Buying into Dividend Portfolio #16

3 simple steps

Your money deserves more than a bank deposit
GET THE RETURNS YOU DESERVE

June 2025

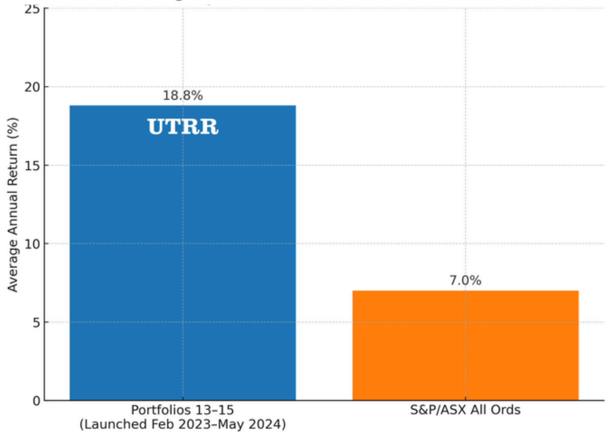
under the radar REPORT

Buying into Dividend Portfolio #16

We show you how to follow our lead in this repeatable outperforming investment strategy.

Building Under the Radar's Small Cap Dividend Portfolio is simple.
We are combining our risk ratings with our core versus growth ratings system – and transacting on that basis.

Beating the Index Again: UTRR Portfolio returns vs ASX All Ords



*To 11 June 2025

Our most recent three portfolios – Portfolio-13 (Feb 2023), Portfolio-14 (Oct 2023) and Portfolio-15 (May 2024) have delivered an average annual return of 18.8% versus the S&P/ASX All Ords return of 7.0%.

Our Small Cap dividend portfolios each contain 10-12 stocks.

Let's get you investing!

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Founder and head of investments

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3 Steps to Buying in

1

12 stocks

Dividend Portfolio #16 has 12 stocks, which is a minimum number of stocks we recommend for a portfolio. We are basing our weighting recommendations on this number of stocks.

2

Buy your Core stocks first

We are weighting Core Stocks at 10%.
Your Core Stocks should be purchased first.

3

Growth stocks

We are weighting Growth Stocks at 5% and these should be purchased after your core stocks.

Frequently Asked Question!

Should I buy all the 12 stocks in one day? or over what period ?

Always buy the stocks you are most comfortable with first.

There is no hurry, but a six-month period to build a portfolio is normal.

Core and Growth Stocks

Core Stock Strategy
Build up a Core to 10% of your portfolio.

We are less likely to sell Core stocks, or even to take profits.

Growth Stock Strategy
Limit each Growth stock to 5% of your portfolio. If it doubles or triples in value, we are likely to take profits, at the very least taking our costs out and letting our profits run.

Extra cash?
Build into other Core stocks and select Growth stocks and use our Best Stocks to buy list for our favourites.

DIVIDEND PORTFOLIO
Buying into #16

Buy Your Core Stocks First:
Allocate 10% to each

HANSEN TECHNOLOGIES (HSN) | Div Yield 2.3% | BUY

INDUSTRY	SOFTWARE
MARKET CAP	$981.8M
DIVIDEND/SHARE	$0.110
DIVIDEND YIELD	2.3%
PRICE@ 25/6/2025	$4.82
NET CASH/DEBT	-$40.0M
RISK RATING	3

WHY IT'S GOOD FOR DIVIDENDS AND GROWTH:

Dividends forecast to grow led by the Powercloud acquisition. Earnings expected to be more than double over next year.

Customers are large utilities but single customer represents more than 8% of revenue, and the business is diversified by industry exposure and by geography, with new contracts. 11 cents in dividend would cost about $22m, easily affordable from over $40m in free cash flow this year.

HELLOWORLD TRAVEL (HLO) | Div Yield 8.1% | SPEC BUY

INDUSTRY	RETAIL
MARKET CAP	$221.3M
DIVIDEND/SHARE	$0.110
DIVIDEND YIELD	8.1%
PRICE@ 25/6/2025	$1.36
NET CASH/DEBT	$89.0M
RISK RATING	4

WHY IT'S GOOD FOR DIVIDENDS AND GROWTH:

Reliable dividends but stock price decline reflects disappointment with growth as the post-Covid boost evaporates. The business has grown and become more resilient, but remains cyclical.

Over 10,000 advisors catering for travel demand, servicing retail & corporate, inbound and outbound. A track record of dividends and forecast PE below 10x - good value! Earnings forecast to rebound as travellers are by definition at the upper end of spenders.

NZME (NZM) | Div Yield 6.7% | BUY

INDUSTRY	MEDIA/ADVERT
MARKET CAP	$208.6M
DIVIDEND/SHARE	$0.074
DIVIDEND YIELD	6.7%
PRICE@ 25/6/2025	$1.11
NET CASH/DEBT	-$22.0M
RISK RATING	3

WHY IT'S GOOD FOR DIVIDENDS AND GROWTH:

A market leader in radio, newspapers and digital property, which earns reliable revenues from major advertisers as well as subscription and other digital income. Earnings have been flat for some years, but ample cash flow has repaid substantial debt means NZM pays healthy dividends.

