

# Alleron Investment Management Limited

## Yearly Report

June 2014

### Portfolio performance and attribution analysis

	Since Inception (Annualised)	Year to date
Portfolio	+10.239%	+17.714%
Benchmark	+7.726%	+17.655%

### Top 3 and bottom 3 performing stocks

Top 3: Downer EDI Ltd (DOW), Seek Ltd (SEK), Sydney Airport Holdings Ltd (SYD).

Bottom 3: Coca Cola Amatil Ltd (CCL), The Reject Shop Ltd (TRS), Wotif.com Holdings Ltd (WTF).

### Portfolio changes

Stocks joined or increased:

Fairfax Holdings Ltd (+2.50%; New): An Australian publishing company. The company sold non-core assets, stabilised earnings in the newspaper business and is focusing on growing its online businesses.

Macquarie Group Ltd (+2.75%; New): A global financial services company. The company continues to focus on enhancing shareholder returns by divesting assets and there has been a recovery in the capital markets businesses.

Treasury Wine Estates Ltd (+2.50%; New): A global wine producer. The company is focusing on a premiumisation strategy and has the potential to grow materially in Asia.

Stocks Removed or Reduced:

Wotif.com Holdings Ltd (-1.75%; Exit): A provider of online travel booking services. The company lost market share in its core domestic accommodation business and is increasing spending on IT and marketing.

### Market commentary

Global equity markets rose as the S&P 500 reached an all-time high. Global interest rates remained low although the US Fed began reducing its monetary stimulus. The US and European economies showed signs of a modest recovery. Asian markets rose but underperformed as China's economic growth slowed and the Chinese Government implemented policy measures to ensure growth reaches the 7.5% target for 2014.

The Australian market rose but underperformed the US. Banks continued to outperform as the RBA cut rates to a record low of 2.5%. Companies restructured and cut costs in response to soft economic conditions. Technology companies, particularly those with overseas exposure outperformed. Weakness in the domestic economy and poor post budget sentiment led to underperformance in the consumer staples sector. BHP and Rio Tinto expanded production and cut costs to offset falling commodity prices. Takeover activity was notable with increasing interest from international bidders. IPO activity increased with a number of private equity exits. The Coalition won the Federal Election. The RBA believes the Australian dollar remains overvalued and cautioned investors against housing prices.

### Portfolio commentary

Positives:

DOW: The company has won contracts and increased its order book despite soft market conditions.

SEK: The company reported strong growth driven by the education and international businesses, took full control of JobStreet and listed Zhaopin in the US.

SYD: The company bought out the minority shareholders in the airport and continues to deliver profit growth above passenger growth.

Negatives:

CCL: There has been discounting in the Australian grocery channel and Indonesia is facing cost inflation.

TRS: The CEO resigned and the company downgraded earnings twice citing a weaker Christmas and a warmer winter.

WTF: The share price fell following loss in domestic accommodation market share.

### Portfolio focus

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

### Current portfolio Top ten holdings

Stock	30/6/14
BHP Billiton Ltd	7.28%
Westpac Banking Corp	5.97%
National Australia Bank Ltd	5.70%
Seek Ltd	5.49%
Sydney Airports Group	4.92%
Woodside Petroleum Ltd	4.69%
AMP Ltd	4.53%
Suncorp Group Ltd	4.34%
Rio Tinto Ltd	4.30%
Resmed Inc	3.45%

### Sector analysis

Industry Classification	Weight
Consumer Discretionary	7.22%
Consumer Staples	5.21%
Energy	11.00%
Financials	32.11%
Healthcare	11.00%
Industrials	15.93%
Information Technology	0.99%
Materials	13.72%
Telecommunications	0.00%
Cash	2.83%
Total	100.00%

### Portfolio analysis:

Top 100 89.94% of fund

Ex 100 7.24% of fund

Tracking error: 4.1%

Breach report: No Breaches to report

### Portfolio Return Dispersion

Range of Performance: 17.688% to 17.948%

Notable Differences: No notable differences.

