

Alleron Investment Management Limited

Monthly Report

August 2016

Portfolio performance and attribution analysis

	Since Inception (Annualised)	Month
Portfolio	+10.452%	+1.975%
Benchmark	+7.145%	-1.556%

Top 3 and bottom 3 performing stocks

Top 3: Cleanaway Waste Management Ltd (CWY), Treasury Wine Estates Ltd (TWE), Mineral Resources Ltd (MIN).

Bottom 3: Monadelphous Group Ltd (MPL), Medibank Private Ltd (MPL), AMP Ltd (AMP).

Portfolio changes

Stocks joined or increased:

Navitas Ltd (+1.00%; Entry): An Australian education provider. University partnership segment has shown strong organic growth in both US and Australian markets.

Commonwealth Bank Ltd (+1.00%; Entry): An Australian bank. Retail banking, the company's largest segment, has been growing strongly at a double digit pace.

Stocks Removed or Reduced:

Mineral Resources Ltd (-1.50%): An Australian miner and mining services company. The share price has factored in the earnings uplift from the Mt Marion lithium project.

Westpac Banking Corporation (-0.50%): An Australian bank. Net interest margin has been under increasing pressure and earnings growth momentum is slowing.

AMP Ltd (-0.50%): A wealth management and financial services provider. The company's income protection business has struggled to overcome poor claims experience.

Market commentary

Global markets were mixed due to increased speculation of a US rate hike in September from strong employment numbers. The Bank of England eased monetary policy to 0.25%. The Australian milk powder and vitamins industry suffered shrinking volumes due to China's recent tax on imported goods. Most currencies were flat against the USD with the A\$ steady at US75 cents. Iron ore was steady at US\$59 per tonne and oil rose to US\$48 per barrel intra month before closing flat at US\$43 due to oversupply concerns.

The Australian market underperformed in reporting season, led by the big banks and Telstra. The RBA reduced interest rates from 1.75% to 1.50%. Woodside reported solid first half cashflows with breakevens at US\$9 a barrel. Fortescue delivered strong operating cash flow and C1 costs of US\$13 in June 2016. Cochlear reported continued double digit growth with an increasing emphasis on customer engagement. Seek showed growth in domestic and international businesses and pledged further reinvestment to strengthen its market leading position in Australia. Nanosonics announced its first full year profit and further R&D spend to develop new infection prevention technology. Sydney Airport an-

nounced strong passenger growth both domestically and internationally.

Portfolio commentary

Positives:

CWY - The CEO's turnaround strategy is starting to take effect with FY16 results showing improved margins and cash flow.

TWE - The CEO's branding strategy and recent Diageo acquisition have delivered results ahead of schedule.

MIN - The share price rose in anticipation of the first lithium shipment.

Negatives:

MND - The outlook remains subdued in Monadelphous' traditional mining and energy markets as the company focusses on services and infrastructure.

MPL - The company's priority will be on the customer to reduce market share losses.

AMP - The company's wealth protection continues to weigh down the results of other successful segments.

Portfolio focus

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

Current portfolio Top ten holdings

Stock	31/08/16
National Australia Bank Ltd	5.76%
Resmed Inc	5.75%
Sydney Airport Holdings Ltd	5.69%
Cochlear Ltd	5.56%
Seek Ltd	5.03%
Treasury Wine Estates Ltd	4.89%
Rio Tinto Ltd	4.49%
Fortescue Metals Group Ltd	3.73%
AMP Ltd	3.72%
Suncorp Group Ltd	3.71%

Sector analysis

Industry Classification	Weight
Consumer Discretionary	6.83%
Consumer Staples	4.89%
Energy	4.06%
Financials	30.19%
Healthcare	16.04%
Industrials	21.10%
Information Technology	2.49%
Materials	12.57%
Telecommunications	0.00%
Cash	1.84%
Total	100.00%

Portfolio analysis:

Top 100	81.89% of fund
Ex 100	16.27% of fund