Alleron Investment Management Limited

Yearly Report

June 2008

Portfolio performance and attribution analysis

	Inception (7/2/05)	Year to date
Portfolio	+69.65%	-11.14%
Benchmark (ASX 100)	+42.23%	-12.80%

Top 3 and bottom 3 performing stocks

Top 3: Incitech Pivot (IPL), CSL Ltd (CSL), Arrow Energy (AOE)
Bottom 3: AXA Asia Pacific (AXA), West Australian News (WAN), Connect East (CEU)

Portfolio changes

Stocks joined or increased significantly:

Arrow Energy Limited (2.5%): A coal seam methane explorer and supplier. There is a strong likelihood that the company will be able to significantly increase the probable reserves. The recent deal with the Royal Dutch Shell PLC confirmed that the current share price does not reflect the underlying value of the assets

BHP Billiton Group (2%): A diversified mining house. The recent increases in coal prices will increase the earnings growth profile and the underlying value for the company.

Stocks removed or reduced significantly:

Tatts Group Limited (1.75%): An operator of gaming and wagering businesses. The recent regulatory change in gaming license renewal significantly reduced the underlying value of the assets.

Alumina Limited (1%): An alumina and aluminium producer. The share price reached expectation.

Market commentary

The US sub-prime problem intensified and the negative impact was widespread. Several well-know global financial services companies had to write-down their investments regularly. The US Federal Reserve reduced interest rates aggressively and together with other central banks worldwide continuously injected liquidity into their monetary systems. Investors raised concerns about the prospect of a global economic slowdown. The concerns deepened after the strong upsurges in the oil and food prices.

The domestic economy held up relatively well, underpinned strong bulk commodity prices. Diversified resources, coal and iron ore stocks outperformed the market average. On the contrary, financial services stocks underperformed. Despite the gloomy aspect of the credit crunch, mergers and acquisitions were buoyant.

Portfolio commentary

Positives

IPL: The share price was underpinned by the strength in the fertilizer prices.

CSL: The share price rallied on the strong profit result and an increase in profit guidance for 08.

AOE: Investors responded favorably after a deal with Royal Dutch Shell PLC.

Negatives

AXA: The share price was undermined by the general sell-off in financial stocks.

WAN: Investors were concerned about the future advertising and trading environment.

CEU: The share price weakened on the potential negative impact of the credit crunch on distributions.

Portfolio focus

The escalating input and capital costs will impact the market sentiment. Debt and cash flow will continue to be the focus for financial analyses. The domestic economy will start slowing down and will have adverse earnings impact for industrial companies. Situations with organic growth profiles will be watched closely.

Current portfolio Top ten holdings

Stock	30/06/2008
BHP Billiton Limited	8.41%
Telstra Limited *(incl TLSCA)*	6.04%
National Australia Bank Limited	6.04%
AXA Asia Pacific Holdings	5.60%
CSL Limited	5.43%
QBE Insurance Group Limited	5.27%
RIO Tinto Limited	5.16%
St George Bank Limited	4.81%
Computershare Limited	4.66%
Cochlear Limited	4.64%

Sector analysis

Industry Classification	Weight
Consumer Discretionary	7.55%
Consumer Staples	2.94%
Energy	4.79%
Financials	33.19%
Healthcare	10.80%
Industrials	6.54%
Information Technology	5.43%
Materials	19.37%
Telecommunications	6.04%
Cash	3.35%
Total	100.00%

Portfolio analysis:

Top 100 89.37% of fund

Ex 100 7.28% of fund

Tracking error: 4.4%

Portfolio Return Dispersion

Range of Performance: -11.1% to –11.8%

Notable Differences: Differences resulted from cash flow into and out of funds.