

Ralton Australian Equity Ex 50

Monthly Portfolio Report | December 2024



Key facts

Income versus growth target



Market cap bias



Investment strategy

A portfolio of ASX-listed equities designed to provide high capital growth

Investment objective

Outperform index by over 4% p.a.

Benchmark index

S&P/ASX Small Ordinaries Accumulation

Portfolio Manager

Will Riggall

Inception date

February 2008

Management fee

0.75% p.a. (may vary across platforms)

Number of stocks

20-35

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	-2.7%	-2.4%	0.2%	2.7%	-2.5%	1.3%	4.9%	5.6%
Income	0.2%	0.4%	2.7%	2.6%	2.6%	2.5%	2.7%	3.3%
Growth	-2.9%	-2.8%	-2.5%	0.1%	-5.1%	-1.2%	2.3%	2.3%
Index ²	-3.1%	-1.0%	8.4%	8.1%	-1.6%	4.0%	7.3%	2.7%
Outperformance	0.4%	-1.4%	-8.2%	-5.4%	-1.0%	-2.7%	-2.3%	2.9%

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 Small Ordinaries Accumulation Index

Portfolio Performance

The Ralton Ex 50 Portfolio outperformed the ASX Small Ordinaries in December, returning -2.7%, versus the index return of -3.1%.

Contributors	Comment
Nick Scali Limited (NCK.ASX) 6.5%	NCK contributed positively to performance in December, benefiting from better-than-expected industry Black Friday sales, which supported a shifting market view of improved consumer sentiment. The company also provided an update to the market, revealing it had managed recent freight disruptions effectively, with the financial impact proving less significant than anticipated. These factors contributed to NCK's share price performance during the month, reinforcing our investment thesis.
Australian Ethical Investment Ltd (AEF.ASX) 6.5%	AEF performed positively in December, driven by renewed market confidence after Barrenjoey Capital Partners initiated a "BUY" rating with a target price of \$6.70. AEF had been dropped from coverage during COVID-19 due to a sharp decline in share price following inflation concerns. However, AEF is executing well, and its transition from funds management to superannuation is driving sustainable funds under management (FUM) growth, offering further upside to its bottom line.
Detractors (cont.)	Comment
Zip Co Ltd. (ZIP.ASX) -13.5%	ZIP underperformed in December, with its share price falling 13.5% after a strong rally to a 2-year high of \$3.50. Weakness in key US markets and broader negative sentiment toward the buy now, pay later (BNPL) sector contributed to the pullback, as investors took a break from recent gains. Despite this, ZIP remains well-positioned, supported by consistent double-digit top-line growth and low bad debts, reflecting strong operational profitability.
Reliance Worldwide Corp. Ltd. (RWC.ASX) -8.1%	RWC saw its shareprice under pressure during the month, weighed down by weaker results from peer Kingfisher, which highlighted challenges in the UK and French markets. However, Home Depot's solid Q3 performance, including commentary regarding steady demand growth in plumbing, partially balanced sentiment. RWC's investor meeting during the month reiterated its focus on leveraging its strong presence in residential repair and remodel, expanding commercial offerings, and driving operational efficiencies, positioning it well for sustained growth in its \$25 billion addressable market.



Detractors (cont.)	Comment
Audinate Group Ltd. (AD8.ASX) -16.1%	<p>AD8 detracted during December as the market continued to digest downgraded near-term consensus forecasts, reflecting the overordering dynamic during the chip shortage period and the subsequent inventory correction. While these developments weighed on performance, the company remains well-positioned as a global leader in networked audio solutions, leveraging its proprietary Dante platform. AD8's video division is also showing promising early growth. Despite recent setbacks, we view current levels as attractive, underpinned by AD8's market leadership and significant long-term growth opportunities in professional AV solutions.</p>
Portfolio Activity	
BUY	
WEB Travel Group limited (WEB.ASX)	<p>WEB's addition to the portfolio highlights its strong position in global Business-to-Business (B2B) accommodation through WebBeds and leadership in online travel bookings via Webjet Online Travel Agent (OTA). Total Transaction Value (TTV) grew 25% year-on-year (YoY) in 1H FY25, driven by improved performance and international booking recovery. TTV margins remain steady at 6.5%, while investments in technology, including Trip Ninja and ROOMDEX, are boosting scalability and higher-margin opportunities. With diversified operations and strong travel demand, Web Travel is well-positioned for sustained growth and shareholder value.</p>
Credit Corp Group Limited (CCP.ASX)	<p>The December sell-off in CCP presented a compelling opportunity to invest in a high-quality business with a strong track record. Despite near-term challenges in AU/NZ debt buying and US collections, CCP's US operations showed improvement, with Q1FY25 cash collections up 12% YoY and productivity gains driving efficiency. The firm's expanded banking facilities ensure funding flexibility, while its focus on shorter-duration credit cards and lower-balance portfolios positions it well for future growth. We see potential for CCP to capitalize on the robust US debt-buying pipeline in FY2025.</p>
Aussie Broadband Ltd. (ABB.ASX)	<p>ABB has been added to the portfolio, capitalizing on its strong momentum in broadband growth and expanding enterprise footprint. The company delivered positive results in its Q1 trading update, with improving market share trends and continued customer acquisition across its broadband offerings. The launch of its budget brand, Buddy Telco, targets price-sensitive customers and adds a new growth channel. Recent multi-year contracts, including with The Reject Shop and Auto & General, highlight ABB's growing enterprise presence. With earnings before income tax, depreciation and amortisation (EBITDA) guidance reaffirmed, ABB is well-positioned to continue to take market share in broadband with both residential and business customers.</p>
Southern Cross Electrical Engineering Limited (SXE.ASX)	<p>SXE's addition to the portfolio reflects its strong growth trajectory, supported by a \$720 million order book and diversified exposure across data centers, infrastructure, and decarbonization projects. Recent contract wins, including a \$125 million NSW hospital project, highlight SXE's leading market position, particularly in high-demand sectors like renewable energy and electrification. Recurring revenues now account for 33% of group revenue, improving earnings visibility. With disciplined acquisitions, strong cash reserves, and a growing dividend, SXE offers attractive upside as it captures structural tailwinds in electrification and AI-driven data center demand.</p>
Monadelphous Group Limited (MND.ASX)	<p>MND was added to the portfolio, reflecting our confidence in the company's disciplined management team, stable earnings profile, and resilient contract pipeline. MND's 70% revenue exposure to maintenance work provides annuity-like cash flows, supplemented by higher-margin construction work, which is a growing proportion of the company's future work pipeline. Supported by a strong balance sheet, MND is well-placed to deliver a steadily growing yield profile to investors.</p>
Super Retail Group Limited (SUL.ASX)	<p>SUL was added to the portfolio this month following a post-AGM trading update in October that led to a share price decline. The update highlighted a subdued consumer environment and rising costs, but we believe the market reaction was overdone given SUL's quality fundamentals. With diversified brands, over 11.5 million active loyalty members driving 77% of sales, and ongoing investments in omni-channel capabilities, SUL is well-positioned to navigate near-term challenges. Current valuations present an attractive entry point for this leading retail conglomerate.</p>
SELL	
Vault Minerals Limited (VAU.ASX)	<p>We took the opportunity to exit our position in VAU following recent share price strength, driven by rising gold prices and a solid September quarter. While the expansion of King of the Hills is a positive step for long-term growth, the timeline and cost estimates have increased, introducing near-term risks. Production is now expected to remain flat in FY26, with reduced free cash flow yield projections. Combined with potential questions around management's execution, we viewed this as an opportune moment to lock in gains.</p>

