



September 2017 Long-Only Monthly Report

Portfolio performance and attribution analysis

	Inception p.a.	FYTD	Month
Portfolio	10.80%	2.74%	0.26%
Benchmark	7.33%	0.41%	-0.10%

Top 3 and bottom 3 performing stocks

Top 3: Xero Ltd (XRO), Lovisa Holdings Ltd (LOV), Japara Healthcare Ltd (JHC)

Bottom 3: Fortescue Metals Group Ltd (FMG), Oz Minerals Ltd (OZL), Carsales.com Ltd (CAR)

Portfolio changes

Stocks joined or increased:

QBE Insurance Group Limited (+1.00%, Entry): A global insurance company. The company's globally diversified business and large investment book provide a strong platform for future organic growth.

Stocks removed or reduced:

Cleanaway Waste Management Limited (-0.50%, Exit): An Australian waste management company. The share price has reached our valuation target.

Suncorp Group Limited (-0.75%): An Australian insurance company and bank. The company's share price is approaching our valuation target.

Market commentary

World markets rose despite the UN imposing new economic sanctions on North Korea while natural disasters caused significant damage in the US and Mexico. Bond yields rose as the Fed continued its stance on lifting interest rates. S&P downgraded China's credit rating. The German Chancellor won re-election and will form a new coalition government. Iron ore fell 21% to US\$62 per tonne as China enforced air pollution regulations over the winter months. Oil rose 7% to \$51 per barrel as OPEC considered extending its production restrictions. The AUD remained at US79c.

The Australian market was flat as the RBA kept rates on hold and unemployment was steady at 6.5%. Commonwealth Bank sold its Australian and New Zealand life insurance businesses to AIA for \$3.8bn and announced its CEO would be stepping down next year. Rio Tinto announced a \$2.5bn share buyback from proceeds of its Coal & Allied Industries sale. Iluka announced a 10% increase in the zircon price to \$1,230 per tonne effective October 2017.

Monadelphous released details of \$220m worth of new maintenance and construction contracts. Seek successfully privatised its Chinese subsidiary Zhaopin after passing a shareholder vote.

Macquarie Bank expects first half results to be higher than the first half of FY17 due to stronger performance fees and better capital markets activity. NextDC continued its bidding war with 360 Capital for Asia Pacific Data Centre Group. Sydney Airport appointed its new CEO to replace Kerrie Mather. QBE appointed its current Aus & NZ insurance head as the new group CEO.

Portfolio commentary

Positives:

XRO - The share price rose after the company's Melbourne conference revealed new products and user friendly add ons.

LOV - The market continued to appreciate the strong revenue momentum displayed in a weak retail environment.

JHC - The share price rose after the government review was broadly supportive of the sector.

Negatives:

FMG - The share price fell with the iron ore price.

OZL - The share price consolidated as the copper price fell 5% during the month.

CAR - The share price pulled back after a period of outperformance.

Current portfolio: Top ten holdings

Stock	30/09/2017
Commonwealth Bank Ltd	6.29%
Cochlear Ltd	6.28%
National Australia Bank Ltd	6.22%
Seek Ltd	6.13%
Sydney Airport Holdings Ltd	5.12%
Treasury Wine Estates Ltd	4.84%
Resmed Inc	4.23%
Rio Tinto Ltd	3.27%
Fortescue Metals Group Ltd	3.25%
Australia New Zealand Bank Ltd	3.14%

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 79.30% of fund
Ex 100 16.65% 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.