

Ralton Concentrated Australian Equity

Monthly Portfolio Report | March 2025

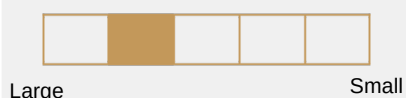


Key facts

Income versus growth target



Market cap bias



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	-2.7%	-1.2%	0.5%	4.0%	4.0%	12.5%	5.9%	6.9%
Income	0.7%	0.9%	3.2%	3.6%	3.6%	3.4%	3.7%	4.1%
Growth	-3.4%	-2.1%	-2.8%	0.4%	0.4%	9.1%	2.1%	2.8%
Index ²	-3.3%	-2.9%	2.6%	8.4%	5.3%	13.2%	7.1%	6.3%
Outperformance	0.7%	1.7%	-2.2%	-4.4%	-1.3%	-0.8%	-1.3%	0.6%

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 March, returning -2.7%, versus the index return of -3.3%.

Contributors	Comment
Newmont Corporation Registered Shs Chess Depositary Interests Repr 1 Sh (NEM.ASX) 16.0%	NEM performed well in March driven by continued strength in the price of gold, ongoing central bank purchasing activity, and heightened political uncertainty following Trump's presidential election and tariff news. NEM's total proceeds from the sale of non-core assets have reached nearly USD 4 billion, significantly exceeding its original guidance. This positive outcome leaves NEM well-capitalised, and the miner is executing its strategy as expected.
NIB Holdings Ltd (NHF.ASX) 4.5%	NHF was a positive contributor over March, continuing to benefit from the solid 1H FY25 financial result reported in February that revealed continued solid growth from its core private health insurance division. We note that despite a proven track record of growth and stability, NHF continues to trade at a notable discount to its listed insurance peers.
QBE Insurance Group Limited (QBE.ASX) 4.6%	QBE was a positive contributor in March, supported by a favourable earnings outlook following its FY24 results announcement in February, along with an undemanding valuation. While there was no direct news flow relating to QBE during the month, we attended an investor briefing focused on its North American crop insurance business. The session explored whether the heavily subsidised nature of US crop insurance could be at risk, particularly in light of President Trump's stated intention to reduce government spending. We came away reassured, concluding that the likelihood of significant cuts remains low, given the recognised economic and national security importance of the US farming sector.



Portfolio Performance

Detractors	Comment
PEXA Group Limited (PEXA.ASX) -9.3%	PXA detracted in March following ongoing weak market sentiment. While near-term conditions remain volatile, we believe the market undervalues its growth potential, and expect the company's more cautious approach and new leadership to drive improvement.
Light & Wonder, Inc. Shs Chess Depository Interests Repr 1 Sh (LNW.ASX) -20.7%	LNW detracted during the month as a result of rising concerns of weakening US macroeconomic environment and potentially impacting consumer spending. Additionally, further litigation concerns have been raised by Aristocrat (ALL.ASX), creating increased uncertainty. The position was exited prior to the end of the month.

Portfolio Commentary

Markets

Share market volatility continued in March with prices weighed down by evidence of a slowing US economic backdrop alongside growing worries regarding US tariff policies. Such concerns were validated post month-end with President Trump's 'Liberation Day' on April 2nd revealing far more draconian reciprocal tariffs than expected, leading to another significant sell-off, at the time of writing.

For the month, the US S&P 500 Index fell -6% and Nasdaq fell -8%, taking calendar to date returns to -5% and -10% respectively. European and Asian markets fared better with falls in the low single digits. The Australian market fell -4% (ASX 200 Index), featuring widespread selling across all sectors, except Utilities, which closed flat.

Outside of equities, bond markets were generally softer, with yields rising compared to the previous month. This was a somewhat surprising outcome given weakening forward indicators and benign inflation data, particularly in Europe, which supported further policy rate cuts by both the European Central Bank (ECB) and the Bank of China (BoC). Commodity markets were mixed: oil and copper strengthened, while iron ore and lithium declined. Reflecting heightened uncertainty, gold rose 9%, surpassing USD 3,000/oz.

Outlook – are we there yet?

Notwithstanding that markets have entered correction territory this month, it is not a lay down misère that markets will stage a strong bounce back. With markets having been so buoyant the last couple of years, one could be forgiven for forgetting that, over the last 97 years, the S&P 500 Index has averaged a down year once every 3.2 years. The last down year was 2022, and the one before that was 2018. Maybe history repeats, and 2025 is a down year. It's quite possible this happens, particularly given recent returns have been well above average. The long-term annual return of the S&P 500 Index has been 9% p.a. (8% if you include the 1930s). That compares to average annual returns over the five-and-ten-year periods of 14% and 12%, respectively. This is the challenge in front of the share markets at the moment.

