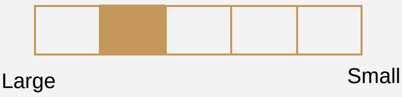
Ralton Concentrated Australian Equity

Monthly Portfolio Report | March 2024

Key facts

Income versus growth target

Market cap bias



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	**3.49%**	**4.78%**	**7.63%**	**5.78%**	**8.00%**	**7.05%**	**7.99%**	**7.27%**
Income	**0.89%**	*1.29%*	*3.89%*	*3.78%*	*3.68%*	*3.50%*	*3.75%*	*4.12%*
Growth	*2.59%*	*3.49%*	*3.74%*	*2.00%*	*4.32%*	*3.54%*	*4.24%*	*3.16%*
Index[2]	*3.26%*	**5.43%**	**14.40%**	**6.66%**	**9.43%**	**9.15%**	**8.27%**	**6.50%**
Outperformance	**0.22%**	**-0.65%**	**-6.78%**	**-0.88%**	**-1.43%**	**-2.11%**	**-0.28%**	**0.77%**

[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 outperformed the ASX300 Accumulated Index in March, returning 3.49%, versus the index return of 3.26%. 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
Resmed Inc CHESS Depositary Interests on a ratio of 10 CDIs per ord.sh (RMD) 13.1%	Maintaining our overweight stance on RMD, which delivered a +13% share price return in March, we anticipate further market share gains amidst peers' challenges. The share price should benefit from ongoing unraveling of the negative GLP-1 narrative, underlining our positive outlook for the stock.
Newmont Corporation Registered Shs Chess Depositary Interests Repr 1 Sh (NEM) 17.6%	A rally in the gold price during March to all-time-highs aided the gold mining sector, with NEM rebounding strongly reflecting its undemanding valuation. We retain conviction in NEM's portfolio optimisation strategy which over time will lead to a higher quality company with superior ability to fund attractive growth projects and deliver sector leading quarterly distributions to shareholders.
ALS Ltd. (ALQ) 10.1%	ALQ returned over +10% in March, a month in which the company made three acquisitions. We see the rationale behind these acquisitions, and agree that this is inline with their build out strategy. ALQ has performed well to date and we are currently assessing the position.

CONTACT Ralton AM | 0425 725 800 | info@raltonam.com.au | raltonam.com.au

Detractors	Comment
Jumbo Interactive Limited (JIN) -5.3%	Jumbo Interactive detracted from performance as the stock's valuation moderated following an exceptional jackpot cycle, which had driven it to recent year highs. While the company delivered a strong H1 FY24 result, exceeding expectations, the market appears to have priced in a normalisation of earnings growth post the unprecedented $200 million jackpot event. We remain confident in JIN's long-term prospects, underpinned by ongoing digitization tailwinds, successful diversification efforts through strategic acquisitions, and a sound balance sheet positioning the company for further merger and acquisition (M&A) opportunities in the charity lotteries space.
Pilbara Minerals Limited (PLS) -8.8%	In contrast to the strong performance in February, lithium miners struggled in March as the price of metal remained relatively flat in the month and currently sits at cyclical lows. We continue to view PLS as the highest quality miner for pure play exposure to lithium and retain a small exposure.

Portfolio Commentary

Macro Comment

The market sustained an impressive first quarter rally through March, surprising investors. US economic optimism more than offset expectations of a slower interest rate cut scenario and year to date the S&P500 index has gained 10%. Bullish sentiment in the US market has been reciprocated in Australian equity markets, with the ASX 200 Accumulation Index rising just under 3% during the month. Meanwhile the Reserve Bank of Australia has kept the cash rate flat at a 12-year high of 4.35% for three consecutive meetings.

Chinese markets bounced off a low base, with investors still concerned about the crisis in its real estate sector and disappointment with its economic recovery post the pandemic. However, green shoots of good news emerged during March as the Chinese official purchasing managers indexes (PMI) moved higher, indicating improvements that could help to revive global economic growth and commodity prices.

Key themes in March

REITs led sector performance rising 9.7% in March, and subsequently the portfolio position in GMG gained 10.9% and continues to be our key exposure to the real estate sector in the portfolio.
Oil prices moved by US$3.86 to US$87.48/bbl in March as escalating geopolitical tensions and OPEC+ output cuts have caused a stronger than expected outlook for the price of oil. Equity values continue to lag oil price strength in the sector, and portfolio positions in WDS (+1.9%) and KAR (+9%) performed well during the month.

The Materials sector was mixed and broadly rose 3.7% despite iron ore drifting US$15/t lower towards US$100/t causing weakness in BHP/RIO. The performance of the materials sector was driven by renewed strength in copper and gold prices, which rose 3.9% and 7.1% respectively. Gold and copper miner NEM rose 11.8% during the month, rebounding strongly reflecting its undemanding valuation and improving quality as it progresses with its portfolio optimisation strategy. NEM was the portfolio's largest contributor to performance in March.

Consumer discretionary (+0.9%) was broadly flat in March as resilient consumer behaviour is now priced into equity valuations. Investors have taken profits and increased weight in the materials and energy sectors as cyclicals are preferred over defensives.
The healthcare sector returned 1.7% in March and our high conviction position in RMD rallied 12.8%. RMD continues to gain market share and benefits from the unraveling of the GLP-1 narrative.

