



April 2018 Long-Only Monthly Report

Portfolio performance and attribution analysis

	Inception p.a.	FYTD	Month
Portfolio	11.63%	20.32%	4.62%
Benchmark	7.54%	7.36%	3.91%
Out/(under) performance	4.09%	12.96%	0.71%

Top 3 and bottom 3 performing stocks

Top 3: Treasury Wine Estates Ltd (TWE), Xero Ltd (XRO), Cochlear Ltd (COH)

Bottom 3: Japara Healthcare Limited (JHC), Lovisa Holdings Ltd (LOV), Perpetual Ltd (PPT)

Portfolio changes

Stocks joined or increased:

ASX Ltd (+0.50%): A securities trading exchange operator. The company announced a timetable to replace its CHES system with Distributed Ledger Technology (DLT) by 2021, paving the way for cost outs and faster settlements.

NextDC Ltd (+0.50%): An Australian data centre operator. The company announced further plans to nearly triple capacity to 306MW, raising capital for 3 new data centres.

Stocks removed or reduced:

Perpetual Limited (-1.00%): An investment management and financial services company. The company has experienced successive quarters of fund outflows.

Market commentary

World markets recovered from falls last quarter despite US 10yr bond yields breaching 3% for the first time in 4 years. North Asian tensions reduced with a summit between the Koreans. Large US technology stocks continued to rise on strong earnings. China responded proportionately to US tariffs while Iron ore remained flat for the month. Oil rose to a 3yr high of US\$68 as production cuts initiated from 2017 started to take their desired effect. The aluminium price experienced volatility due to US trade sanctions that included Russian aluminium companies. The AUD fell 2c to US75c.

The Australian market outperformed global markets led by materials and healthcare. Unemployment was flat at 5.5%. The Royal Commission increased pressure on the banks and other financial services companies with the departure of several senior executives. The miners announced strong quarterly production reports with BHP, Rio Tinto and Iluka all benefiting from higher commodity prices. Fortescue's C1 costs rose slightly from a higher AUD and fuel prices. Oil Search cut its FY18 guidance by 17% due to the PNG earthquake in Feb 18. OZ Minerals announced its Carrapateena mine received key mining lease approvals and construction remains on track for commencement of mining and processing in late 2019. NextDC announced it is seeking to wind up the APDC Trust due to unsound governance practices.

Elders announced the acquisition of an agricultural chemical company as well as the divestment of Indonesian feed and processing assets. Sydney Airport announced March international traffic growth of over 11% due to the earlier Easter holiday and significant airline capacity growth. Resmed's Brightree revenue grew at 14% pcp, showing promising signs that the cloud strategy is integrating well with the core business.

Portfolio commentary

Positives:

TWE - The share price was buoyed by reports of Australian wine exports to China grew 51% to over \$1bn for the year.

XRO - The share price rose in anticipation of the upcoming annual report.

COH - The share price rebounded after profit taking from its recent highs.

Negatives:

JHC - The share price fell despite the successful acquisition of the Riviera Health aged care portfolio.

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

PPT - The share price fell on reports of continued fund outflows from institutional clients.

Current portfolio: Top ten holdings

Stock	30/04/2018
Commonwealth Bank Ltd	7.38%
Cochlear Ltd	6.46%
Seek Ltd	5.98%
National Australia Bank Ltd	5.89%
Treasury Wine Estates Ltd	5.63%
Macquarie Group Ltd	4.16%
Resmed Inc	4.02%
OZ Minerals Ltd	3.80%
Fortescue Metals Group Ltd	3.33%
BHP Billiton Ltd	3.16%

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 87.00% of fund
Ex 100 13.00% 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.