

December 2016 Monthly Report

Portfolio performance and attribution analysis

	Since Inception (Annualised)	Month
Portfolio	10.49%	3.85%
Benchmark	7.48%	4.42%

Top 3 and bottom 3 performing stocks

Top 3:	Japara Healthcare Ltd (JHC), Oil Search Ltd (OSH), Cleanaway Waste Management Ltd (CWY)
Bottom 3:	Sydney Airport Holdings Ltd (SYD), Nanosonics Ltd (NAN), Treasury Wine Estates Ltd (TWE)

Portfolio changes

Stocks joined or increased:

Oil Search Ltd (+1.00%): An PNG based oil and gas producer. The company is confident of funding a 2 train LNG expansion with its partners, assuming recovering oil prices.

Stocks removed or reduced:

Mineral Resources Ltd (-1.00%; Exit): An Australian mining and mining services company. The share price reached our valuation target.

Cleanaway Waste Management Ltd (-0.50%): A waste management company. A competitor has flagged that trading conditions remain moderate.

Current portfolio: Top ten holdings

Stock	31/12/2016
Cochlear Ltd	6.30%
National Australia Bank Ltd	5.78%
Sydney Airport Holdings Ltd	5.69%
Seek Ltd	5.01%
Woodside Petroleum Ltd	4.89%
Resmed Inc	4.64%
Treasury Wine Estates Ltd	4.48%
Rio Tinto Ltd	4.05%
Commonwealth Bank Ltd	4.05%
Suncorp Bank Ltd	3.80%

Market commentary

World markets rallied to finish the calendar year positively as leading indicators point to an increase in global economic growth. The US Federal Reserve raised interest rates and expects to do so 3 times in 2017, supporting the US Dollar. The world's oldest bank will be bailed out by the new Italian government after the Prime Minister lost a referendum. The AUD fell 4% to USD72c. Iron ore rose 4% to reach US\$80 per tonne while oil price rose 19% to \$54 as OPEC and other oil producing nations all agreed to reduce output

The Australian market outperformed global markets with a reversal from the correction earlier in the quarter. Australian GDP fell 0.5% in September, the largest quarterly decline since the GFC due to weak business and consumer activity. The Mid Year Budget update has downgraded economic growth to 2% for FY 17. All flight capacity restrictions were removed between Australia and China. Downer EDI continued to win multiple large public transport and infrastructure contracts in Australia. Fortescue paid off another US\$1bn of debt which resulted in a credit rating upgrade. Perpetual announced further senior personnel changes with an internal promotion to replace the recently departed

Portfolio Exposures

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

Portfolio Analysis

Top 100	84.06% of fund
Ex 100	13.37% of fund

deputy head of equities. BHP won a majority stake in Mexico's Trion oil project as the country opens to foreign investment.

Portfolio commentary

Positives:

JHC - The Federal Government's previously announced cost savings measures will have less of an impact than previously announced.

OSH - The company's share price rose with the oil price.

CWY - The company's share price recovered after a period of underperformance.

Negatives:

SYD - The Federal Government has given Sydney Airport 4 months to decide on building and funding the Western Sydney airport by itself.

NAN - The share price fell following a period of outperformance.

TWE - The share price fell from profit taking after recent outperformance.

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.