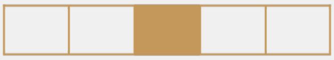
Ralton Concentrated Australian Equity

Monthly Portfolio Report | November 2024

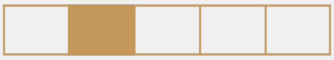
Key facts

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	**1.3%**	**1.0%**	**15.1%**	**5.1%**	**7.5%**	**6.1%**	**7.8%**	**7.2%**
Income	*0.4%*	*1.1%*	*3.5%*	*3.7%*	*3.5%*	*3.4%*	*3.7%*	*4.1%*
Growth	*0.9%*	*-0.1%*	*11.5%*	*1.5%*	*4.1%*	*2.8%*	*4.1%*	*3.1%*
Index[2]	**3.7%**	**5.5%**	**23.2%**	**11.6%**	**9.1%**	**8.2%**	**9.1%**	**6.8%**
Outperformance	**-2.4%**	**-4.5%**	**-8.1%**	**-6.5%**	**-1.6%**	**-2.1%**	**-1.3%**	**0.4%**

[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 November, returning 1.3%, versus the index return of 3.7%.

Contributors	Comment
Aristocrat Leisure Limited (ALL.ASX) 10.8%	ALL delivered solid performance during November following a strong FY24 result. The earnings outlook remains positive, underpinned by its dominant market position, robust underlying operating conditions and superior research and development (R&D) budget driving share gains in the high margin North American premium gaming ops division.
QBE Insurance Group Limited (QBE.ASX) 16.2%	QBE rallied over November with help from a reputable investment bank upgrading their recommendation to 'BUY' followed by the company issuing a 3Q trading update late in the month that reiterated full-year guidance to achieve a combined operating ratio of 93.5%.
Qube Holdings Ltd. (QUB.ASX) 7.0%	QUB contributed positively during November following a solid 1Q25 trading update, with performance aligning with or exceeding managements internal expectations. The outlook remains positive with FY25 guidance being reaffirmed.

Detractors	Comment
GQG Partners, Inc. Shs Chess Depository Interests Repr 1 Sh (GQG.ASX) -13.9%	GQG was negatively impacted during November as key investments held across its funds, particularly Adani Group companies, following news of legal action in the US. This development represented a significant change to our investment thesis, as the risk to future funds under management (FUM) inflows now appears elevated. Consequently, we decided to exit the position.
Newmont Corporation Registered Shs Chess Depositary Interests Repr 1 Sh (NEM.ASX) -7.7%	NEM detracted from performance following a weak quarterly report and a reset of investor expectations, leading to guidance downgrades. During the month, NEM completed the sale of Musselwhite for USD 850 million and has exceeded its initial USD 2 billion goal for realised value from asset divestments by nearly USD 1 billion. We continue to monitor NEM's operational performance closely, and the miner has two assets remaining to be sold by the end of Q1 2025.
BHP Group Ltd (BHP.ASX) -4.9%	BHP detracted from performance as the iron ore price weakened due to continued slower growth expectations in China. We maintain conviction in BHP's copper portfolio strategy, which stands to benefit from electrification and renewable energy over the long term.

Portfolio Commentary

Markets rallied strongly in November, with US indices leading the way. This surge followed Donald Trump's victory in the US presidential election and the Republican Party gaining control of Congress. While some of Trump's proposed policies pose risks to trade and growth, markets reacted positively to his plans for corporate tax cuts and reduced regulation.

The buoyancy in US markets extended to Australia, where the ASX 200 Index climbed 3.4%. Contributing to this were declines in bond yields and the A$/US$. Sector-wise, technology outperformed (+10%), buoyed by strong earnings from Xero and Technology One. Consumer Discretionary (+7%) and Financials (+6%) also saw gains, with Commonwealth Bank (CBA) rising 11% to end the month at $159 per share. However, Materials and Energy sectors lagged due to weaker prices in gold, copper, and oil. Resources have underperformed for the past two months, retracing much of the gains from September’s China stimulus rally.

Performance was positive for the month but lagged the broader market. Readers will observe that this has been a theme in recent months reflecting:

1. Defensive positioning in a strong market.
2. Stock-specific underperformance (e.g., Newmont, GQG Partners, Light & Wonder).
3. New positions yet to reach potential (e.g., Ramsay Healthcare).

