
Price/Cash Flow	10.9	10.7

* 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.