Media has a relatively fixed cost base, hence big operating leverage, plus NZM has a blue chip customer base. In the meantime, paying a 7% dividend yield.

Note: All data @25.6.2025

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Buy Your Core Stocks First:
Allocate 10% to each

ELDERS (ELD) | Div Yield 5.8% | BUY

INDUSTRY	**FOOD**
MARKET CAP	**$1184.9M**
DIVIDEND/SHARE	**$0.360**
DIVIDEND YIELD	**5.8%**
PRICE@ 25/6/2025	**$6.23**
NET CASH/DEBT	**-$280.0M**

WHY IT'S GOOD FOR DIVIDENDS AND GROWTH:

Looks like the dividend is bouncing off a floor, hence the agricultural cycle shouldn't matter too much with stability emerging. Share price weakness due to ACCC questions over $475m Delta Ag acquisition, but dividend looks secure.

We think will pay 18 cents at full year (same as previous three halves). Elders is exposed to a broad and diverse range of agricultural inputs, and a cyclically depressed share price offers an opportunity to buy.

DATA3 (DTL) | Div Yield 4.0% | HOLD

INDUSTRY	**SERVICES**
MARKET CAP	**$1155.6M**
DIVIDEND/SHARE	**$0.300**
DIVIDEND YIELD	**4.0%**
PRICE@ 25/6/2025	**$7.46**
NET CASH/DEBT	**$276.0M**
RISK RATING	**3**

WHY IT'S GOOD FOR DIVIDENDS AND GROWTH:

Share price weakness provides an opportunity to buy this dividend delivering IT services heavyweight. The growth might be slowing, but it's still growth and is underpinned by big spending from its corporate customer base, as they beef up cyber security and AI functionality.

A substantial component of its business is relatively low-margin software sales, but 67% of revenue comes from recurring contracted payments. We think DTL is a core portfolio holding.

MYSTATE (MYS) | Div Yield 5.1% | HOLD

INDUSTRY	**LENDER**
MARKET CAP	**$733.8M**
DIVIDEND/SHARE	**$0.220**
DIVIDEND YIELD	**5.1%**
PRICE@ 25/6/2025	**$4.36**
NET ASSETS	**$777.0M**
RISK RATING	**3**

WHY IT'S GOOD FOR DIVIDENDS AND GROWTH:

The strategy is right: growth in Queensland (borrowers) and a steady deposit base in Tasmania (savers). The short term was always going to be choppy, but there is value, being the biggest discount to all banks, including regionals, trading on a PE of 13x and a dividend yield of 5.5%. These are FY26 forecasts; earnings are lower in FY25 due to the merger.

Note: All data @25.6.2025

Please note:
The stock might be rated 'Hold' now, but we are happy to include them for the portfolio, as we're holding for the cash dividend and tax benefits. You are buying stocks over a period of months and ratings will change. We constantly alert members to buying opportunities.

DIVIDEND PORTFOLIO
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Buy Your Core Stocks First:
Allocate 10% to each

SOUTHERN CROSS ELECTRICAL (SXE) | Div Yield 4.5% | HOLD

INDUSTRY	**CONTRACTOR**
MARKET CAP	**$466.5M**
DIVIDEND/SHARE	**$0.080**
DIVIDEND YIELD	**4.5%**
PRICE@ 25/6/2025	**$1.77**
NET CASH/DEBT	**$115.0M**
RISK RATING	**3**

WHY IT'S GOOD FOR DIVIDENDS AND GROWTH:

Public contracts, infrastructure focus (data centres), a niche operator in a protected position, high cash, no debt. Growth will be driven by recent acquisitions (3 in 4 years).

Low margin business (EBITDA/sales mid-single-digit) but return on equity relatively strong at close to 20%, driving double-digit growth in dividends, in line with earnings per share.

XRF SCIENTIFIC (XRF) | Div Yield 2.7% | HOLD

INDUSTRY	**CONTRACTOR**
MARKET CAP	**$240.3M**
DIVIDEND/SHARE	**$0.046**
DIVIDEND YIELD	**2.7%**
PRICE@ 25/6/2025	**$1.71**
NET CASH/DEBT	**$4.0M**
RISK RATING	**4**

WHY IT'S GOOD FOR DIVIDENDS AND GROWTH:

The mining services group provides mineral testing services and produces consistent earnings per share and dividend growth. The shares have been weaker due to lower activity in mining, but cash flow remains steady, underpinning dividend growth.

Trades at a reasonable cash flow valuation multiple and has an outstanding return on capital employed at over 23%.

