Ralton Dividend Builder

Monthly Portfolio Report | May 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 attractive 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	**0.40%**	**-0.40%**	**8.11%**	**3.60%**	**5.19%**	**4.73%**	**7.22%**	**7.19%**
Income	*0.50%*	*1.56%*	*4.74%*	*5.08%*	*4.76%*	*4.53%*	*4.66%*	*4.90%*
Growth	*-0.10%*	*-1.96%*	*3.37%*	*-1.47%*	*0.44%*	*0.20%*	*2.56%*	*2.29%*
Index[2]	**0.85%**	**1.10%**	**12.83%**	**7.47%**	**6.54%**	**7.76%**	**7.79%**	**6.30%**
Outperformance	**-0.45%**	**-1.50%**	**-4.72%**	**-3.87%**	**-1.35%**	**-3.06%**	**-0.57%**	**0.90%**

[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 Dividend Builder Portfolio underperformed the ASX300 Accumulated Index in May, returning 0.4%, versus the index return of 0.85%. We continue to focus on investing in companies with strong competitive advantages and valuation support which has held the portfolio in good stead during an extended period of volatility.

Contributors	Comment
GQG Partners, Inc. Shs Chess Depository Interests Repr 1 Sh (GQG) 15.9%	GQG has been a consistent contributor to performance since its introduction to the portfolio. Strength in performance continued throughout May, supported by strong global market performances and a trading update that confirmed net FUM flows are tracking ahead of market expectations. The outlook remains positive, with the strong net inflows reflecting continued investor confidence in the company's strategies, underpinning earnings momentum.
Amcor PLC Shs Chess Depository Interests (AMC.ASX). 8.8%	AMC outperformed in May, following a solid Q3 result announcement in late April. The results featured better-than-expected earnings before income tax (EBIT) and margins, driven by effective cost control. Despite slightly missing revenue expectations, the company achieved quarterly EBIT growth in both its Flexibles and Rigids divisions for the first time in a year. Although volumes are expected to remain negative in 4Q24, they should flatten by FY24-end and turn positive in FY25. With restructuring benefits and an attractive dividend yield, Amcor is poised for EBIT/EPS (earnings per share) growth.
Incitec Pivot Limited (IPL.ASX) 5.7%	IPL contributed positively to portfolios over May, due to its 1H24 results which were released mid month. The results featured a strong performance in its APAC Explosives, which beat consensus by 20%. Despite weaker North America Explosives performance and negative operating cash flow, the company's implied FY24 earnings before income tax (EBIT) guidance came in slightly ahead of consensus. The Fertiliser sale process is said to be in advanced stages, with a new transformation program aimed at restoring double-digit return on invested capital (ROIC) levels further support IPL's share price over the month.

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

Detractors	Comment
Sonic Healthcare Limited (SHL.ASX). -9.1%	SHL has continued to face inflationary pressures, foreign exchange headwinds, and contract losses in the US and UK, leading to a downgrade in FY24 earnings before income tax, depreciation and amortisation (EBITDA) guidance to AUD 1.6 billion. However, the company expects an improvement in margins for 2H24 and provides a conservative FY25 EBITDA guidance of AUD 1.70-1.75 billion. SHL's strong market position, sustainable organic growth, and strategic initiatives make it an attractive long-term investment, despite the current macroeconomic pressures.
Smartgroup Corporation Ltd (SIQ.ASX). -14.7%	SIQ saw its share price decline in May, impacted by auto dealer downgrades and poor electric vehicle (EV) sales statistics. Despite this, our outlook remains positive. Management recently expressed that the increased auto supply is beneficial for its novated leasing division, reducing touch points as customers receive their cars quicker. Demand for both EVs and internal combustion engine (ICE) vehicles remains strong, and the corporate segment is thriving due to net zero targets. With improved capacity and ongoing strength in both ICE and EVs, SIQ remains attractively priced in a growing sector.