Portfolio

Our portfolio again held up well versus the market. Like our communication last month, the unwinding of momentum and 'quality-at-any-price' stocks (e.g. PME, WTC, NWL, TNE, REA etc) alongside the portfolio's defensive positioning and a supportive profit reporting season scorecard was helpful for relative performance.

The month featured the exit of Light & Wonder (LNW) from the portfolio. Our decision to exit reflected mounting evidence of a deteriorating US consumer environment that we believe will challenge LNW's ability to meet earnings expectations in the period ahead. As per recent internal analysis of LNW's financials, we see the business as more sensitive to the external environment relative to peer Aristocrat (which we still hold), given observed differences in revenue mix, earnings quality, product development spending, and balance sheet. On this basis, despite being attracted to LNW's strategy and management, we conclude that the risk-reward profile had become unfavourably skewed.

Outside of portfolio changes, the investment team reviewed several stocks in March, with a focus on quality growth companies that had previously been considered too expensive to own. As noted last month, we have surplus cash available for the right opportunity, though no allocation is guaranteed, given the high standards set by our investment criteria. While market volatility and downturns can be unsettling, they are an inherent part of equity investing and often present the most compelling opportunities to generate returns. We look forward to updating you again next month.

Portfolio Activity

BUY

IDP Education Ltd. (IEL.ASX)

We have utilised market weakness to increase the portfolio weighting in IEL. We continue to see a foreseeable path for stabilising and improving student placement volumes post a synchronised global election cycle with IEL taking market share, while long-term demand for international education remains strong. With pricing power supported by underlying operating conditions, we see this as a favourable tailwind for IEL's earnings and presenting the opportunity for meaningful upside as operating leverage comes through in a more normalised global international student policy setting.

SELL

Light & Wonder, Inc. Shs Chess Depository Interests Repr 1 Sh (LNW.ASX)

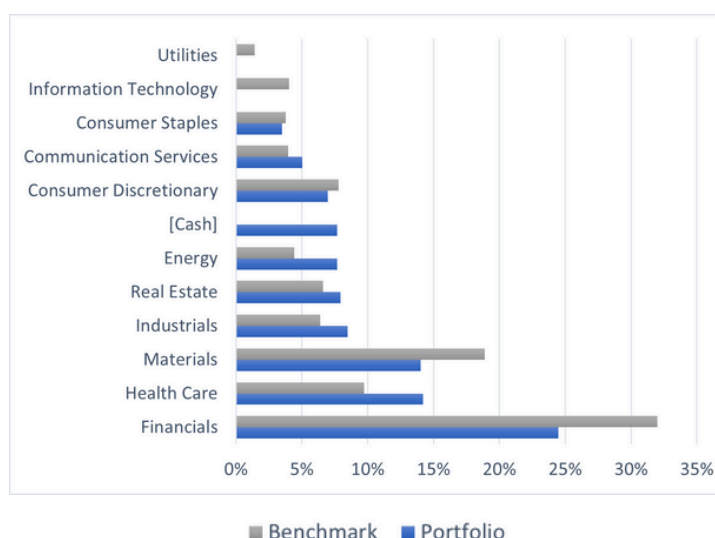
We have decided to exit our position in LNW reflecting an expectation that mounting evidence of a deteriorating US consumer environment will challenge LNW's ability to meet earnings expectations in the period ahead. As per recent internal analysis of LNW's financials, we see the business as more sensitive to the external environment relative to peer Aristocrat (ALL.ASX) given observed differences in revenue mix, earnings quality, product development spending, and balance sheet. On this basis, despite being attracted to LNW's strategy and management, we now view the risk-reward profile as unfavourably skewed, prompting our decision to exit.

Top 10 holdings (alphabetical)

ANZ Group Holdings Limited
BHP Group Ltd
CSL Limited
Macquarie Group, Ltd.
Newmont Corporation Registered Shs
Chess Depository Interests Repr 1 Sh

Resmed Inc CHESS Depository Interests
on a ratio of 10 CDIs per ord.sh
Telstra Group Limited
Transurban Group Ltd.
Westpac Banking Corporation
Woodside Energy Group Ltd

Sector Positioning



Portfolio metrics*

	Ralton	XKOA1^
# of Securities	26	300
Market Capitalisation	74,271.8	79,761.7
Active Share	57.1	--
Tracking Error	3.35	--
Beta	0.81	1.00
Est 3-5 Yr EPS Growth	3.2	4.3
ROE	11.7	12.6
Dividend %	3.66	3.57
P/E using FY2 Est	16.7	16.4
Price/Cash Flow	10.5	11.0

* Source: FactSet

^ XKOA1 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 in an index.