

# Alleron Investment Management Limited

## Monthly Report

March 2016

### Portfolio performance and attribution analysis

	Since Inception (Annualised)	Month
Portfolio	+9.369%	+4.823%
Benchmark	+6.522%	+4.703%

### Top 3 and bottom 3 performing stocks

Top 3: AMP Ltd (AMP), Downer EDI Ltd (DOW), Fortescue Metals Group Ltd (FMG).

Bottom 3: Cochlear Ltd (COH), Caltex Australia Ltd (CTX), Resmed Inc (RMD).

### Portfolio changes

Stocks joined or increased:

Mineral Resources Ltd (+0.75%): A diversified miner and mining services company. The recovery in iron ore and continued strength in lithium prices have set a solid platform for organic growth.

Monadelphous Group Ltd (+1.50%): A mining services and engineering company. The strong balance sheet will allow the company to increase its exposure to the growing infrastructure market.

Stocks Removed or Reduced:

Coca Cola Amatil Ltd (-0.75%, Exit): A supplier and manufacturer of alcoholic and non-alcoholic beverages. The company has limited organic growth options and concerns are rising about a sugar tax

Westpac Banking Corporation (-1.50%): A diversified banking organisation. The company recently reported a 10% increase in provisions for consumer loans.

### Market commentary

Global markets recovered from the January and February falls as central banks supported economic growth with the ECB cutting interest rates and the US Federal Reserve announcing it would hold off on interest rate hikes despite stronger economic growth and employment. The Chinese government expects economic growth to be between 6.5-7% in its next 5 year plan. New Zealand cut interest rates to 2.25% to support the local dairy sector. Commodities rebounded with oil up 11% to US\$39 and iron ore spiked up to US\$63 before falling back to US\$54 for an 8% monthly rise. The Australian dollar rose 5c to US76c.

The Australian market rose for the month led by miners and the big banks. Australian unemployment fell from 6.0% to 5.8%. ANZ announced that credit charges would increase by an extra \$100m due to weakness in the resources sector. Fortescue entered into a joint venture with Vale to provide a new blended iron ore product to Chinese customers. BHP and Fortescue had their credit ratings downgraded by Moody's to continue the trend of downgrades from February. Sydney Airport reported 2 months of double digit international passenger growth. The ASX CEO resigned due to the investigation into

alleged bribes being paid to Cambodian officials whilst he was CEO of Tabcorp. The former CFO of National Australia Bank was appointed CEO of Medibank. Carsales.com acquired 83% of Chile's number 1 auto classifieds website for \$15m.

### Portfolio commentary

Positives:

AMP - The share price rose with the share market following strong inflows reported at the 2015 result.

DOW - The share price rose after a period of underperformance.

FMG - The share price rose following the strength in the iron ore prices.

Negatives:

COH - The share price stabilised after a period of outperformance.

CTX - Refining margins fell as oil prices recovered.

RMD - The share price fell due to competitive bidding pressures in the core US market.

### 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	31/03/16
AMP Ltd	6.39%
National Australia Bank Ltd	6.17%
Westpac Banking Corporation	6.01%
Rio Tinto Ltd	5.91%
Sydney Airport Holdings Ltd	5.84%
Cochlear Ltd	5.70%
Resmed Inc	5.32%
Suncorp Group Ltd	5.07%
Treasury Wine Estates Ltd	4.39%
Woodside Petroleum Ltd	3.97%

### Sector analysis

Industry Classification	Weight
Consumer Discretionary	9.07%
Consumer Staples	5.14%
Energy	7.38%
Financials	38.61%
Healthcare	15.54%
Industrials	14.00%
Information Technology	0.80%
Materials	7.78%
Telecommunications	0.00%
Cash	1.68%
Total	100.00%

### Portfolio analysis:

Top 100 93.60% of fund

Ex 100 4.72% of fund

Tracking error: 4.1%

Breach report: No Breaches to report

### Portfolio Return Dispersion

Notable Differences: No notable differences.