

April 2017 Monthly Report

Portfolio performance and attribution analysis

	Inception p.a.	FYTD	Month
Portfolio	10.78%	23.90%	1.16%
Benchmark	7.81%	17.90%	1.11%

Top 3 and bottom 3 performing stocks

Top 3: Seek Ltd (SEK), Xero Ltd (XRO), Cochlear Ltd (COH)

Bottom 3: Fortescue Metals Group Ltd (FMG), OZ Minerals Ltd (OZL), Treasury Wine Estates Ltd (TWE)

Portfolio changes

Stocks joined or increased:

Elders Limited (+1.50%): An Australian agricultural products and livestock agency company. The company announced it had recently completed its hybrid buyback.

NextDC Ltd (+0.50%): A data centre operator. The company's new data centres in Melbourne and Brisbane which will nearly triple capacity, are on track to be completed before the end of FY17.

Stocks removed or reduced:

Fortescue Metals Group Limited (-0.75%): An Australian iron ore miner. Increasing oversupply concerns are surfacing with recent Chinese iron ore stockpiles at record highs.

Rio Tinto Ltd (-1.50%): A diversified global mining company. Recent falls in the iron ore price have coincided with news of oversupply in China.

Current portfolio: Top ten holdings

Stock	30/04/2017
Sydney Airport Holdings Ltd	6.14%
Cochlear Ltd	6.07%
National Australia Bank Ltd	6.01%
Seek Ltd	5.95%
Commonwealth Bank Ltd	5.92%
Treasury Wine Estates Ltd	4.83%
Resmed Inc	4.65%
Rio Tinto Ltd	4.49%
Suncorp Group Ltd	3.63%
Fortescue Metals Group Ltd	3.44%

Market commentary

World markets rose as positive quarterly company earnings reports and results of the first round French elections offset increased tensions on the Korean peninsula. The UK prime minister called a snap election for June. China's GDP growth for Q1 was a better than expected 6.9% with the main drivers being real estate and manufacturing. Iron ore fell 18% to US\$66 per tonne due to a buildup in Chinese inventories. Oil was mostly flat for the month as US producers ramped up drilling which offset OPEC production cuts. The AUD fell 2% to US74c.

The Australian market rose 1% for the month as the major banks rallied ahead of their results. The RBA left the cash rate unchanged at 1.50%. ANZ Bank announced the sale of their retail bank in Vietnam, further committing to the plan to focus on institutional banking in Asia. Sydney Airport reported slower growth in passenger numbers in March due to a late Easter and Cyclone Debbie. Resmed's quarterly report showed double digit revenue growth helped by their recent Brightree acquisition and strong sales numbers for masks. BHP, which is being targeted by an activist US investor to spin off its oil business and simplify its dual listed structure, announced the divestment of non-core onshore US oil assets.

Portfolio Exposures

Major portfolio exposures were to medical devices & services and resource stocks with less portfolio weight in major banks and retailers.

Portfolio Analysis

Top 100 82.47% of fund
Ex 100 14.98% of fund

Oil Search reported proven gas reserves for its PNG LNG Project had increased by 50%. Spotless directors recommended shareholders reject Downer's takeover bid. Fortescue experienced a decline in price realisation for the March 17 quarter and C1 costs were higher due to wet weather impacts.

Portfolio commentary

Positives:

SEK - Management announced it had signed an agreement to privatise its Chinese subsidiary, Zhaopin.

XRO - The company's share price continued its rise after recently surpassing 1 million subscribers.

COH - The company's share price rose after management reaffirmed double digit profit growth.

Negatives:

FMG - The share price fell with the iron ore price.

OZL - The share price fell due to concerns of the global oversupply of copper.

TWE - The share price consolidated after a recent period of outperformance.

Portfolio focus

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