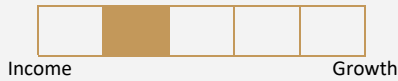


Ralton Dividend Builder

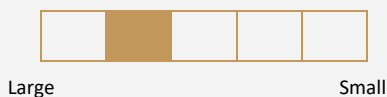
Portfolio Report | June 2021

Key facts

Income versus growth target



Market cap bias



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

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



Stock spotlight | Worley Ltd (WOR) +14%

Worley's (WOR) recent performance has been impacted by the continuing effects of COVID on project deferrals and cautiousness by the market on the companies ability to keep cost out benefits as revenues return. We are of the view that these activity related impacts are transitory and dual tailwinds of commodity price driven capital expenditure and energy transition investment are currently being missed by the market. While consensus has factored in a lift in revenue in 2021 the medium term margin outlook shows considerable caution as to the ability of the company to earn traditional margins, despite significant cost out set to come through from the Jacobs acquisition. The recent result highlighted the ongoing revenue headwinds but also incorporated an upgrade to synergy benefits and above all strong cash flow to support a 4%+ dividend yield. We see the short term uncertainty as an opportunity to invest in a high quality global business with strong cyclical and structural tailwinds exposed to the emerging trend to de-carbonise the global energy matrix.

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	0.85%	5.15%	24.28%	5.36%	8.97%	10.16%	7.67%
Income	0.28%	0.66%	4.26%	4.64%	4.64%	4.80%	4.93%
Growth	0.57%	4.49%	20.02%	0.71%	4.34%	5.36%	2.74%
Index	2.25%	8.48%	28.49%	9.77%	11.26%	9.21%	6.38%

Portfolio Quarterly Performance and Drivers

The Ralton Concentrated portfolio returned +5.15% for the quarter, underperforming a stronger index return by -3.33% as the rotation to cyclicals and value retreated and bond yields moved lower. At the end of the 2021 financial year the portfolio delivered an income return to investors of +4.26% and +5.48% incorporating franking credits well ahead of the market yield of +3.08%, with a total return of +24.33%.

Mid capitalisation Consumer Staples stocks Tassal Group (+7.2%) and Inghams (+19.2%) contributed strongly to quarterly returns as industry conditions improved in both Salmon and Chicken segments of the retail industry. While M&A activity picked up in the Salmon industry, it was a strong trading update from ING that sparked the stock, sighting an increase in sales as cafes open again. New addition to the portfolio Worley (+14%) traded well over the quarter as its attractive combination of exposure to the "green" investment as well as solid performance in key commodity Oil sparked investor interest. As outlined in past reports we see material upside from increase spend as companies re-invest in greener projects as well as a view that the market is underestimating earnings leverage in the years ahead.

The strategy has benefited over the last year from its positioning in Resources and companies that are set to benefit from increased activity however the portfolio was negatively impacted by a surprise downgrade from Perenti (-34%) as the company flagged short term headwinds from increased wage costs as COVID measures impact availability of labor. PRN remains strongly positioned to benefit from broad commodity spend, with recent indications of a ramp up in bidding activity we see strong upside from the exposure. The sector as a whole is trading close to NAV, a price at which M&A is often the material gains. Finally, Challenge declined (-15.47%) as it lowered its margin and profit outlook in April. However post the end of the quarter Apollo International took a strategic stake, boosting shares and the chance of a take out at much higher multiples.