Looking ahead

Despite concerns whether the strength of corporate profits can keep pace with investor optimism, continued expectations for earnings growth and upgrades remains a positive driver for the performance of the ASX. Equity market performance is underpinned by the eventuality of rate cuts by the RBA, however stickier-than-expected inflation would prove to lower market exuberance and is a risk that remains on the table. Clime remains optimistic on the outlook for the ASX and will continue to construct diversified portfolios with a focus on quality companies, and in particular seek to increase exposure to small cap opportunities.

Portfolio Activity

BUY	
NIB Holdings Ltd (NHF)	NHF posted good 1H24 results, beating market expectations across all metrics from the top to the bottom line. The market seemed to have misinterpreted the result slightly as they normalised their net margin down to 7.7% from 9.7%, due to their fundamental perspective of where claims inflation is sitting. NIB had better unitholder growth in its Australian Residents Health Insurance (ARHI) but weaker growth in International Inbound Health Insurance (IIHI) as the c ompany missed out on the initial surge in 2023 net migration. However, the management alluded to current year to date numbers showing strong growth for IIHI. NIB has superior growth opportunities in other investments they are making around NDIS, data analytics, and virtual health services, which makes them a more favourable option when compared to Medibank given it is now trading at a discount to Medibank.
Resmed Inc CHESS Depositary Interests on a ratio of 10 CDIs per ord.sh (RMD)	RMD delivered a strong result, yet underperformed the broader market during February due to the risk associated with the GLP-1 weight loss medication. We decided to add to the RMD position while it was trading on approx 22x FY25 price-to-earnings (P/E) which is well below its longer term average of 30x P/E. The group has earnings momentum, thanks to strong cost management strategies. We are confident margins will improve, and that sales will be well supported with no significant competition expected to return to the market for at the very least another year, as rival Phillips scrambles to get back to market and restore confidence.

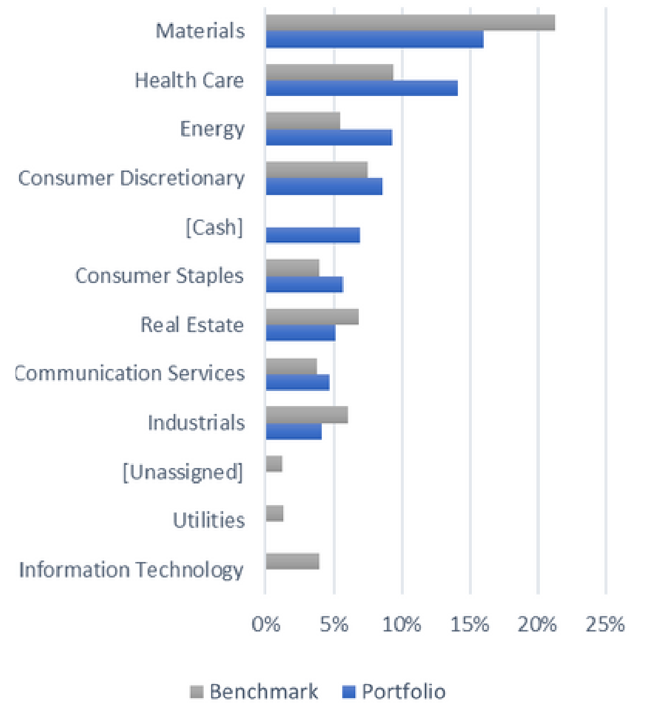
Portfolio Activity

SELL	
ALS Ltd. (ALQ)	ALQ has amended earnings guidance to the lower end of their range. The group has now made three acquisitions, one of which was the acquiring the remaining 51% of Nuvisan which was acquired on a call option for nothing, given Nuvisan did not meet their earn out. The initial 49% will also be written down. This is concerning, and we believe the integration of these acquisitions puts uncertainty over our outlook for the company. We decided to exit the ALQ position, since it has performed well to date and is now at our assessed fair value.
Goodman Group (GMG)	GMG has surged over 16% since the1H24 result, when management, yet again, upgraded earnings guidance as they have a nice habit of doing at the half year release. We remain very bullish about the outlook for GMG, having repeatedly praised management for their strategic move into Data Centre Development. The business is very well capitalised, and structural drivers for industrial property remain well intact. However, following the strong share price move, we have decided to realise some profits and trim the position based on valuation grounds.
Macquarie Group, Ltd. (MQG)	In its latest trading update, MQG pointed out a decrease in its year to date net profit after tax (NPAT) compared to last year, with notable declines across both its stable and market-linked sectors. Despite a downward revision in short-term forecasts, the company's long-term growth drivers, such as decarbonisation and infrastructure, remain strong. Capital surplus levels are slightly reduced but remain solid. In response to these developments and the recent uptick in share price, we have decided to realise profits while still recognising the company's ongoing value potential.

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	*28*	*303*
Market Capitalisation	*81,890.9*	*78,191.6*
Active Share	54.9	--
Tracking Error	*3.17*	--
Beta	*0.84*	*1.00*
Est 3-5 Yr EPS Growth	4.7	4.7
ROE	*16.2*	*14.8*
Dividend %	3.69	3.80
P/E using FY2 Est	17.0	16.4
Price/Cash Flow	11.6	10.9

* 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.