



**March 2018 Long-Only Monthly Report**

**Portfolio performance and attribution analysis**

	Inception p.a.	FYTD	Month
Portfolio	11.32%	15.01%	-2.86%
Benchmark	7.28%	3.32%	-3.90%
Out/(under) performance	4.04%	11.69%	1.04%

**Top 3 and bottom 3 performing stocks**

Top 3: Lovisa Holdings Ltd (LOV), Elders Ltd (ELD), Xero Ltd (XRO)

Bottom 3: Fortescue Metals Group Limited (FMG), Seek Ltd (SEK), Sims Metal Management Ltd (SGM)

**Portfolio changes**

Stocks joined or increased:

Xero Limited (+0.50%): A cloud based accounting software company. The company has hired an experienced global tech executive as the new CEO to provide the company with more strategic direction in its international growth path.

Stocks removed or reduced:

NextDC Limited (-0.50%): An Australian data centre operator. The share price is reaching our valuation target.

**Market commentary**

World markets fell as President Trump placed tariffs on Chinese steel & aluminium imports, sparking fears of an escalating trade war. Tech stocks also fell after a Facebook data breach was discovered. The Fed raised interest rates and confirmed plans for 2 further rises in 2018 after strong GDP numbers. The EU proposed a 3% tax on large tech company revenues based on user locations. China's National People's Congress unanimously re-elected Xi Jinping as the country's president. Iron ore fell 16% to US\$63 due to record stockpiles and the US-China trade war. Oil rose slightly to US\$63 and the AUD fell 1c to US77c.

The Australian market fell with global markets with the big banks impacted by the ongoing Royal Commission and the big miners following lower iron ore prices. CBA announced a renewal of senior management in the wake of the AUSTRAC scandal. ANZ announced plans to IPO its NZ asset UDC. Oil Search announced PNG LNG repairs will take 8 weeks after the earthquake. Fortescue downgraded its realised iron ore price discount from 70-75% to 65% due to global trade tensions and subdued Chinese construction levels. Rio Tinto sold its remaining coal assets, using the proceeds to reduce debt. QBE announced a culture overhaul and plans for more consistent underwriting processes across the business. Seek acquired the remaining 15.75% of Seek Asia for \$157m.

OZ Minerals launched a \$414m bid for Avanco, a low cost copper miner with strategic Brazilian assets. Sydney Airport announced strong February international traffic growth mostly from China due to the Lunar New Year. Japara Healthcare acquired 4 aged care sites for \$39m, adding \$4m to FY19 EBITDA. The REIT owner of NextDC's data centre properties announced potential buyers had walked away from negotiations.

**Portfolio commentary**

Positives:

LOV - The share price rose from strong same store sales momentum after the half year and international expansion into new territories.

ELD - The share price rose as a Chinese shareholder announced it had accumulated a 5% shareholding.

XRO - The share price rose as the company delisted from the NZX and entered the ASX100.

Negatives:

FMG - The company's guidance of realised iron ore discount rate decreased from 70-75% to 65%.

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

SGM - The share price fell on concerns of lower demand from the US-China trade war.

**Current portfolio: Top ten holdings**

Stock	31/03/2018
Commonwealth Bank Ltd	7.77%
Cochlear Ltd	6.33%
National Australia Bank Ltd	5.64%
Seek Ltd	5.62%
Treasury Wine Estates Ltd	5.21%
Macquarie Group Ltd	4.12%
Resmed Inc	4.10%
OZ Minerals Ltd	3.87%
Fortescue Metals Group Ltd	3.31%
QBE Insurance Group Ltd	3.19%

**Portfolio Exposures**

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

**Portfolio Analysis**

Top 100 85.32% of fund  
Ex 100 14.68% 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.