

November 2017 Long-Only Monthly Report

Portfolio performance and attribution analysis

	Inception p.a.	FYTD	Month
Portfolio	11.37%	11.58%	2.42%
Benchmark	7.67%	5.71%	1.44%

Top 3 and bottom 3 performing stocks

Top 3: Elders Limited (ELD), Monadelphous Group (MND), NextDC Limited (NXT)

Bottom 3: Nanosonics Limited (NAN), Xero Limited (XRO), Oil Search Limited (OSH)

Portfolio changes

Stocks joined or increased:

Commonwealth Bank of Australia Limited (+1.00%): An Australian bank. The company's core retail banking division has outperformed peers despite the low interest rate environment.

Altium Limited (+0.50%): A global printed circuit board software designer. The company has continued to grow in all product & geographic segments and reaffirmed its FY20 targets.

Stocks removed or reduced:

Sydney Airport Holdings Limited (-1.00%): An Australian infrastructure monopoly. The company's share price is approaching our valuation target.

Downer EDI Limited (-0.50%): A mining services and infrastructure construction company. The company's share price is approaching our valuation target.

Market commentary

World markets rose with technology stocks leading the US to all time highs, supported by strong economic data. European markets retreated due to political uncertainty in Germany and Spain. China released disappointing industrial output and retail sales data. Iron ore rose 17% to US\$68 per tonne as higher grade product was in demand due to the Chinese government crackdown on winter pollution. Oil rose 5% to \$57 per barrel as OPEC officially extended its production restrictions to the end of 2018. The AUD continued its gradual decline, falling another 1c to US76c following weak October inflation.

The Australian market rose strongly with mid cap stocks and overseas earners outperforming. The Federal Government announced a Royal Commission into the banking and financial sector. NAB announced 6000 job cuts and \$1.5bn digital spend over the next 3 years. Elders beat its own EBIT guidance due to higher livestock prices and paid its first dividend since 2008. Carsales.com purchased the remaining 50.1% in its Korean subsidiary SK encarsales.com for A\$244m and expects the acquisition to be earnings accretive in FY19. NextDC is opening its second Brisbane and Melbourne data centres.

Xero's 1H18 result continued its cashflow positive trend with plans to delist from NZ exchange in early 2018. Downer wrote down \$40m of their Spotless acquisition and highlighted problems with one of their long term contracts. Earnings are expected to grow faster than expected for Seek due to the Australian, Asian and education businesses. Fortescue appointed the current CFO, Elizabeth Gaines as its new CEO-elect.

Portfolio commentary

Positives:

ELD - The share price rose after the company announced its first dividend in 8 years including a special second half dividend.

MND - The share price rose as 1H revenues are expected to grow 30%.

NXT - The share price rose as the sales process for a competitor is drawing to a close.

Negatives:

NAN - The share price corrected following recent outperformance.

OSH - The share price consolidated after the company made an acquisition in the US.

XRO - The share price pulled back after recent outperformance ahead of the first half results.

Current portfolio: Top ten holdings

Stock	30/11/2017
Commonwealth Bank Ltd	7.13%
Seek Ltd	6.15%
Cochlear Ltd	6.01%
National Australia Bank Ltd	5.27%
Treasury Wine Estates Ltd	5.01%
Sydney Airport Holdings Ltd	4.81%
Resmed Inc	4.39%
Elders Ltd	3.42%
Rio Tinto Ltd	3.15%
Fortescue Metals Group Ltd	3.12%

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 77.37% of fund
Ex 100 20.19% 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.