Ralton Leaders

Monthly Portfolio Report | October 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	-2.14%	**0.44%**	**19.13%**	**7.25%**	**6.22%**	**7.55%**	**8.08%**	**7.39%**
Income	*0.00%*	*0.99%*	*3.63%*	*3.65%*	*3.56%*	3.47%	*3.85%*	*4.23%*
Growth	*-2.14%*	*-0.55%*	*15.50%*	*3.60%*	*2.66%*	*4.08%*	*4.22%*	*3.16%*
Index[2]	**-1.54%**	**1.99%**	**24.63%**	**13.55%**	**8.73%**	**8.54%**	**8.51%**	**6.99%**
Outperformance	**-0.59%**	**-1.55%**	**-5.49%**	**-6.29%**	**-2.51%**	**-1.00%**	**-0.43%**	**0.39%**

[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 underperformed the ASX100 Index in October, returning -2.14%, versus the index return of -1.54%.

Contributors	Comment
Resmed Inc CHESS Depositary Interests on a ratio of 10 CDIs per ord.sh (RMD.ASX) 5.6%	RMD was a positive contributor to performance over the month. The stock's rise was driven by another strong quarterly result which featured double digit sales growth across all divisions and geographies and on-going expansion in margin from product innovation and cost control. Also of help to RMD's performance over the month was the weaker AUD versus the USD. While RMD's share price has risen materially the last 12 months after negative sentiment flowing from the rise of weight-loss drugs, we still think the stock represents good value given the continuation of strong earnings growth.
Aristocrat Leisure Limited (ALL.ASX) 5.0%	ALL was a strong portfolio contributor over the month underpinned by strong gaming performance data, market share gains in its core North American premium gaming operations and positive customer feedback from its display of gaming content pipeline at Global Gaming Expo (G2E). We retain a positive outlook supported by robust underlying operating conditions, market share gains and its upcoming FY24 result.
ANZ Group Holdings Limited (ANZ.ASX) 2.2%	ANZ posted a gain in October, contributing positively to the portfolio. The stronger-than-expected unemployment rate during the month supported investor sentiment across the banking sector, as steady employment levels suggest resilience in economic activity and bad debt staying relatively stable.

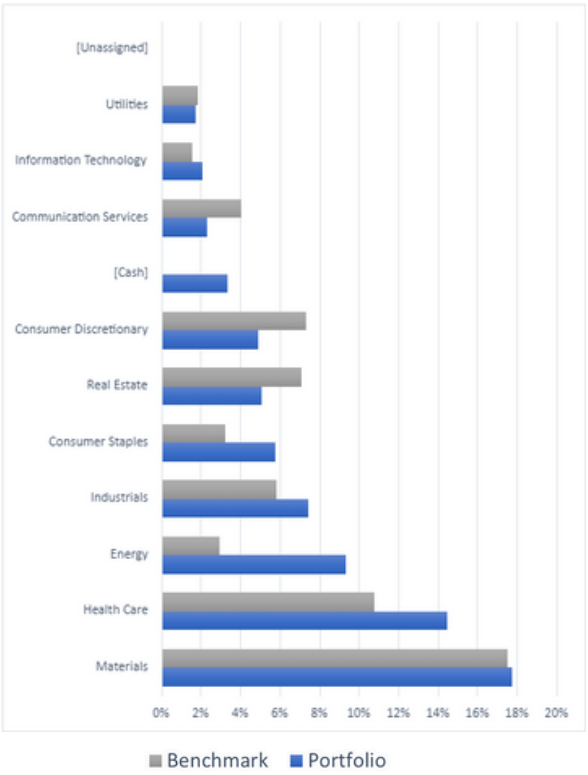
Detractors	Comment
Newmont Corporation Registered Shs Chess Depositary Interests Repr 1 Sh (NEM.ASX) -8.9%	NEM detracted from performance this month following a weak quarterly report, which included production downgrades for Lihir and Brucejack as well as cost increases across the company's gold mining portfolio. Investor expectations had risen on anticipated benefits from the integration of Newcrest assets and imrproving performance of the Nevada JV. We view this result as a reset of expectations and will continue to monitor NEM's operational performance closely.
Ampol Limited (ALD.ASX) -8.6%	ALD was a detractor over the month due to a soft quarterly trading update that featured a weaker-than-expected trading contribution from their Lytton refinery. While soft global refinery conditions were known to the market, ALD's Lytton operation was additionally impacted by operational issues while undertaking care and maintenance. Outside this short-term setback, the rest of ALD's operations including their large convenience retail network remain stable and will sustain the on-going payment of fully franked dividends which is our key attraction to this investment.
Qube Holdings Ltd. (QUB.ASX) -5.8%	QUB detracted during the month following concerns raised by the ACCC regarding its proposed acquisition of MIRRAT. We retain a positive outlook for QUB underpinned by its higher utilisation of its diversified and quality strategic assets, translating to an improving outlook for returns.

Portfolio Activity	
BUY	
Westpac Banking Corporation (WBC.ASX)	WBC has been topped up in the portfolio, with APRA data and front book pricing suggesting a sustained net interest margin above expectation, as well as recovering ROE for thr major. Among the big 4 banks, WBC offers a lower PE ratio, higher dividend yield, and stronger growth potential due to its shift from lower-profit mortgage books to higher-yield business loans. These factors are expected to boost WBC's value through improved book returns, with the current share price appearing relatively attractive.
BHP Group Ltd (BHP.ASX)	We are increasing our weighting in BHP, capitalising on its strong growth potential in copper, which we believe offers superior long-term returns on capital. With the global transition towards electrification and renewable energy, copper demand is set to rise, positioning BHP well for future growth. In contrast, we have exited RIO from the portfolio which has higher exposure to iron ore as a percentage of earnings.
SELL	
Rio Tinto Limited (RIO.ASX)	RIO has been sold from the portfolio to reduce exposure to iron ore after a period of stronger share price performance relative to BHP. Given the large number of new low-cost iron ore projects and a flat outlook for steel demand, we are less optimistic about the future price of iron ore. We view BHP's growth in copper projects as having stronger long-term drivers of returns on capital. As a result, the proceeds from the RIO exit will be allocated to increasing the BHP weighting in the portfolio.

Top 10 holdings (alphabetical)

ANZ Group Holdings Limited
Aristocrat Leisure Limited
BHP Group Ltd
Coles Group Ltd.
Commonwealth Bank of Australia
CSL Limited
Goodman Group
Macquarie Group, Ltd.
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*	*100*
Market Capitalisation	*84,947.8*	*93,560.1*
Active Share	48.4	--
Tracking Error	2.63	--
Beta	0.89	*1.00*
Est 3-5 Yr EPS Growth	6.1	5.7
ROE	13.8	*15.2*
Dividend %	3.38	3.63
P/E using FY2 Est	17.2	17.4
Price/Cash Flow	11.5	11.6

* 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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