Ralton Concentrated Australian Equity

Monthly Portfolio Report | April 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 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	**-3.40%**	**-0.14%**	**2.54%**	**3.14%**	**6.33%**	**5.68%**	**7.45%**	**7.01%**
Income	*0.00%*	*1.18%*	*3.89%*	*3.78%*	*3.68%*	*3.49%*	*3.75%*	*4.09%*
Growth	*-3.40%*	*-1.32%*	*-1.35%*	*-0.64%*	*2.65%*	*2.20%*	*3.70%*	*2.91%*
Index[2]	**-2.92%**	**1.23%**	**9.04%**	**5.53%**	**7.05%**	**7.98%**	**7.77%**	**6.27%**
Outperformance	**-0.48%**	**-1.37%**	**-6.51%**	**-2.39%**	**-0.73%**	**-2.30%**	**-0.32%**	**0.73%**

[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 April, returning -3.4%, versus the index return of -2.92%. 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
Newmont Corporation Registered Shs Chess Depositary Interests Repr 1 Sh (NEM) 18.6%	NEM delivered strong April returns as better than expected quarterly asset performance surprised the market while increasing gold price expectations drove earnings upgrades. We retain confidence in NEM's asset optimisation strategy and consider the high quality gold miner as trading at an undemanding valuation.
Rio Tinto Limited (RIO) 7.2%	RIO's strong performance in April followed gains in the price of iron ore, copper and aluminium, while its March quarterly result was in line with expectations. Looking forward the largest catalyst for RIO remains first production from the Simandou Project in 2025, which will deliver 60Mtpa of iron ore. We retain a positive outlook for RIO's diversified strategy and its growing exposure to base metals.

Detractors	Comment
Light & Wonder, Inc. Shs Chess Depository Interests Repr 1 Sh (LNW) -11.2%	After a strong run of performance LNWs share price pulled back during April, as investors took chips off the table in recognition that the outlook for interest rate cuts weren't as likely as first anticipated. Following various channel checks, the underlying operating conditions remain positive for Australian slot manufacturers and we retain our conviction in LNW, supported by its portfolio of high performing games, expanding margins and earnings momentum.

Detractors	Comment
Cettire Ltd. (CTT) -26.2%	CTT's share price experienced selling pressure after continuing media speculation into its compliance with various tax jurisdictions and duties. The company has unequivocally confirmed that this is nothing more than baseless speculation. Clime's research into the issue confirms what management are publicly saying. We see this saga as akin to the negative media attention Afterpay received during its rapid growth phase, where avid bulls and bears battled out their opinions through the media. We continue to have conviction in CTT and will use share price swings to top up our position.
Karoon Energy Ltd (KAR) -10.0%	In late April KAR share price fell in line with movements in the oil price and also traded lower post downgrades to Brazil and Gulf of Mexico assets. KAR's exploration update in the coming months and changes to the payout ratio are key near-term catalysts. KAR remains attractively valued at less than 1x forward price to book and over 25% forward free cash flow yield.

Portfolio Commentary

Macro Comment

Disappointing inflation data and increasing expectations of the US Federal Reserve delaying rate cuts weighed on global markets, causing poorer April performance in both overseas and domestic equity markets. The recent backup in bond yields remains a risk on the forward multiples of stocks, however the IMF released its economic outlook to the market which painted a picture of improved economic resilience with steady growth and inflation slowing. It appears that a soft-landing scenario is increasingly likely and overall, 2024 is likely to see positive share market returns helped by falling rates late in the year.

Key themes in April

The share market sold off throughout April after a very strong first 3 months of the year, with the ASX 300 finishing -2.94%. This was led by a sell-off in REITs down -7.79% while the portfolio position in GMG returned -6.2%. GMG remains a market-leading beneficiary of increased data centre property demand, and we retain conviction in its outlook. Similarly, we saw weakness across the board with the consumer discretionary sector off -5.1% while healthcare faired relatively better at -2.47%. While the portfolio continues to be underweight the Australian consumer, our largest overweight position in RMD returned +8.95% as its March quarterly beat market expectations. RMD continues to gain market share and benefits from the unraveling of the GLP-1 narrative and its monopolistic market positioning.

The materials sector was the only positive sector during April, returning +0.6%. The portfolios materials sector exposure outperformed the market, benefiting from its larger weight in NEM which returned +18.6% during the month. This was driven by NEM's better-than-expected March quarterly result and earnings upgrades from the rally in the gold price, which now sits comfortably above US$2300/oz. RIO returned +7.1% aided by strong copper (+14%) and iron ore prices (+1.3%) during April, while improving sentiment in lithium names from oversold levels saw PLS return towards fairer value up +6%.

