

Alleron Investment Management Limited

Monthly Report

July 2015

Portfolio performance and attribution analysis

	Since Inception (Annualised)	Month
Portfolio	+10.109%	+4.555%
Benchmark	+7.959%	+4.549%

Top 3 and bottom 3 performing stocks

Top 3: Cochlear Ltd (COH), Sydney Airport Holdings Ltd (SYD), Treasury Wine Estates Ltd (TWE).

Bottom 3: Primary Healthcare Ltd (PRY), Downer EDI Ltd (DOW), Transpacific Industries Limited (TPI).

Portfolio changes

Stocks joined or increased:

Caltex Australia Ltd (+0.25%): A convenience store operator and marketer of petroleum products. The company is continuing its transition into an industry leader in Australian retail transport fuel.

Resmed Inc (+0.25%): A medical devices manufacturer for the treatment of sleep apnea. We believe the results of the clinical trial announced in May will not have a significant effect on the company's organic growth profile.

Stocks Removed or Reduced:

Bradken Ltd (-0.25%): A mining services and engineering company. The company diluted shareholders by issuing preference shares to a private equity consortium to repay debt.

Market commentary

Global markets were volatile as the Greek prime minister agreed to a tougher EU bailout than the one rejected by the electorate in a referendum. Chinese markets continued their fall triggering government intervention to stabilise them. Commodities fell throughout the month with oil and iron ore falling 20% and 10% respectively due to weak Chinese demand concerns. The AUD fell 5% to below US\$0.73, a 6 year low. The US economy showed continued strength with the release of positive housing and employment numbers.

The Australian market rose for the first monthly gain since February 2015 with healthcare stocks leading gains. The major banks increased interest rates for investment housing after APRA increased capital requirements for housing loans. NAB divested the balance of Great Western Bank in the US for approximately US\$417m. BHP announced a US\$2bn asset impairment on US energy assets and increased iron ore production 14% to 233m tonnes. Fortescue achieved its cost cutting targets and reiterated its iron ore breakeven cost of US\$39 a tonne. Perpetual announced a net outflow of \$1.6bn from mainly institutional clients for the June quarter. Resmed's reported 9% growth in fourth quarter revenues

driven by strong sales of its new flow generators.

Portfolio commentary

Positives:

COH: The share price recovered after a period of consolidation in June.

SYD - The company released strong growth in June with Chinese and Philippine nationals driving international traffic.

TWE - The company agreed to a sale and leaseback of a winery in the US as part of supply chain optimisation plans.

Negatives:

PRY - The company downgraded FY15 earnings due to a weaker than expected fourth quarter in its medical centre and pathology divisions.

DOW - The share price followed commodity prices lower.

TPI - The market awaits an update from the new CEO who has broad industrial experience in Australia and overseas.

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	31/7/15
National Australia Bank	6.05%
Westpac Banking Corporation	5.80%
Cochlear Ltd	5.12%
AMP Ltd	5.07%
Seek Ltd	5.04%
Sydney Airport Holdings Ltd	4.95%
Resmed Inc	4.90%
Rio Tinto Ltd	4.90%
BHP Billiton Ltd	4.86%
Caltex Australia Ltd	4.26%

Sector analysis

Industry Classification	Weight
Consumer Discretionary	6.34%
Consumer Staples	5.71%
Energy	10.83%
Financials	33.66%
Healthcare	12.44%
Industrials	15.29%
Information Technology	0.98%
Materials	11.41%
Telecommunications	0.00%
Cash	3.33%
Total	100.00%

Portfolio analysis:

Top 100 94.32% of fund

Ex 100 2.35% of fund

Tracking error: 4.4%

Breach report: No Breaches to report

Portfolio Return Dispersion

Range of Performance: +2.270% to +5.107%

Notable Differences: The differences in the month of July 2015 were due to clients' cash-flows.