



**November 2018 Long-Only Monthly Report**

**Portfolio performance and attribution analysis**

	Month	FYTD	Inception p.a.
Portfolio	-1.19%	-8.58%	10.75%
Benchmark	-2.40%	-6.56%	7.02%
Out/(under) performance	1.21%	-2.02%	3.73%

**Top 3 and bottom 3 performing stocks**

Top 3: NextDC Ltd (NXT), Sydney Airport Ltd (SYD), Altium Ltd (ALU)

Bottom 3: Treasury Wine Estates Ltd (TWE), Medibank Private Ltd (MPL), Computershare Ltd (CPU)

**Portfolio changes**

Stocks joined or increased:

Coles Group Ltd (+0.50%, New): An Australian consumer staples retailer. The core supermarket division has been gaining market share, with its same store sales growth showing positive momentum.

Reliance Worldwide Corporation Ltd (+0.50%, New): An Australian-based plumbing products company. The Company's highly complementary UK acquisition has made the Company the clear global leader in the Push-To-Connect (PTC) fittings industry.

Stocks removed or reduced:

BHP Biliton Ltd (-0.75%): A diversified global mining company. The Company is more exposed to iron ore and copper after completing the sale of its US shale business.

**Market commentary**

World markets were volatile during November. The US Federal Reserve released dovish commentary mid month which saw US bond yields fall and helped global markets recover early month losses. The US midterm elections resulted in the Democrats regaining control of Congress. China released further data confirming a slowing economy. The UK and the EU agreed on Brexit withdrawal terms. The iron ore price fell 12% to \$66 as it followed steel prices lower. The oil price fell 21% to US\$50 as oil production remained at record high levels. The AUD rose 2c to US73c.

The Australian market underperformed global markets as resources and energy stocks led the market lower, offset by a slight recovery in the big banks. The Royal Banking Commission continued in November with Westpac being fined \$3.3m by ASIC for rate rigging. Cochlear revealed it had recently started investing in start-ups that use implantable electronic stimulation. Resmed completed its acquisition of MatrixCare, a complementary SaaS company to its Brightree and HEALTHCAREfirst divisions. BHP announced the completion of its sale of Onshore US assets, paving the way for its US\$10.4bn shareholder return program. OZ Minerals announced an extension of the mine life of Prominent Hill to 2030. Macquarie Bank upgraded its FY19 guidance after completing the sale of Quadrant Energy to Santos. Xero's 1H19 result showed platform revenue

is growing as a proportion of total sales while North America is the fastest growing region for the business. Elders announced a solid outlook for FY19 with a strong pipeline of acquisition opportunities arising from the severe drought. Cochlear announced it would appeal a US\$268m judgment for infringements of an expired patent, dating back to 2009 and 2014. Wesfarmers successfully spun off Coles Group after shareholder approval at the AGM.

**Portfolio commentary**

Positives:

NXT - The company announced it had commitments for nearly half of its new Sydney data center.

SYD - International passenger traffic rose by 6% in October due to Japanese & US nationals.

ALU - The company reconfirmed its target of 100k subscribers at its AGM.

Negatives:

TWE - The share price continued to fall with concerns of the economic slowdown in China.

MPL - The share price fell as the company announced the loss of a long term government contract.

CPU - The share price experienced a pullback after a period of outperformance.

**Current portfolio: Top ten holdings**

Stock	30/11/2018
Commonwealth Bank Ltd	8.39%
National Australia Bank Ltd	5.90%
Cochlear Ltd	5.77%
QBE Insurance Group Ltd	5.58%
Xero Ltd	4.85%
Resmed Inc	4.68%
Treasury Wine Estates Ltd	4.12%
Macquarie Group Ltd	4.03%
OZ Minerals Ltd	3.72%
BHP Biliton Ltd	3.61%

**Portfolio Exposures**

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

**Portfolio Analysis**

Top 100 84.20% of fund  
Ex 100 15.80% 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.