



February 2017 Monthly Report

Portfolio performance and attribution analysis

	Inception p.a.	FYTD	Month
Portfolio	10.70%	20.75%	3.95%
Benchmark	7.53%	12.84%	2.28%

Top 3 and bottom 3 performing stocks

Top 3: Monadelphous Group Ltd (MND), Seek Ltd (SEK), Downer EDI Ltd (DOW)

Bottom 3: Rio Tinto Ltd (RIO), Japara Healthcare Ltd (JHC), Xero Ltd (XRO)

Portfolio changes

Stocks joined or increased:

Lovisa Holdings Ltd (+0.50%): A fashion jewellery and accessories retailer. The company beat its upgraded half year profit guidance and has forecast to double the UK store count by the financial year end.

NextDC Ltd (+0.25%): An Australian based data centre operator. The company announced increased utilisation rates at existing centres along with smooth progress of new centres to meet increasing cloud storage demand.

Stocks removed or reduced:

Fairfax Media Ltd (-1.00%; Exit): A news publishing and real estate services company. The company's share price has reached our target price.

AMP Ltd (-1.00%): An Australian wealth management and insurance provider. The company's wealth protection troubles has been compounded with loss of financial planners.

Current portfolio: Top ten holdings

Stock	28/02/2017
Cochlear Ltd	6.46%
National Australia Bank Ltd	5.80%
Commonwealth Bank Ltd	5.72%
Sydney Airport Holdings Ltd	5.54%
Treasury Wine Estates Ltd	5.37%
Seek Ltd	5.08%
Resmed Inc	4.87%
Rio Tinto Ltd	4.03%
Suncorp Group Ltd	3.58%
Fortescue Metals Group Ltd	3.53%

Market commentary

World markets rose as the US released key data highlighting the growing strength of the US economy. China's central bank tightened monetary policy after Chinese New Year to slow down property prices and inflation. China's foreign exchange reserve dropped below US\$3bn for the first time since 2011. The AUD remained stable at USD76c. Iron ore rose 11% to reach US\$92 per tonne while oil price was flat at US\$54 per barrel. Copper extended its rise as supply issues continued to plague 2 large mines in Chile and Indonesia.

The Australian market underperformed global markets for the month as the big dividend increases from the major miners failed to impress investors while the banks reported flat or low single digit earnings growth. The January unemployment rate fell from 5.8% to 5.7%. Treasury Wine Estates net profit more than doubled with strong revenue growth in key US and China markets and cost savings implemented ahead of schedule. Fortescue revealed a US\$1.2bn profit on the back of a surge in iron ore prices and continuous cost reduction. Cochlear reported continued double digit sales growth and reaffirmed its less than 5% market penetration rate while highlighting rapid growth in India.

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 82.68% of fund
Ex 100 13.49% of fund

Nanosonics announced that the World Federation for Ultrasound in Medicine and Biology as well as 2 national bodies released guidelines for cleaning ultrasound probes, identifying Nanosonics's Trophon product as the appropriate machine to meet their high level disinfection standards.

Portfolio commentary

Positives:

MND - The company's infrastructure segment has provided new core earnings while the oil and gas sector activity remains subdued.

SEK - The core Australian business and China's Zhaopin are growing at double digit rates.

DOW - The company upgraded profit guidance for FY17 and has recently won multi-billion dollar transport contracts in Newcastle and Sydney.

Negatives:

RIO - The share price fell with the iron ore price towards the end of the month.

JHC - The share price fell as management downgraded profit growth from 11% to a range of 7-10% for FY17.

XRO - The share price fell after news of a competitor growing online subscribers by +49%.

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.