# Ralton Leaders

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 for long-term capital growth and some tax-effective income

### Investment objective

Outperform index by over 3% p.a.

### Benchmark index

S&P/ASX 100 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

### Key platforms

Brightday, Linear, OneVue, Praemium

## 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 | **1.68%** | **2.00%** | **7.03%** | **3.38%** | **5.28%** | **7.20%** | **8.04%** | **7.24%** |
| Income | *0.50%* | *1.28%* | *3.66%* | *4.01%* | *3.76%* | *3.50%* | *3.88%* | *4.27%* |
| Growth | *1.18%* | *0.72%* | *3.37%* | *-0.18%* | *1.52%* | *3.70%* | *4.16%* | *2.97%* |
| Index[2] | **0.96%** | **1.05%** | **13.05%** | **8.12%** | **7.42%** | **8.26%** | **7.98%** | **6.70%** |
| Outperformance | **0.72%** | **0.95%** | **-6.02%** | **-4.11%** | **-2.14%** | **-1.06%** | **0.06%** | **0.53%** |

[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 100 Accumulation Index.

## Portfolio Performance

The Ralton Leaders Portfolio outperformed the ASX100 Index in May, returning 1.68%, versus the index return of 0.96%. A focus on investing in companies with strong competitive advantages and valuation support has held the portfolio in good stead during an extended period of volatility.

| Contributors | Comment |
|---|---|
| **Aristocrat Leisure Limited (ALL.ASX).** 13.5% | ALL delivered a strong 1H24 result beating consensus estimates across all key metrics, translating to strong outperformance over the month. The result addressed key areas of investor concerns, while confirming it remains a high quality business, with leading market share and attractive operating leverage across each of its divisions, positioning it well for future growth. |
| **Qube Holdings Ltd. (QUB.ASX)** 7.8% | QUB delivered an FY24 trading update ahead of market expectations during May, translating to strong outperformance. QUB remains well-positioned for sustainable long-term earnings growth, supported by its strategic assets and additional capacity and efficiency benefits coming through from its multi-year investment into IMEX. |
| **Nextdc Limited (NXT.ASX).** 6.6% | NXT delivered strong performance through May, as investors are attracted to the structural demand drivers behind the migration to cloud computing and artificail intelligence (AI). As Australias largest pure play data centre operator, we see its scale and strategic assets as competitive advantages, supporting a favourable growth outlook that is inextricably linked to long-term global megatrends. |

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| Detractors | Comment |
|---|---|
| **Resmed Inc CHESS Depositary Interests on a ration of 10 CDIs per ord.sh (RMD.ASX)** -4.2% | RMD detracted from portfolio performance in May, despite the company's strong Q3 2024 results released in late April. The quarterly update highlighted significant gross margin expansion due to higher device sales growth, with further improvements expected in FY25, surpassing consensus expectations. We believe the underlying industry conditions have never been more supportive for RMD to see continued strong top-line growth, as concerns over GLP-1 have subsided and the group dominates market share with its main rival, Philips, out of the market. RMD remains a key overweight in the portfolio. |
| **Pilbara Minerals Limited (PLS.ASX).** **-**6.7% | PLS was a detractor during the month as confidence in electric vehicle demand forecasts weakened and market commentary of continuing lithium oversupply is supporting a short term flat lithium price outlook. PLS remains our preference as the highest quality pure play exposure to the lithium sector. |
| **Worley Limited (WOR.ASX).** -2.9% | WOR's investor day in early May highlighted a healthy backlog of engineering work, improved employee efficiency leveraging artificial intelligence (AI) and increasing demand for sustainability work. The market has been overly focused on the possibility of contract scope delays or cancellations which is the key driver of the recent share price weakness. We retain conviction in WOR's ability to deliver both margin expansion and contract growth through its market leading position in the sustainability engineering space. |

## Portfolio Activity

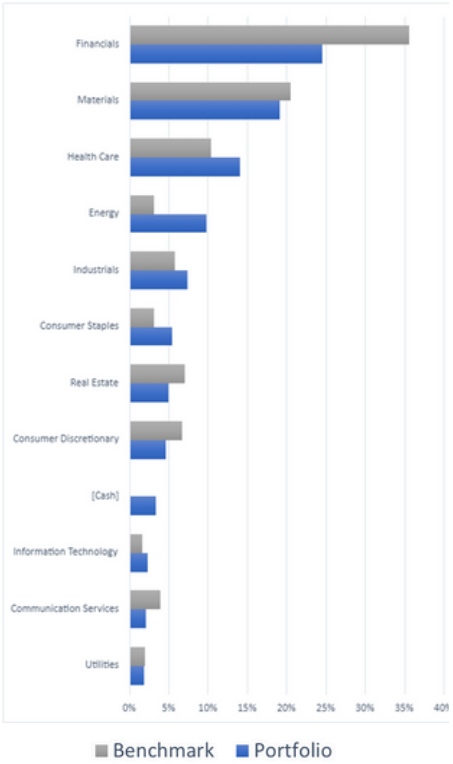
| BUY | |
|---|---|
| **Ampol Limited (ALD.ASX).** | ALD's share price declined in May, presenting a buying opportunity. The refinery-wide steam outage in April impacted production levels, reducing refining volumes by 8% and slightly lowering margins below the anticipated USD 13.5/barrel. Despite this, 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. |
| **Qube Holdings Ltd. (QUB.ASX)** | QUB delivered a better than expected trading update, upgrading its underlying FY24 guidance from 5-10% to 10-15% for Net profit after tax excluding tax effected amortisation (NPATA) and Earnings per share on NPATA (EPSa). Following the update, we have increased our weighting in QUB as we have greater confidence in the outlook and expect earnings momentum to continue. Our positive view is underpinned by QUBs operational execution, sustainable competitive advantages, market share gains (Patricks), ramp-up of Moorebank and its key driver of earnings across its diversified divisions performing in line or ahead of expectations. |

| SELL |
|---|
| - |

## Top 10 holdings (alphabetical)

ANZ Group Holdings Limited
Aristocrat Leisure Limited
BHP Group Ltd
Coles Group Ltd.
Commonwealth Bank of Australia
CSL Limited
Macquarie Group, Ltd.
National Australia Bank Limited
Resmed Inc CHESS Depositary Interests on a ratio of 10 CDIs per ord.sh
Woodside Energy Group Ltd

## Sector Positioning




## Portfolio metrics*

| | Ralton | XTOAI^ |
|---|---|---|
| # of Securities | *29* | *98* |
| Market Capitalisation | *83,287.2* | *90,769.4* |
| Active Share | 50.4 | -- |
| Tracking Error | 2.77 | -- |
| Beta | 0.91 | *1.00* |
| Est 3-5 Yr EPS Growth | 4.5 | 4.8 |
| ROE | 13.9 | *15.1* |
| Dividend % | 3.75 | 3.90 |
| P/E using FY2 Est | 16.3 | 15.9 |
| Price/Cash Flow | 11.3 | 11.0 |

* Source: FactSet

^ XTOAI means the S&P/ASX 100 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.

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