Ralton Dividend Builder

Monthly Portfolio Report | February 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	**0.40%**	**7.63%**	**5.80%**	**5.99%**	**7.60%**	**5.59%**	**7.66%**	**7.34%**
Income	*0.46%*	*0.83%*	*5.19%*	*4.72%*	*4.68%*	*4.50%*	*4.60%*	*4.88%*
Growth	*-0.06%*	*6.80%*	*0.60%*	*1.28%*	*2.92%*	*1.09%*	*3.06%*	*2.46%*
Index[2]	**0.98%**	**9.46%**	**10.53%**	**8.52%**	**9.09%**	**8.61%**	**7.94%**	**6.32%**
Outperformance	**-0.59%**	**-1.83%**	**-4.73%**	**-2.52%**	**-1.49%**	**-3.03%**	**-0.28%**	**1.01%**

[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 underperformed the ASX300 Accumulated Index in February, returning 0.4%, versus the index return of 0.98%. 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
GQG Partners, Inc. Shs Chess Depository Interests Repr 1 Sh (GQG) 18.6%	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 approx 10x, a discount to its peers, and a forecasted dividend yield of +6%, we continue to see material upside in GQG.
Jumbo Interactive Limited (JIN) 16.9%	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) 13.0%	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.

Portfolio Performance

Detractors	Comment
Nine Entertainment Co. Holdings Limited (NEC) -13.1%	NEC's poor performance reflects both weaker advertising market conditions and challenges with the free to air television division. Over time it's expected that growth from the streaming service Stan and the Domain website will incrementally increase as a percentage of revenue split and offset the lagging business segments. We view this opportunity as a driver of improving earnings quality over time, and NEC continues to trade at an undemanding valuation.
Amcor PLC Shs Chess Depository Interests (AMC) -5.1%	AMC's half yearly result showed that management had made good headway through their cost reduction program. While this has helped protect margins, the earnings still came in slightly below our expectations. There remains uncertainty around the volume outlook for the balance of the year, and we do not see much catalysts for upside. We have decided to exit and reallocate the proceeds to other opportunities.

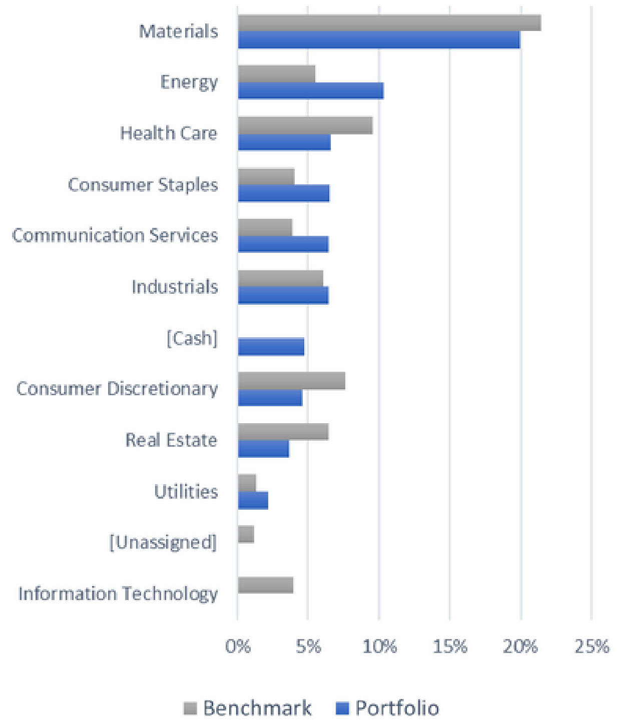
Portfolio Activity

BUY	
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.
SELL	
National Australia Bank Limited (NAB)	NAB is experiencing a decline in market share within the business lending segment, which has traditionally been a key growth driver for the bank. The prevailing consensus suggests that NAB's net interest margin (NIM) is expected to contract by a lesser degree than CBA's, however, the likelihood of NAB meeting this expectation is diminishing, as indicated by the data from CBA's 1H24 results. In terms of valuation, NAB currently trades with a 5.08% dividend yield for the next twelve months, positioning it as the second most expensive bank in the market. To better align with our confidence in NAB's future returns, we are reducing the position, bringing the allocation closer to the market weight.

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	*32*	*305*
Market Capitalisation	*66,430.8*	*77,343.6*
Active Share	61.2	--
Tracking Error	*3.08*	0.00
Beta	*0.89*	*1.00*
Est 3-5 Yr EPS Growth	2.7	4.8
ROE	*17.3*	*14.8*
Div% NTM	5.04	3.88
P/E using FY2 Est	14.9	16.2
Price/Cash Flow	9.2	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.