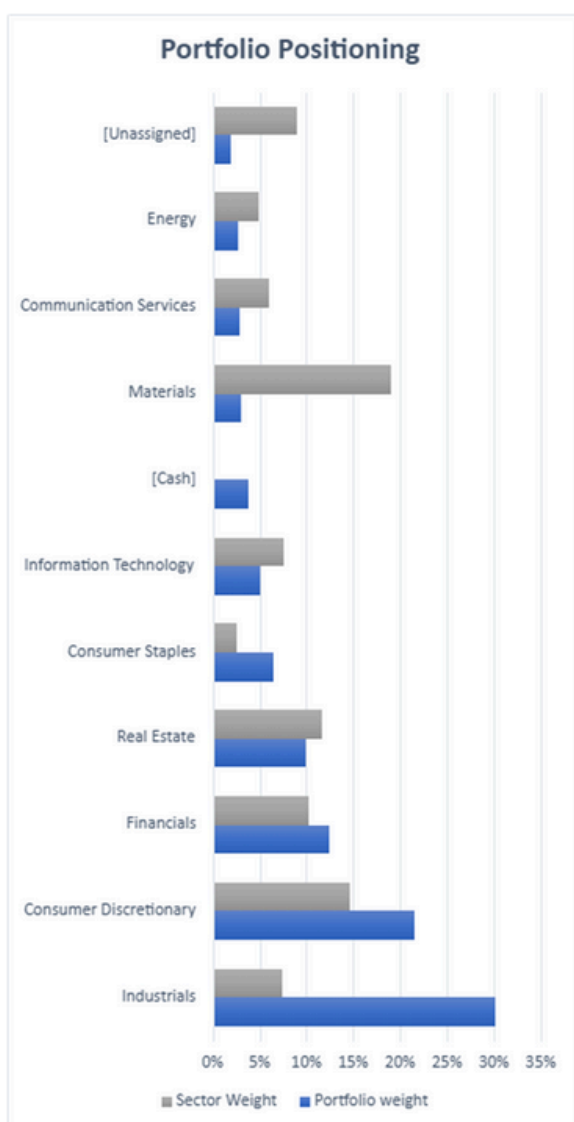
Portfolio Activity

SELL

Domino's Pizza Enterprises Limited (DMP.ASX)

We have exited our position in DMP, balancing the company's longer-term potential with near-term challenges. While the Australian business remains strong, delivering some improvements in franchisee profitability and operational efficiency, underperformance in key offshore markets like Japan and France weighs on the outlook. Japan continues to face weak demand and operational pressures, and recent Christmas period data from France highlights ongoing challenges in Europe. Combined with ongoing franchisee profitability pressures and a stretched balance sheet, these risks prompted us to sell our position from the portfolio.

Sector Positioning



Top 10 holdings (alphabetical)

ARB Corporation Limited	Ridley Corporation Limited
Hansen Technologies Limited	SGH Limited
Nick Scali Limited	Smartgroup Corporation Ltd
NRW Holdings Limited	Steadfast Group Limited
Reliance Worldwide Corp. Ltd.	Zip Co Ltd.

Portfolio metrics*

	Ralton	XSOAI [^]
# of Securities	36	199
Market Capitalisation	3,349.5	2,908.6
Active Share	85.0	--
Tracking Error	6.78	0.00
Beta	0.83	1.00
Est 3-5 Yr EPS Growth	6.0	9.9
ROE	12.2	5.3
Dividend %	2.93	2.62
P/E using FY2 Est	15.7	14.4
Price/Cash Flow	12.7	10.2

* Source: FactSet

[^] XSOAI means the S&P/ASX Small Ordinaries 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 in an index.