Ralton Concentrated Australian Equity

Monthly Portfolio Report | October 2023

RALTON ASSET MANAGEMENT

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	-4.11%	-8.42%	-3.51%	0.63%	8.94%	5.02%	6.55%	6.47%
Income	0.00%	0.90%	3.62%	3.35%	3.49%	3.61%	3.75%	4.09%
Growth	-4.11%	-9.32%	-7.14%	-2.72%	5.45%	1.41%	2.80%	2.38%
Index[2]	-3.80%	-7.29%	2.51%	-0.08%	8.68%	7.15%	6.56%	5.52%
Outperformance	-0.31%	-1.12%	-6.03%	0.71%	0.26%	-2.13%	-0.02%	0.95%

[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 October, returning -4.11%, versus the index return of -3.8%. 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
Northern Star Resources Ltd (NST) 11.8%	Strong upward movements in the price of gold during October supported a sector wide rally in gold miners. This was caused by increased geopolitical unrest in the Middle East. We continue to see value in NST as a high quality gold miner with strong production growth and cost control.

Portfolio Performance

Detractors	Comment
Mineral Resources Limited (MIN) -14.6%	The price of lithium has continued to trend downwards, causing weakness in MIN. This has been driven by lower demand expectations for lithium in the short term, as indicated by weaker electric vehicle sales. MIN is likely to pull levers to improve its balance sheet position, and continues to seek both inorganic and organic growth opportunities via the Onslow Iron Ore Project and the acquisition of Bald Hill.

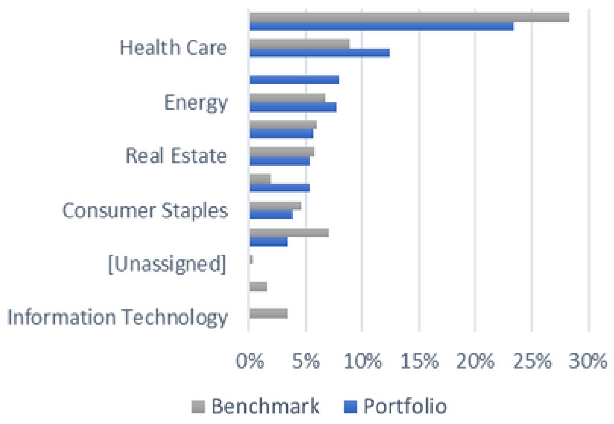
Portfolio Activity

BUY	
QBE Insurance Group Limited (QBE)	Recently the Australian Bureau of Meteorology has declared an El Nino event, meaning the US is expected to experience less catastrophic events that incur high claims payouts for insurers. Additionally, interest rates staying higher for longer should benefit QBE's investment income where the gain in yield outweighs the interest cost on their debt. This makes QBE an attractive option that is likely to outperform the market given its price to earnings ratio is down at 8.9x compared to the ASX 200 which is sitting at 15.3x for the next twelve months.
Woodside Energy Group Ltd (WDS)	A confluence of factors has seen us reposition the portfolio to better reflect our view that we are likely to see inflation remain higher for longer and that oil as a commodity will provide a strong hedge in the portfolio to further geopolitical uncertainty. WDS has a global set of assets, with forecast production growth and an under-geared balanced sheet. Prior to the tragic events unfolding in the Middle East, we saw a challenging supply outlook for the commodity, more so now it is likely that global energy exposure will deliver strong diversification and returns.
CSL Limited (CSL)	The recent surge in fixed interest rates has seen traditional defensives selloff in line with broader market weakness. CSL has been caught up in the selloff and now trades at price/earnings (PE) levels far below our long term view, reflecting the company's ability to generate sustainable growth at high returns on capital. The November capital markets day is an opportunity for the market to be reminded of the company's exposure to a mid single digit growing plasma market and near term margin expansion from lower input costs.
SELL	
Qantas Airways Limited (QAN)	Over the last quarter QAN has faced significant scrutiny in the public arena, which has impacted both its brand and share price. While the company will need to increase investment to regain the public's trust we do not see the current issue as impacting the company long term. What is stark when we look at the broader global airline industry is that the stock's fall is broadly in line with the performance of the global airline industry. Post a surge in leisure travel and uncertainty around the economic outlook, our view that oil prices will remain high given geopolitical uncertainty compounding apparent shortage in supply, the outlook for the airline industry, including QAN, is unlikely to improve in the short term. As such we exit the position and utilise proceeds to tilt the portfolio to better respond to market and economic changes underway.
James Hardie Industries PLC Chess Units of Foreign Securities (JHX)	We expect JHX to continue to deliver growth over the medium term as it executes its strategic plan to increase its share of an under-supplied US housing market. However, post a recovery in housing starts and commensurate recovery in the share price we believe surging mortgage rates in the US will impact industry growth, and hence impacting the JHX near term outlook. We exit the position and look to buy back into the high quality operator when foreseen risks are better reflected in the share price.
National Australia Bank Limited (NAB)	The Australian Banking sector has benefited from a reduction in competitive intensity as well as evidence of house price and broad economic stability. In a period where traditionally defensive sectors including healthcare and staples have sold off due to the expectation that interest rates will remain high, the perceived sustainability of the current high dividends available has seen the sector outperform. NAB has led the peer group and we take profits, while retaining the company as our preferred bank alongside ANZ.

Top 10 holdings (alphabetical)

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

Sector Positioning



Portfolio metrics*

	Ralton	XKOAI^
# of Securities	*24*	*300*
Market Capitalisation	*72,152.6*	*71,140.8*
Active Share	57.5	--
Tracking Error	*2.73*	--
Beta	*0.87*	*1.00*
Est 3-5 Yr EPS Growth	4.2	5.0
ROE	*19.7*	*19.0*
Dividend %	4.64	4.34
P/E using FY2 Est	13.9	13.6
Price/Cash Flow	8.1	8.3

* 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.