Ralton Concentrated Australian Equity

Monthly Portfolio Report | December 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	**-2.2%**	**-2.6%**	**6.5%**	**5.5%**	**5.8%**	**5.9%**	**7.1%**	**7.0%**
Income	*0.2%*	*0.6%*	*3.6%*	*3.6%*	*3.5%*	*3.4%*	*3.7%*	*4.1%*
Growth	*-2.4%*	*-3.3%*	*2.9%*	*1.8%*	*2.3%*	*2.5%*	*3.4%*	*3.0%*
Index[2]	**-3.1%**	**-0.8%**	**11.4%**	**11.8%**	**7.1%**	**8.0%**	**8.5%**	**6.5%**
Outperformance	**0.8%**	**-1.8%**	**-4.8%**	**-6.3%**	**-1.3%**	**-2.0%**	**-1.4%**	**0.5%**

[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 outperformed the ASX300 Accumulated Index in December, returning -2.2%, versus the index return of -3.1%.

Contributors	Comment
Transurban Group Ltd. (TCL.ASX) 7.1%	TCL was a strong contributor to portfolio performance, supported by better-than-expected traffic data across its Australian toll roads, signaling resilient growth in its toll network. Additionally, progress in discussions with the NSW government on toll reform provided a positive backdrop. While details remain limited, the framework respects the value of existing motorway contracts, potentially balancing relief for motorists with operational stability. This combination of solid near-term traffic performance and constructive toll reform discussions reinforces our confidence in TCL’s outlook.
Monadelphous Group Limited (MND.ASX) 9.7%	MND performed strongly in December, reflecting continued optimism around its order book and exposure to the iron ore and energy sectors. Sustained demand for construction and maintenance services has supported expectations for revenue and margin growth, contributing to the stock’s recent strength. Notably, MND has secured significant contract awards over recent periods, derisking its current valuation. The positive sentiment around these fundamentals has driven the share price higher, aligning with our confidence in the company’s long-term growth strategy.

Detractors	Comment
Ramsay Health Care Limited (RHC.ASX) -12.8%	RHC detracted from performance over the month. Despite the company reiterating guidance at the late November AGM for profit growth in FY25, negative sentiment persisted with the industry's second largest private hospital operator, Healthscope, requiring an injection of capital from its owner to sustain the business. We contacted Ramsay during the month and received confirmation that all of their Australian hospitals are profitable, which in no small part reflects RHC owning a majority of its hospitals freehold (versus leasehold as per Healthscope).

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

Detractors	Comment
Newmont Corporation Registered Shs Chess Depositary Interests Repr 1 Sh (NEM.ASX) -8.5%	The December decline in NEM was due to weakness in the gold sector and negative sentiment toward gold stocks, exacerbated by increased investment in cryptocurrency after the US presidential election. This overshadowed Newmont's announcement of a non-core asset sale, bringing total proceeds from such sales to nearly USD 4 billion - well above the original 2024 guidance. With more asset sales planned, NEM is well positioned for further capital management.
ANZ Group Holdings Limited (ANZ.ASX) -8.4%	ANZ underperformed in December, with its share price falling in December and over the quarter, following CEO Shayne Elliott's retirement announcement amid ongoing allegations of mishandling deceased customer accounts and weak governance. Despite the swift appointment of a new CEO, leadership uncertainty and heightened scrutiny affected investor sentiment. However, we remain positive on the bank's long-term fundamentals, franchise strength, and attractive valuation, which we believe can offset these challenges.

Portfolio Commentary

Markets were generally softer in December, but that was not enough to dampen a very good year for equities in 2024. The ASX 200 was 3.2% lower in December, and still managed a total return of over +11% for calendar year 2024. Overseas markets were mostly well ahead for the year (S&P 500 up over +23%, the Dow up almost +13% and the Nasdaq up a very strong +31%, fuelled by technology stocks and Donald Trump's return to the presidency. Elsewhere we saw Germany's DAX concluded 2024 with a substantial gain of approximately 19%, Britain's FTSE was up about 6%, and China's Shanghai Composite Index rose 13%. Conversely, the French CAC fell 2% after experiencing further political ructions, a sharp sell-off in French government bonds, a luxury goods sector slump from weaker Chinese demand, and broader economic uncertainties. Japan's Nikkei was up 19% marking the highest year-end finish on record for the index.

The ASX 200's December decline was largely driven by the Real Estate sector, which was impacted by rising bond yields and inflationary concerns that led to expectations of a delayed rate cut by the Reserve Bank of Australia (RBA). For the year, the Information Technology sector led with a +50% return, followed by Financials at +30%. Conversely, the Materials sector fell by around -13%, hurt by poor growth prospects in China and concerns about a potential tariff war.

Portfolio Commentary
With December being a negative month for the market, it was pleasing to see our portfolio down far less. Such an outcome is consistent with our approach to investing which is to provide a level of downside protection when markets sell-off. As we enter a more challenging 2025 for equities, we believe we are well-positioned.

