

Alleron Investment Management Limited

Monthly Report

September 2015

Portfolio performance and attribution analysis

	Since Inception (Annualised)	Month
Portfolio	+9.071%	-1.509%
Benchmark	+6.682%	-3.071%

Top 3 and bottom 3 performing stocks

Top 3: Oil Search Limited (OSH), Sydney Airport (SYD), Treasury Wine Estates Limited (TWE).

Bottom 3: Downer EDI Limited (DOW), Primary Health Care Limited (PRY), Woodside Petroleum Limited (WPL).

Portfolio changes

Stocks joined or increased:

Flight Centre Travel Group Ltd (+0.75%): A corporate and leisure travel agent. The company's UK and US operations have returned to profitability and are gaining market share.

Medibank Private Ltd (+0.50%; New): A private health insurance provider. The company's cost cutting and government approved insurance premium increases are delivering earnings growth.

Stocks Removed or Reduced:

Bradken Ltd (-0.75%; Exit): A mining consumables company. The company's restructuring efforts have been diluted by the issuance of convertible debt to a private equity consortium.

Iress Ltd (-1.00%, Exit): A financial markets software provider. The company announced a subdued outlook for 2015 due to financial market challenges and regulatory change in the UK.

Market commentary

Global markets continued to fall as slowing Chinese growth was compounded by the Federal Reserve's concerns regarding the economic impact on the US delaying a possible interest rate rise. The oil price fell 8% to US\$45 as US production remains high despite significant price falls this year. US environmental authorities exposed German car maker Volkswagen's use of devices to mislead exhaust emission test results. The Australian dollar fell to below US70 cents. Iron ore remained stable at US\$56 a tonne.

The Australian market fell as mining and energy stocks underperformed. Retail sales fell 0.1% in July and GDP grew 0.2% in the June quarter as mining activity became a drag on the economy. Malcolm Turnbull replaced Tony Abbott as Prime Minister following a Liberal party vote. Rio Tinto expects iron ore demand to continue to grow over the next 15 years driven by emerging Asia and sold a Hunter Valley coal mine for US\$606m. Bradken's chairman resigned after a failed merger attempt with a private equity consortium. Macquarie Group upgraded its profit outlook and expects first half profits to be 40% above last year.

Portfolio commentary

Positives:

OSH - The company received a takeover bid from Woodside Petroleum Ltd.

SYD - The company announced increased number of flights from Asia as well as strong passenger traffic growth from China and India.

TWE - The company's focus on brand management and consumer marketing has resulted in positive growth in Australia and Asia.

Negatives:

DOW - The share price underperformed due to continued commodity price weakness.

PRY - The share price fell due to government pressure on health care costs and concerns regarding the company's expansion ambitions.

WPL - The company made a takeover bid for Oil Search Ltd.

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	30/09/15
National Australia Bank	6.00%
Westpac Banking Corporation	5.62%
Rio Tinto Ltd	5.22%
Cochlear Ltd	5.21%
Sydney Airport Holdings Ltd	5.03%
AMP Ltd	4.99%
BHP Billiton Ltd	4.91%
Resmed Inc	4.91%
Caltex Australia Ltd	4.38%
Seek Ltd	4.36%

Sector analysis

Industry Classification	Weight
Consumer Discretionary	8.00%
Consumer Staples	6.04%
Energy	10.45%
Financials	33.53%
Healthcare	12.64%
Industrials	14.28%
Information Technology	0.48%
Materials	11.40%
Telecommunications	0.00%
Cash	3.18%
Total	100.00%

Portfolio analysis:

Top 100 92.97% of fund

Ex 100 3.85% of fund

Tracking error: 4.2%

Breach report: No Breaches to report

Portfolio Return Dispersion

Notable Differences: No notable differences.