Looking ahead

While April's risk off reset was unsurprising after months of consecutive strong performance in the Australian share market, investor sentiment remains upbeat with many companies flagging earnings upgrades at the end of the March quarterly season. 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 is optimistic on the outlook for the ASX and sees moments of broader market weakness as opportunities to add to quality companies on cheaper valuations.

Portfolio Activity

BUY

Growthpoint Properties Australia (GOZ.ASX)	We anticipate a bottoming in office property valuations in the coming 6 months with investor sentiment towards the sector expected to shift, driven by potential interest rate cuts. Our preffered choice for office exposure is GOZ with a diverse $4.6 billion portfolio split across metro A grade offices (64%) and 36% in appealing industrial properties. GOZ outperforms its peers in key metrics such as weighted average lease expiry (WALE) and lower capital expenditure expectations, which we believe the market undervalues. With an anticipated dividend yield exceeding 7.5%, we see GOZ as undervalued, trading at a considerable discount to its $3.75 net tangible assets.
GQG Partners, Inc. Shs Chess Depository Interests Repr 1 Sh (GQG.ASX)	GQG is a founder led funds management group based in the United States specialising in global equity strategies with over USD 100 billion funds under management (FUM). GQG's strong track record of alpha generation underpins its future FUM growth and ability to take market share, while creating clear competitive advantages via its multi-channel distribution strategy, scale and key investment talent. We view GQG's consistent outperformance across each of its four strategies will fuel continued strong momentum for net FUM flows, translating to earnings growth and a re-rating in valuation, while supported by a +6% dividend yield.
Karoon Energy Ltd (KAR.ASX)	We have added to KAR as elevated geopolitical tensions and OPEC+ output cuts are causing a stronger than expected outlook for the price of oil. Equity values continue to lag oil price strength in the sector, and we are constructive on the growth and exploration prospects of KAR's high quality Gulf of Mexico joint venture interests.

Portfolio Activity

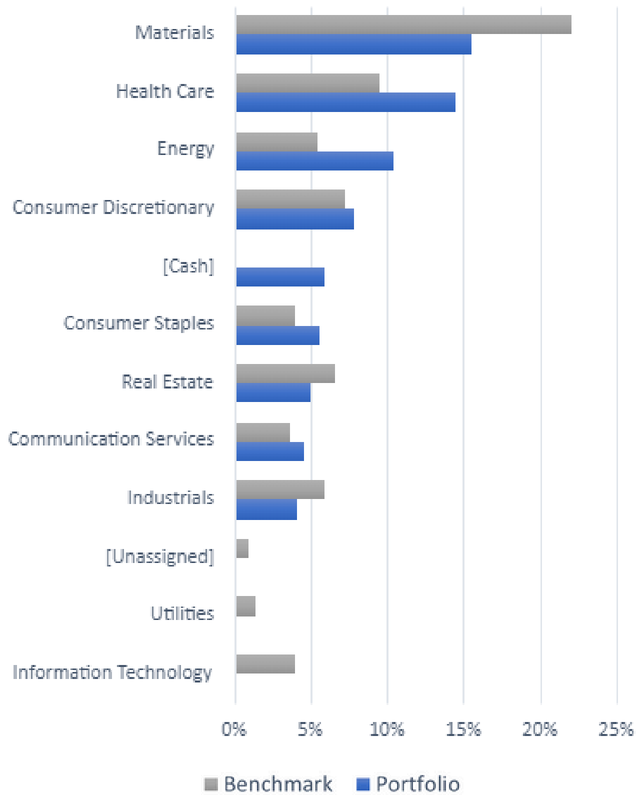
SELL

GPT Group (GPT.ASX)	While we like both the management team and the diversfied portfolio of GPT, we decided to rotate out of the position because we see a clearer line of sight for more upside elsewhere in the property sector, namely from the likes of Growthpoint Properties (ASX: GOZ).
Pilbara Minerals Limited (PLS.ASX)	PLS has been exited from the portfolio on valuation grounds with proceeds being allocated to higher conviction ideas. The oversupply of lithium has caused a muted price outlook and we retain stronger conviction for investing in copper for exposure to the energy transition and electrification thematic.

Top 10 holdings (alphabetical)

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

Sector Positioning



Portfolio metrics*

	Ralton	XKOAI^
# of Securities	*28*	*303*
Market Capitalisation	*79,108.2*	*75,679.8*
Active Share	56.1	--
Tracking Error	*3.67*	--
Beta	*0.82*	*1.00*
Est 3-5 Yr EPS Growth	4.7	4.8
ROE	*17.5*	*14.5*
Dividend %	3.64	3.75
P/E using FY2 Est	15.3	16.0
Price/Cash Flow	11.1	10.6

* 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.