Our top performers included Monadelphous (MND), Transurban (TCL), and Telstra (TLS), while Ramsay Healthcare (RHC), Newmont Mining (NEM), and Light & Wonder (LNW) were our largest detractors. RHC, in particular, has fallen nearly 20% since we initiated a 2% portfolio position three months ago. We attribute this decline to sentiment, due to tensions between hospitals and insurers and news of financial difficulties at Healthscope, Australia's second-largest private hospital operator. We recently spoke with Ramsay management and they reiterated that all of RHC's hospitals in Australia are profitable, which in no small part can be attributed to the majority of their hospitals being owned freehold rather than leasehold (as is the case for Healthscope). We also note that RHC reiterated guidance at their late November AGM for group profit to grow in FY25.

So when will RHC prove a good investment? We don't like paying the wrong price as we have experienced thus far. But we also don't like judging the success of an investment over a three-month time horizon. Thus far, nothing has changed to undermine our investment thesis. All that has changed is the share price. We are inclined to add further to the position but have decided to hold off for more evidence of green shoots and clarity from RHC's new CEO before taking action.

Considerations for 2025
2024 was a strong year for equity markets, especially in the US, with performance well beyond what fundamentals would suggest. This highlights the role of liquidity and sentiment in driving prices, with signs of exuberance:

- Bitcoin is up 40% since Trump's victory
- US stock market volatility index (VIX) has dropped to the low end of its 30-year range

Our local market has been affected too and not just in areas prone to speculation (e.g. penny stocks, unprofitable tech). Take CBA as a case in point. Last calendar year CBA rallied 37% alongside a 6% increase in 12m-forward earnings. As a result, CBA's 12 month forward price to earnings (P/E) ratio is now 26x which is a 60% premium to domestic peers and double offshore peers. We cannot define when CBA under-performs but have confidence that in time, CBA will anchor to its stagnant earnings profile. It thus remains our single largest active position given our holding is only half the size of its index weight.

With valuation multiples high, especially when compared to bonds, and stagnant earnings in Australia – driven by the major banks and iron ore miners – we expect a more subdued year ahead. Our portfolios are positioned differently to the market with a defensive bias as reflected in overweight allocations toward real assets, gold, healthcare, and non-cyclicals. We also have cash available to deploy should volatility rear its head and invite opportunity to invest in a quality company that has been sold down to the point of overlooking its long-term fundamental earnings potential.

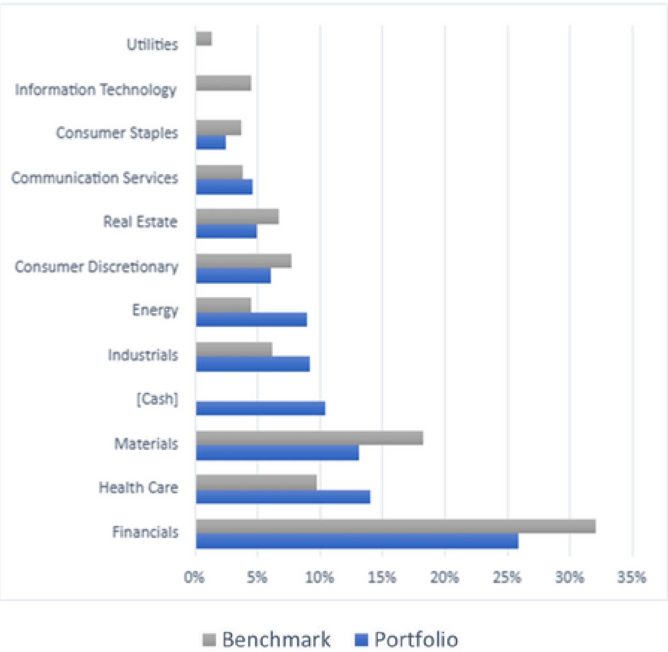
Portfolio Activity

BUY	
QBE Insurance Group Limited (QBE.ASX)	We topped up our position in QBE over the month. While QBE has performed strongly of late, fundamentals remain supportive as evidenced in QBE's late November trading update and reiteration of full-year FY24 earnings guidance. We note that QBE trades on a low double digit multiple which is below peer commercial insurers and materially below the general listed insurers on the ASX, namely IAG and SUN.
Woodside Energy Group Ltd (WDS.ASX)	WDS was topped up during the month on the view the market is being too harsh toward WDS' growth strategy. As we have noted to clients in recent briefings, WDS's share price decline relative to its closest peer, Santos Ltd (STO.ASX), over the last six months has been significant and is suggestive the market expects its Louisiana LNG project to earn only a token return once commissioned. This observation, combined with recent weakness in oil markets, prompted us to add to our position.
SELL	
Resmed Inc CHESS Depositary Interests on a ratio of 10 CDIs per ord.sh (RMD.ASX)	We reduced our position in RMD over the month in recognition of the stock's substantial share price recovery the last 12 months. Overall we continue to maintain an overweight position on a view that RMD remains well-positioned to grow revenue and earnings in the years ahead thanks to a large and growing addressable market alongside RMD's commanding market position.

Top 10 holdings (alphabetical)

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

Sector Positioning



Portfolio metrics*

	Ralton	XKOAI^
# of Securities	*24*	*299*
Market Capitalisation	*83,393.2*	*83,561.7*
Active Share	56.1	--
Tracking Error	*3.30*	*0.00*
Beta	*0.80*	*1.00*
Est 3-5 Yr EPS Growth	2.8	4.1
ROE	*10.7*	*12.3*
Dividend %	3.70	3.50
P/E using FY2 Est	16.3	16.8
Price/Cash Flow	11.0	11.4

* 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.