A key factor was our material underweight position in CBA, which rallied 11% during the month. While we acknowledge short-term market sentiment and liquidity influence share prices, we remain focused on long-term fundamentals. CBA's current valuation exemplifies the exuberance in markets. Despite net profit after tax rising only 10% over the past decade and analysts projecting low single-digit growth, CBA’s share price has surged 42% this year. It now trades at a forward P/E ratio of 26x—a 60% premium to domestic peers and double international peers. This valuation, coupled with its A$77bn market cap increase accounting for 30% of the ASX 200’s gains this year, supports our conviction in maintaining an underweight position.

Portfolio changes were minimal in November, with one notable action: we exited our position in GQG Partners. This decision followed revelations of corruption at Indian conglomerate Adani, a significant holding for GQG. While stock-specific challenges are common for active managers, we believe this situation has permanently impaired GQG’s outlook for funds under management inflows and performance. Though GQG's decline detracted from November's performance, the overall position generated strong returns since its initial purchase.

Portfolio Activity

BUY

Transurban Group Ltd. (TCL.ASX)	In the last 3 months, TCL has fallen 4% while the S&P/ASX 200 Index has risen 5%. Given the operations remain sound and dividends per share (DPS) guidance for financial year 2025 (FY25) was reiterated at the recent annual general meeting (AGM), we have decided to top-up the position.

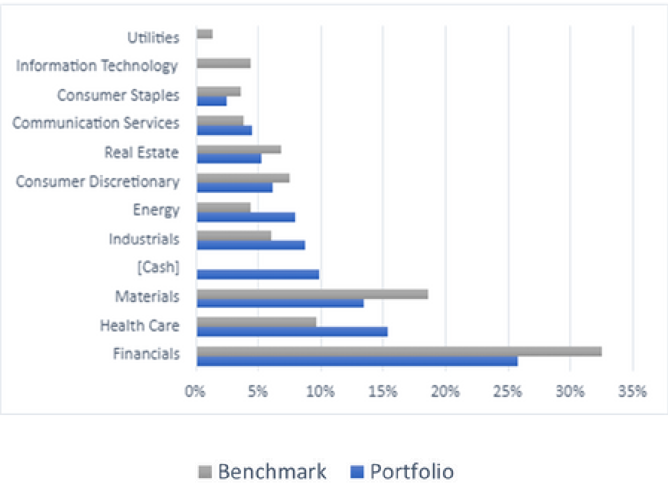
SELL

GQG Partners, Inc. Shs Chess Depository Interests Repr 1 Sh (GQG.ASX)	GQG has a known 10% exposure to Adani Group Companies via underlying equities within its various fund strategies. We view the recently announced charges against CEO Gautam Adani and certain other Adani Group executives and companies as a clear negative impact to GQG and a change to our investment thesis. We view GQG as now carrying an elevated level of risk including potential strategy underperformance, slowing or declining funds under management (FUM) flow and a loss of institutional clients, therefore view it as prudent to exit the position.
Commonwealth Bank of Australia (CBA.ASX)	CBA has risen 12% in the last 3 months vs a broader gain for the ASX 200 of 5%. The continued rally in CBA's share price does not reconcile with recent earnings delivery or the outlook. As evidence of CBA's excessive valuation, we note that CBA recently issued a bond priced at a 6.152% p.a. coupon which compares to CBA's (higher risk) current dividend yield of 4.4% p.a. (grossed up for franking credits). Accordingly we have decided to further reduce our position on a view that valuation is excessive and will not be sustained.
Aristocrat Leisure Limited (ALL.ASX)	Following a strong run of performance we are reducing the exposure in ALL ahead of its FY24 result in November, with the market now pricing in fair value with its valuation trading on 21x Price to Earnings (PE) which is in line with its multiple pre-Plarium and Big Fish acquisitions. We retain our positive outlook for the business, however, see its near-term catalysts as priced in and take the opportunity to take some profit off the table.

Top 10 holdings (alphabetical)

ANZ Group Holdings Limited	Macquarie Group, Ltd.
Aristocrat Leisure Limited	Newmont Corporation Registered Shs Chess Depositary Interests Repr 1 Sh
BHP Group Ltd	Resmed Inc CHESS Depositary Interests on a ratio of 10 CDIs per ord.sh
Commonwealth Bank of Australia	Telstra Group Limited
CSL Limited	Westpac Banking Corporation

Sector Positioning



Portfolio metrics*

	Ralton	XKOAI^
# of Securities	*24*	*299*
Market Capitalisation	*86,630.5*	*86,009.1*
Active Share	56.3	--
Tracking Error	*3.30*	--
Beta	*0.80*	*1.00*
Est 3-5 Yr EPS Growth	3.9	4.4
ROE	*10.8*	*12.2*
Dividend %	3.54	3.40
P/E using FY2 Est	17.2	17.7
Price/Cash Flow	11.5	11.7

* 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.