

**January 2018 Long-Only Monthly Report**

**Portfolio performance and attribution analysis**

	Inception p.a.	FYTD	Month
Portfolio	11.58%	16.45%	2.06%
Benchmark	7.67%	7.12%	-0.37%

**Top 3 and bottom 3 performing stocks**

Top 3: ResMed Inc (RMD), Altium Ltd (ALU), Lovisa Holdings Ltd (LOV)

Bottom 3: Stockland Corporation Limited (SGP), Nextdc Limited (NXT), Elders Limited (ELD)

**Portfolio changes**

Stocks joined or increased:

QBE Insurance Group Limited (+0.50%): A global insurance company. The company's new CEO has outlined plans for a strategic review to simplify the business and reduce risk, setting a foundation for sustainable organic growth.

Stocks removed or reduced:

Sydney Airport Holdings Limited (-0.50%): An Australian airport infrastructure monopoly. The company's share price is approaching our valuation target.

**Market commentary**

World markets rose with US markets hitting record highs on strong corporate earnings and optimism regarding US tax cuts. US bond yields rose as the World Bank upgraded global growth forecasts. The ECB said that interest rates are unlikely to increase in 2018. China's economy grew 6.9% in 2017 with fixed asset investment accelerating in December. Iron ore remained at US\$73. Nickel rose 8% on stronger China stainless steel demand. Oil rose 5% to \$63 per barrel on global growth optimism. The AUD rose 2c to US80c after the Trump administration said the US economy prefers a weaker USD.

The Australian market fell with interest rate sensitives and utilities falling. CBA appointed its CEO of retail banking as its new group CEO. QBE announced a \$1.2bn loss mainly due to goodwill impairment of its North American business and has put its Latin American division up for sale to focus on other core geographies. Resmed announced double digit sales growth in all geographic regions. Treasury Wine Estates announced a new US route-to-market strategy along with a successful launch of its new French wine portfolio in China. Iluka announced 22% higher production and net debt reduction from increased cashflow.

Sydney Airport announced capacity upgrades from 3 major Asian airlines. Fortescue's quarterly report showed record low C1 production costs of US\$12.08 per tonne and reaffirmed its guidance that price realisations for its 58% ore have bottomed. Seek announced organisational changes to bring products to market quicker and for the CEO to focus on investments and acquisitions.

**Portfolio commentary**

Positives:

RMD - The share price rose after its quarterly report showed double digit revenue growth for masks, devices and Brightree.

ALU - The share price rose as the market continued to digest its global expansion plans.

LOV - The share price rose after management revealed Christmas trading exceeded expectations.

Negatives:

SGP - The share price fell as bond yields rose from strong economic data.

NXT - The share price fell after APDC announced strong interest from potential buyers of 3 NXT data centre properties.

ELD - The share price consolidated after recent outperformance.

**Current portfolio: Top ten holdings**

Stock	31/01/2018
Commonwealth Bank Ltd	7.70%
Seek Ltd	6.25%
National Australia Bank Ltd	5.99%
Cochlear Ltd	5.71%
Treasury Wine Estates Ltd	5.23%
Resmed Inc	4.68%
Sydney Airport Holdings Ltd	4.09%
BHP Biliton Ltd	3.52%
Rio Tinto Ltd	3.22%
Fortescue Metals Group Ltd	3.19%

**Portfolio Exposures**

Major portfolio exposures were medical devices & services and resource stocks with less portfolio weight in major banks and retailers.

**Portfolio Analysis**

Top 100 85.05% of fund  
Ex 100 14.95% of fund

**Portfolio focus**

Alleron's investment process focuses on companies with a competitive advantage and a developing organic growth profile. An investment will be made once an identified investment trigger occurs.