

# Ralton Concentrated Australian Equity

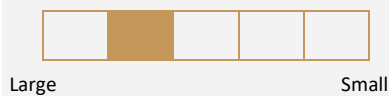
Portfolio Report | June 2020

## 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

Ralton Asset Management

### 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

CFS First Wrap, HUB24, Linear, NetWealth, OneVue, Powerwrap, Praemium

## Growth of \$20,000 since inception



## Performance (% returns greater than one year are per annum p.a.)

At month end	1 mth	3 mth	1 yr	3 yr	5 yr	10 yr	Inception
Ralton	1.12%	16.65%	-13.04%	-0.01%	3.91%	8.10%	5.86%
Income	0.00%	0.06%	3.14%	4.08%	4.02%	4.16%	4.27%
Growth	1.12%	16.59%	-16.18%	-4.10%	-0.11%	3.95%	1.59%
Index	2.43%	16.79%	-7.61%	5.24%	6.00%	7.71%	4.77%



## Stock spotlight | Healius Ltd (HLS)

Healius (+47.3%) under new CEO Michael Parmenter has embarked on a turnaround program with the intention to improve the growth and margin structure of its 3 key operating divisions; Pathology, Radiology and the Medical Centres. The investment thesis underpinning the portfolios investment has been value realisation through earnings improvement or realisation of intrinsic through a transaction. In June, the company announced the sale of the Medical Centre business to BGH Capital at an above market value. The transaction resulted in a strong re-rate in the share price as the sale has delivered a streamlined company with stronger organic growth opportunities, along with a much improved balance sheet. Looking forward the company is benefiting not only from a recovery in volumes as the medical systems restarts, but elevated COVID testing which is at a higher than average margin. HLS remain a high conviction position as we see continued momentum in the operational turnaround with a 300bp margin gap to its closest peer Sonic Healthcare (SHL) to close while the structural growth within its radiology and pathology business likely to attract a high value in a low growth market.



## Sector allocation

Sector	Ralton	Index	+/-
Financials	16.2%	27.1%	-10.8%
Real Estate	2.44%	6.92%	-4.47%
Industrials	5.07%	7.29%	-2.22%
Materials	30.42%	19.55%	10.88%
Energy	2.15%	3.89%	-1.74%
Telecommunication	9.05%	3.92%	5.14%
Consumer Discretionary	6.28%	7.02%	-0.74%
Utilities	0.00%	1.89%	-1.89%
Consumer Staples	7.93%	6.44%	1.49%
Health Care	13.35%	12.40%	0.95%
Information Technology	2.44%	3.63%	-1.19%
<b>TOTAL</b>	<b>100.00%</b>	<b>100.00%</b>	

## Top 10 holdings

Telstra Corp.
Northern Star
Amcors
BHP Group
Healius Ltd
Woolworths Group
James Hardie Industries
Oz Minerals
Aristocrat Leisure
Ramsay Healthcare

## Portfolio metrics

PE	16.20
EPS Growth (%)	6.74%
Dividend Yield (%)	3.99%

## Performance Commentary

While the first quarter saw a sharp decline in global equity markets, the June quarter saw material gains in tech and cyclical names, largely driven by global stimulus measures, resulting in a 16.79% return for the ASX300. The Ralton Concentrated Equity Portfolio marginally underperformed the market return, delivering 16.65% for the quarter.

The market was driven by two key themes. Financial stimulus measures have driven increased liquidity and lower rates which has increased the attractiveness of the Tech Sector with investors seeking structural growth with evidence of a sharp acceleration in tech transformation has been driven by economy closures. Secondly, monetary stimulus has enabled consumers to continue to spend with further share price performance aided by a faster than feared recovery from the COVID induced recession metrics. As such the Index was led by Technology (+48.7%) and Consumer Discretionary (+30.1%) sectors.

Key drivers for the portfolio were its stock selection in the Healthcare sector, Materials overweight while the portfolio's defensive Telecommunications positions underweight traditional growth names detracted from performance. Healius (HLS) delivered a key catalyst in selling its Medical Centres to private equity, we see a continued positive outlook as COVID testing continues to accelerate and the market appreciates the quality of its core Pathology and Radiology operations. James Hardie delivered a very strong set of numbers in the quarter, we are of the view the company will continue to deliver strong returns. Finally, the portfolio's less economic sensitive Telco exposure in Spark NZ and Telstra failed to re-rate with the broader recovery in cyclical names after the significant sell off.

Looking forward we are of the view that the market will continue to remain range bound as significant global and domestic stimulus support valuations, balancing the inherent risk in earnings from company defaults and increasing chances of a second wave. The portfolio continues to hold a range of quality companies that are able to deliver growth, independent of the recovery trajectory while retaining the valuation discipline at the core of the Ralton process. Key risks to the market remain a resurgence in COVID infections, geopolitical tensions as well as an increasing focus on the outcome of the US election. Were we to see the Fed remove its aggressive stimulus measures we would change our current investment positioning. In any case, the portfolio's long held mission to protect capital while delivering above market returns will place it well to deliver consistent returns in any environment.

Performance of the Ralton Dividend Builder Model Portfolio is based on a model portfolio and is gross of investment management and administration fees, but net of transaction costs. The total return performance figures quoted are historical and do not allow the effects of income tax or inflation. Total returns assume the reinvestment of all portfolio income. Past performance is not a reliable indicator of future performance. \* The performance comparison of \$20,000 over 5 years is for illustrative purposes only. Performance is calculated on a gross basis. Actual performance will vary depending on the amount of fees charged by the relevant platform that a client uses to implement the portfolio. The comparison with the S&P/ASX 300 Accumulation Index is 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 in an index. There is no guarantee these objectives will be met. # Portfolio holdings may not be representative of current or future recommendations for the portfolio. The securities listed may not represent all of the recommended portfolio's holdings. Future recommended portfolio holdings may not be profitable. This document is for general information only and does not take into account the specific investment objectives, financial situation or particular needs of any specific reader. As such, before acting on any information contained in this document, readers should consider whether the information is suitable for their needs. This may involve seeking advice from a qualified financial adviser. Ralton Asset Management (ABN 45 114 924 382) (Ralton) is the provider of the Ralton Wholesale High Yield Australian Shares Model Portfolio. To subscribe, contact 360 Capital FM Limited (AFSL 221 474, ABN 15 090 664 396) (360 Capital) by calling T: (02) 8405 8860 or email investor.relations@360capital.com.au. Any opinions or recommendations contained in this document are subject to change without notice. Ralton and 360 Capital are under no obligation to update or keep information contained in this document current. ZENITH: The Zenith Investment Partners ("Zenith") Australian Financial Services License No. 226872 rating (assigned June 2019) referred to in this document is limited to "General Advice" (as defined by the Corporations Act 2001) for Wholesale clients only. This advice has been prepared without taking into account the objectives, financial situation or needs of any individual. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek independent financial advice before making an investment decision and should consider the appropriateness of this advice in light of their own objectives, financial situation and needs. Investors should obtain a copy of, and consider the PDS or offer document before making any decision and refer to the full Zenith Product Assessment available on the Zenith website. Zenith usually charges the product issuer, fund manager or a related party to conduct Product Assessments. Full details regarding Zenith's methodology, ratings definitions and regulatory compliance are available on our Product Assessment's and at [www.zenithpartners.com.au](http://www.zenithpartners.com.au).