

# Alleron Investment Management Limited

## Yearly Report

June 2011

### Portfolio performance and attribution analysis

	Since Inception (Annualised)	Year to Date
Portfolio	+10.297%	+4.468%
Benchmark	+ 6.158%	+11.503%

### Top 3 and bottom 3 performing stocks

Top 3: ConnectEast Group (CEU), AXA Asia Pacific Holdings (AXA), Oil Search (OSH).

Bottom 3: Seven West Media Limited (SWM), Resmed Inc. (RMD), Computershare (CPU).

### Portfolio changes

Stocks joined or increased significantly:

Downer Limited (+2.25% New Stock): An Engineering and Contracting company. The company has developed a strong order book providing significant growth potential and has cleared the way to successfully complete troubled contracts.

Iluka Limited. (2.00%; New Stock): A mineral sands producer. The company has successfully completed significant capital expenditure to produce minerals in strong demand. The resultant strong cash flow is expected to benefit shareholders.

Stocks removed or reduced significantly:

Computershare Limited (-3.75%): A global share registry company. Facing subdued capital market activity and relatively minimal geographic growth options, the share price reached expectations.

AXA Asia Pacific Limited (-3.75%; Removed): A Pan Asian financial services provider. The completion of the takeover by AMP and AXA SA removes the stock from the portfolio.

### Market commentary

Global markets were lead, over financial year, by the strong performance of the US market which responded strongly to Federal Reserve Bank policy of a second round of quantitative easing. This along with continued government spending allowed the US economy and company earnings to maintain growth into the beginning of 2011. While growth in the US continued, European countries were besieged by the familiar problem of peripheral nation debt and increased risks of sovereign debt default. Contrarily, strong activity in emerging economies has forced monetary authorities there to tighten policy to combat very high commodity driven inflation. Indeed, strong inflation was blamed for civil unrest and régime changes in parts of Northern Africa. These strong commodity prices supported resource companies and increased investment expenditure. Consequently the Reserve Bank of Australia tightened monetary to offset this investment boom. Slowing domestic activity followed along with difficult conditions for manufacturers as a result of the higher AUD. Equity markets were up for the year supported by resource names.

### Portfolio commentary

Positives:

CEU: The company's revenue such that cash flow now funds their distribution and reduces their risk profile.

AXA: The stock price was supported by the accepted takeover offer from AMP and AXA SA.

OSH: The company has secured offtake agreements to their LNG output which remains on schedule.

Negatives:

SWM: Company earnings were hurt by weak advertising activity from uncertainly over the resource tax.

RMD: Earnings translation was hurt by the rising AUD and sales slowed prior to release of a new product.

CPU: Slow capital market activity forced the company to reduce full year earnings expectations.

### Portfolio focus

With markets troubled by international events, companies with immediate term cash flow have been in demand by investors at the expense of those that have built strong longer term earnings growth profiles. Alleron will continue to focus on those companies where the growth profile is confirmed by an investment trig-

### Current portfolio Top ten holdings

Stock	30/06/11
BHP Billiton Ltd	11.21%
National Australia Bank Ltd	6.05%
Westpac Banking Corp	5.93%
Suncorp-Metway Ltd	4.90%
Stockland Ltd	4.60%
AMP Ltd	4.45%
Cochlear Ltd	4.29%
Newcrest Mining Ltd	4.27%
Seek Ltd	3.36%
Coca-Cola Amatil Ltd	3.21%

### Sector analysis

Industry Classification	Weight
Consumer Discretionary	9.61%
Consumer Staples	4.46%
Energy	3.99%
Financials	33.85%
Healthcare	12.22%
Industrials	8.40%
Information Technology	0.57%
Materials	21.19%
Telecommunications	2.92%
Cash	2.79%
Total	100.00%

### Portfolio analysis:

Top 100 93.54% of fund

Ex 100 3.68% of fund

Tracking error: 4.2%

Breach report: No Breaches to report

### Portfolio Return Dispersion

Range of Performance: +4.33% to +4.50%

Notable Differences: No notable differences.