

June 2017 Long-Only Monthly Report

Portfolio performance and attribution analysis

	Inception p.a.	FYTD	Month
Portfolio	10.79%	26.18%	1.32%
Benchmark	7.45%	14.62%	0.03%

Top 3 and bottom 3 performing stocks

Top 3: Cochlear Ltd (COH), Resmed Inc (RMD), Monadelphous Group Ltd (MND)

Bottom 3: Sydney Airport Holdings Ltd (SYD), Nanosonics Ltd (NAN), Stockland Corporation Ltd (SGP)

Portfolio changes

Stocks joined or increased:

Commonwealth Bank of Australia Limited (+1.00%): An Australian banking institution. The company continues to see solid growth in lending while the level of bad debts remain low.

Stocks removed or reduced:

Suncorp Group Limited (-0.50%): An insurance provider and banking institution. The share price is approaching its price target.

AMP Ltd (-0.50%; Exit): A wealth management company. The share price has reached our valuation target.

Market commentary

World markets were mixed as the US Fed raised interest rates for the second time in 3 months on continuing positive US economic news. Volatility in US technology shares triggered a correction in global technology. The UK election resulted in a minority coalition government ahead of Brexit negotiations. MSCI included China's A-share markets in its emerging market index. Iron ore rose 14% to US\$64 per tonne as Chinese infrastructure spending remained strong. Oil fell 3% to \$46 as the US oil production continued to increase. The AUD increased 3% to US76c.

The Australian market was flat for the month as the recovery in the big banks offset the fall in big miners. The market became more comfortable with the impact of the bank levy on earnings. Banks raised interest rates for investor and interest only loans to reduce risk in the property market. GDP growth for the March 17 quarter was +0.3% and unemployment fell to 5.5% in May. Downer EDI successfully acquired over 50% of Spotless shares before the June 30 deadline. Nanosonics announced a new strategic partnership with Sakura Seiki to launch its flagship trophon product in Japan next year. Fortescue announced the further rollout of

autonomous trucks to cut operating costs. Cleanaway was awarded a 10 year \$300m collections contract by Brisbane City Council. Monadelphous secured a maintenance contract for Woodside Petroleum worth \$600m over 5 years. Treasury Wine Estates announced further details of their French brand that will be launched in China before the end of 2017.

Portfolio commentary

Positives:

COH - The company's share price rose after its new sound processor received FDA approval.

RMD - The company's share price rose in anticipation of a positive fourth quarter earnings report.

MND - The company announced it had won multiple large contracts in maintenance and construction for LNG operators in North and Western Australia.

Negatives:

SYD - The share price pulled back after it recently reached all time highs.

NAN - The share price fell as the market awaits more news on progress in its core US market and smaller European markets.

SGP - The share price fell after a period of outperformance.

Current portfolio: Top ten holdings

Stock	30/06/2017
Commonwealth Bank Ltd	6.18%
Cochlear Ltd	6.16%
National Australia Bank Ltd	5.88%
Seek Ltd	5.80%
Sydney Airport Holdings Ltd	5.59%
Treasury Wine Estates Ltd	5.20%
Resmed Inc	4.38%
Suncorp Group Ltd	3.41%
Fortescue Metals Group Ltd	3.32%
Rio Tinto Ltd	3.13%

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 81.83% of fund
Ex 100 17.10% of fund

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.