Sector allocation

Sector	Ralton	Index	+/-
Banks	20.9%	22.5%	1.5%
Chemicals	0.5%	0.0%	-0.5%
Communication Services	4.1%	8.6%	4.5%
Construction Materials	1.7%	0.0%	-1.7%
Consumer Discretionary	8.3%	6.1%	-2.3%
Consumer Staples	5.3%	5.5%	0.2%
Containers & Packaging	0.8%	4.9%	4.1%
Diversified Financials	5.0%	1.7%	-3.3%
Energy	3.0%	5.6%	2.5%
Health Care	10.2%	4.6%	-5.6%
Industrials	6.9%	6.8%	-0.1%
Information Technology	4.3%	0.0%	-4.3%
Insurance	2.8%	3.1%	0.3%
Metals & Mining	17.7%	15.3%	-2.4%
Real Estate	7.0%	6.2%	-0.8%
Utilities	1.5%	4.5%	3.0%
TOTAL	100	100	

Top 10 holdings

Ancor PLC
BHP Group Ltd
Commonwealth Bank of Australia
Evolution Mining Limited
National Australia Bank Limited
Nine Entertainment Co. Holdings Limited
Sonic Healthcare Limited
Telstra Corporation Limited
Westpac Banking Corporation
Woodside Petroleum Ltd

Portfolio metrics

PE	13.90
EPS Growth (%)	10.80%
Dividend Yield (%)	4.91%

Quarterly Market Commentary

The Australian market returned an extremely strong 8.48% for the quarter. With bond rates rolling lower late in the quarter, despite surging indicators of inflation market sentiment rotated away from recent value style winners towards the high PE segments of the market including IT.

Sustainably high Iron Ore prices helped drive Resource names higher with FMG and RIO up 16.7% and 14.3% respectively over the quarter. Banks consolidated gain increasing 8.3% led by CBA (+15.6%) and WBC (+8%). Offshore companies again took the ascendancy in the quarter as global economies emerge from their COVID slumber, with Aristocrat (+26%) and Dominos (+25%) leading the Consumer Discretionary sector (+26%). James Hardie (+13%) and Boral (+34%) benefited from improving domestic and US housing markets, with the latter receiving an improved bid from Stokes' Seven Group Holdings.

With the market up so strongly it was left to releasing disappointing updates. Beach Petroleum (-27.7%) surprised the market with a downgrade to expected production from its Western Flank assets. Incitec Pivot (-17.9%) showed continuing operational issues at its US Ammonia asset, delaying the benefits of surging commodity prices. Finally, the Diversified Financials (-15.47%) sector was dragged down by Challenger (-15.47%) as it lowered its margin and profit outlook in April. However post the end of the quarter Apollo International took a strategic stake, boosting shares and the chance of a take out at much higher multiples.

Outlook

From here the market outlook appears more balanced with the global economic opening driving growth in developed countries, early signs of slowing in China's key indicators raises risks. Growth without the commensurate supply of goods and services can drive inflation as is the case currently, however declining bond yields appears to discount the prospect that inflation is structural, indicating it as cyclical with deflationary pressures of changing demographics and debt ever present.

Ralton expects the next quarter to bring some volatility to growth expectations and markets with the prospect of 10% pullback increasingly likely, in this instance we would be utilising the cash we are currently holding to invest in high quality companies

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 Copia Investment Partners Ltd (AFSL 229316, ABN 22 092 872 056) (Copia) by calling 1800 442 129 or email clientservices@copiapartners.com.au. Any opinions or recommendations contained in this document are subject to change without notice. Ralton and Copia 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 <http://www.zenithpartners.com.au/RegulatoryGuidelines>. LONSEC: The Lonsec Rating (assigned August 2019) presented in this document is published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445. The Rating is limited to "General Advice" (as defined in the Corporations Act 2001 (Cth)) and based solely on consideration of the investment merits of the financial product(s). Past performance information is for illustrative purposes only and is not indicative of future performance. It is not a recommendation to purchase, sell or hold Ralton Asset Management product, and you should seek independent financial advice before investing in this product. The Rating is subject to change without notice and Lonsec assumes no obligation to update the relevant document following publication. Lonsec receives a fee from the Fund Manager for researching the product using comprehensive and objective criteria. For further information regarding Lonsec's Ratings methodology, please refer to our website at: <http://www.lonsecresearch.com.au/research-solutions/our-ratings>