

Alleron Investment Management Limited

Monthly Report

October 2015

Portfolio performance and attribution analysis

	Since Inception (Annualised)	Month
Portfolio	+9.560%	+5.690%
Benchmark	+7.035%	+4.171%

Top 3 and bottom 3 performing stocks

Top 3: Resmed Inc (RMD), The Reject Shop Ltd (TRS), Treasury Wine Estates Limited (TWE).

Bottom 3: Caltex Australia Limited (CTX), Primary Health Care Limited (PRY), Transpacific Industries Limited (TPI).

Portfolio changes

Stocks joined or increased:

Fortescue Metals Group Ltd (+0.50%): An iron ore miner. The company's cost cutting and debt reduction measures are delivering earnings growth.

Medibank Private Ltd (+0.50%): A private health insurance provider. The company's cost management strategy is delivering earnings growth.

Treasury Wine Estates Ltd (+0.50%): A wine producer and distributor. The company's acquisition of Diageo's US and UK wine operations will deliver at least \$34m in synergy benefits.

Stocks Removed or Reduced:

Coca-Cola Amatil Ltd (-0.75%): A beverages group. The company's volume and margins have been under pressure in an increasingly competitive environment.

Primary Healthcare Ltd (-0.75%): A healthcare services provider. The government's Medicare benefits review has raised concerns about future growth.

Market commentary

Global markets rose with large cap US technology earnings offsetting disappointing earnings from consumer companies. The European Central Bank pledged to provide further stimulus if needed. China experienced its slowest GDP growth in 6 years at 6.9% in the September quarter and the central bank eased monetary policy. Iron ore fell over 10% from \$55 to \$49 per tonne on weak Chinese steel production. Mining company Glencore fought off rumours of financial distress.

The Australian market rose with utilities outperforming and telecoms underperforming. The Trans-Pacific Partnership trade deal was agreed by 12 countries including the US and Japan. Macquarie Group raised \$400m in new equity to buy the Esanda automotive finance business from ANZ and reported 58% growth in H1 profits. Westpac raised \$3.5bn in equity to comply with new APRA capital rules, reported 7% growth in second half profits and raised mortgage interest rates by 0.2% to compensate for higher capital requirements. This move was quickly followed by the other banks. Fortescue Metals confirmed its new breakeven price at US\$36 a tonne of iron ore and repaid US\$384m in debt from operating cashflow. Transpacific Industries

announced a \$30m cost cutting plan to be implemented by the end of June 2017.

Portfolio commentary

Positives:

RMD - The company's reported 39% first quarter flow generator sales growth in the US.

TRS - The market is becoming more optimistic about the company's sales turnaround.

TWE - The company expects 25% earnings growth in FY16 before the benefits of the US\$600m Diageo acquisition.

Negatives:

CTX - The share price was flat in October.

PRY - The share price fell due to a proposed government review of Medicare benefits.

TPI - The head of the Cleanaway division resigned to return to the US.

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	31/10/15
Westpac Banking Corporation	5.84%
National Australia Bank	5.75%
Cochlear Ltd	5.50%
Sydney Airport Holdings Ltd	5.26%
Rio Tinto Ltd	5.23%
Resmed Inc	5.01%
AMP Ltd	4.96%
BHP Billiton Ltd	4.59%
Seek Ltd	4.46%
Caltex Australia Ltd	4.21%

Sector analysis

Industry Classification	Weight
Consumer Discretionary	7.80%
Consumer Staples	5.53%
Energy	10.56%
Financials	34.25%
Healthcare	13.16%
Industrials	14.47%
Information Technology	0.00%
Materials	11.30%
Telecommunications	0.00%
Cash	2.94%
Total	100.00%

Portfolio analysis:

Top 100 93.62% of fund

Ex 100 3.44% of fund

Tracking error: 4.2%

Breach report: No Breaches to report

Portfolio Return Dispersion

Notable Differences: No notable differences.