Portfolio Activity

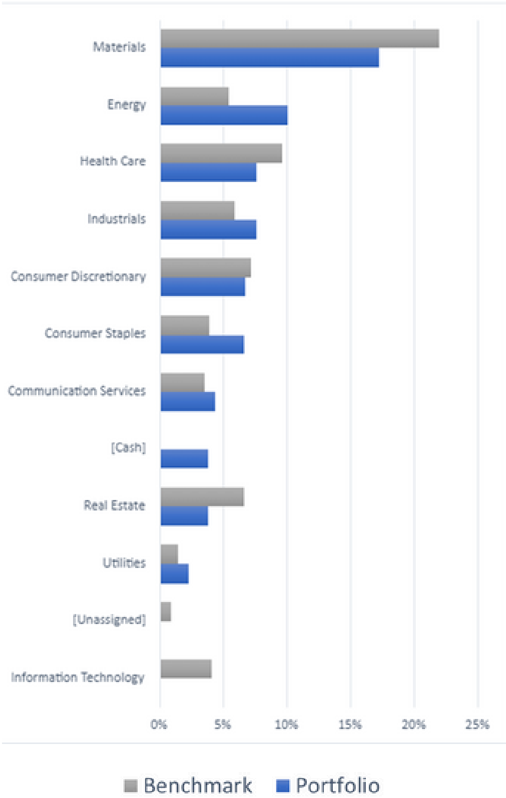
BUY	
Monadelphous Group Limited (MND.ASX).	MND is a top-tier construction and maintenance provider for the resources, energy, and infrastructure sectors. Expected to benefit from increased mining and energy investments after a decade of under-investment. We anticipate 3-4 years of accelerating earnings, with potential margin expansion along with a strong leadership position and growth outlook in the Australian construction and engineering market. A large pipeline of work and tight market conditions support our margin expansion thesis.
Aristocrat Leisure Limited (ALL.ASX).	ALL's strong 1H24 result confirmed it remains a high quality business, with leading market share and attractive operating leverage across each of its divisions. We have initiated a position in ALL given its valuation is trading near all time lows and the positive outlook which is supported by robust underlying industry operating conditions, further growth and market share gains, cost optimisation driving operating leverage and a strategic review of Pixel United.
CSL Limited (CSL.ASX).	We increased our position in CSL due to the continued growth in plasma volumes and the company's strong performance. CSL reported impressive 23% plasma volume growth in 1H24, with volumes expected to normalise in the second half. Additionally, CSL's peers, such as Takeda, Grifols, and Haemonetics, have also reported plasma volumes and revenue growth ahead of expectations. The cost per litre has decreased, further supporting CSL's outlook. Given these positive industry trends and CSL's leading position, we believe the company is well-positioned for future growth and have added to our position in the portfolio.
Ampol Limited (ALD.ASX).	ALD's share price declined in May, presenting a buying opportunity. The refinery-wide steam outage in April impacted production levels, reducing refining volumes by 8% and slightly lowering margins below the anticipated USD 13.5/barrel. Despite this, non-refining earnings before income tax (EBIT) matched 1Q23 levels, and Convenience Retail showed positive momentum. With the Asia Pacific Refining Margin index reflecting recent geopolitical uncertainties, we believe margins will revert to their long-term averages. We increased our exposure to ALD, confident in its resilient non-refining segments and the anticipated recovery in refining margins.

SELL	
Incitec Pivot Limited (IPL.ASX).	We trimmed our position in IPL following its strong performance in May. Although the company's 1H24 results were positive, driven by a strong APAC Explosives performance, we believe the market has largely priced in the near-term positives. While the Fertiliser sale process and the new transformation program are supportive of IPL's outlook, we have decided to reduce our exposure and allocate capital to other compelling opportunities.
Amcor PLC Shs Chess Depository Interests (AMC.ASX).	We reduced our position in AMC following its strong performance in May. While the company's Q3 results were solid, with better-than-expected earnings before income tax (EBIT) and margins, we believe the stock's outperformance has largely priced in the near-term positives. Although AMC is well-positioned for EBIT/EPS (earnings per share) growth, supported by restructuring benefits and an attractive dividend yield, we have decided to trim our holding and reallocate capital to other opportunities.

Top 10 holdings (alphabetical)

ANZ Group Holdings Limited
BHP Group Ltd
Commonwealth Bank of Australia
CSL Limited
National Australia Bank Limited
QBE Insurance Group Limited
Rio Tinto Limited
Sonic Healthcare Limited
Telstra Group Limited
Woodside Energy Group Ltd

Sector Positioning



Portfolio metrics*

	Ralton	XKOAI^
# of Securities	*31*	*301*
Market Capitalisation	*72,623.5*	*77,933.9*
Active Share	58.3	--
Tracking Error	*3.22*	--
Beta	*0.85*	*1.00*
Est 3-5 Yr EPS Growth	3.1	5.7
ROE	*18.1*	*14.5*
Div% NTM	4.81	3.72
P/E using FY2 Est	14.6	16.0
Price/Cash Flow	9.7	10.7

* 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.