Note: All data @25.6.2025

Please note:

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RISK RATING 3

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Buy Your Growth Stocks Second:
Allocate 5% to each

CENTREPOINT ALLIANCE (CAF) | Div Yield 6.5% | SPEC BUY

INDUSTRY	WEALTH
MARKET CAP	$76.6M
DIVIDEND/SHARE	$0.025
DIVIDEND YIELD	6.5%
PRICE@ 25/6/2025	$0.39
NET CASH/DEBT	$9.0M
RISK RATING	4

WHY IT'S GOOD FOR DIVIDENDS AND GROWTH:

Already the fourth largest domestic adviser business and is expanding through a new superannuation platform, IconiQ, which allows CAF to push its managed portfolios. The group has a track record of paying dividends, which should continue giving making over $10m in operating earnings (EBITDA).

Limited operating leverage, but a stable business. A factor will be corporations tax, which could flatten out future dividends in the next year or two, however. Plus, thinly traded.

EMBARK EARLY EDUCATION (EVO) | Div Yield 8.6% | SPEC BUY

INDUSTRY	RETAIL
MARKET CAP	$128.8M
DIVIDEND/SHARE	$0.060
DIVIDEND YIELD	8.6%
PRICE@ 25/6/2025	$0.70
	$9.0M
RISK RATING	4

WHY IT'S GOOD FOR DIVIDENDS AND GROWTH:

Paying quarterly dividends of 1.5 cents, or 6 cents a share, which we expect to rise to over 7 cents next year based on a healthy acquisition pipeline and positive free cash flow at over $16m a year, which pays for dividends of just over $11m a year.

Acquired two more childcare centres in Queensland last month and now has 40 centres in Australia & New Zealand, having acquired 14 centres last year. Net cash & debt facility for more acquisitions.

RAMELIUS RESOURCES (RMS) | Div Yield 3.6% | SPEC BUY

INDUSTRY	GOLD
MARKET CAP	$2928.4M
DIVIDEND/SHARE	$0.090
DIVIDEND YIELD	3.6%
PRICE@ 25/6/2025	$2.54
NET CASH/DEBT	$657.0M
RISK RATING	4

WHY IT'S GOOD FOR DIVIDENDS AND GROWTH:

Our favoured gold hedge for the portfolio because of the strong free cash flow, dividends and growth option the $2.4bn merger with Spartan Resources provides. Dividends are forecast to come off but cash levels remain high.

INTEGRATED RESEARCH (IRI) | Div Yield 4.9% | BUY

INDUSTRY	SOFTWARE
MARKET CAP	$71.8M
DIVIDEND/SHARE	$0.020
DIVIDEND YIELD	4.9%
PRICE@ 25/6/2025	$0.41
NET CASH/DEBT	$31.0M
RISK RATING	3

WHY IT'S GOOD FOR DIVIDENDS AND GROWTH:

Cash flow is relatively stable, even if earnings are volatile. This and a strong balance sheet with net cash allows IRI to pay reasonable dividends, even if earnings don't increase.

The company has long-term contracts with blue chip clients an additional measure of comfort. Current yield relatively low but has signficant growth potential.

Note: All data @25.6.2025

Factor in Risk Rating

Our risk ratings gauge the potential for a capital raise and impacts valuation.

The lower the risk, the more you would pay for a stock because you're getting more certainty of return.

The price also includes a level of expected growth, which is why you are an equity investor.

You invest in a company's equity or stock for an expected return above the cost of capital, which is composed of the risk-free rate of return (long-term government bond interest rate) plus an additional risk for investing in a particular stock (stock specific risk).

All stocks are inherently risky, but this range is extended for Small Caps. Combining stocks appreciably reduces your risk, which is why it's important to put them in a portfolio of 12+ stocks.

Our criteria

These are the factors we analyse in our assessment of each company's risk:

Balance sheet
A pristine balance sheet has net cash, and net current assets excluding cash.

Profitable/cash flow positive
Positive free cash flow gives a company the resources to reinvest for growth.

Material revenue
Depends on the size and maturity of the company and its sector.

Customers
High quality or high volume of customers – reflects quality management and scalability of products and services.

Core versus Growth Rating: Understanding risks 1-5

Most stocks fit between a risk rating of 3-5.

If a company can demonstrate a clean sheet on all four criteria, we would think that it has earned a 1 rating. This will be rare.

A Core stock is one that satisfies our rating criteria. While they are not as safe as a bond, they offer dividends & growth potential.

What about commodities? Are they Core or Growth?

Commodities producers can be core, so long as they have a highly diversified asset base.
No Small Caps or those bigger lithium & uranium producers fit this criteria as they are boom/ bust.

An exception can be diversified gold producers because gold is a good hedge for any portfolio in our view and these stocks have a strong asset base of numerous mines plus exploration programs.

GROWTH STOCKS

Growth stocks are by far the majority of companies on the ASX, simply because they are higher risk and do not meet our risk rating criteria for various reasons. Hence there is more operational and sometimes financial risk in the form of debt.

Overlaying our Risk Rating is price. Risk of a stock being expensive doesn't change whether it's a core or growth stock, but it does impact investor behaviour.

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