

Alleron Investment Management Limited

Yearly Report

June 2009

Portfolio performance and attribution analysis

	Since Inception (Annualised)	Year to date
Portfolio	+9.24%	-13.04%
Benchmark (ASX 100)	+3.44%	-19.18%

Top 3 and bottom 3 performing stocks

Top 3: Cochlear Ltd (COH), Computershare Ltd (CPU), AXA Asia Pacific (AXA)

Bottom 3: Incitec Pivot Ltd (IPL), Suncorp-Metway Ltd (SUN), Connect East (CEU)

Portfolio changes

Stocks joined or increased significantly:

David Jones Limited (2%): A department store group. The latest quarterly sales report revealed that the company managed to achieve its sales target amid a very difficult operating environment. The strong financial position will enable the company to adopt their expansion strategy.

Resmed Inc. (1.5%): A medical device company. The US business showed a strong recovery in profitability with strong momentum. The launch of new products in the fourth quarter of 2008 generated a significant increase in sales.

Stocks removed or reduced significantly:

Cabcharge Australia Limited (0.5%): A financial services provider. The economic slowdown in Australia raised concerns on growth.

Wesfarmers Limited (0.5%): A diversified industrial group. High interest rates will increase the finance costs. The profile for strong growth in earnings in the near future was revised downward

Current portfolio Top ten holdings

Stock	30/06/09
BHP Biliton Ltd	11.27%
Cochlear Ltd	6.13%
Westpac Banking Corp	6.10%
Telstra Ltd	6.09%
National Australia Bank Ltd	5.99%
QBE Insurance Group Ltd	5.18%
AXA Asia Pacific Holdings Ltd	4.97%
Suncorp-Metway Ltd	4.88%
Computershare Ltd	4.83%
CSL Ltd	4.54%

Sector analysis

Industry Classification	Weight
Consumer Discretionary	8.10%
Consumer Staples	1.51%
Energy	5.57%
Financials	33.63%
Healthcare	13.21%
Industrials	6.01%
Information Technology	5.59%
Materials	18.34%
Telecommunications	6.09%
Cash	1.96%
Total	100.00%

Portfolio analysis:

Top 100	92.5% of fund
Ex 100	5.5% of fund
Tracking error:	4.5%

Portfolio Return Dispersion

Range of Performance: -12.93% to -13.09%

Notable Differences: Differences resulted from cash flow into and out of funds.

Market commentary

The global economy slowed dramatically following the massive financial meltdown caused by the collapse of Lehman Brothers in the US. The tightness in the global credit market uplifted the financial risk of debt-burdened companies. Equity markets posted heavy losses as investors reduced their exposures to risky assets. Fortunately, the rapid actions of global monetary authorities, by adopting a very loosened monetary policy on the one hand and implementing rescue packages for troubled companies on the other, managed to avert a financial holocaust in the global banking system. Major economic powers executed massive fiscal stimulatory programs to reignite growth in their economies. There were some encouraging signs reported in the June quarter 2009. Chinas economy grew above expectations and their industrial production was very close to previous peak levels. There was hope that other economies will gradually recover soon..

Portfolio commentary

Positives

COH: The positive earnings growth profile attracted buying.

CPU: The share price was underpinned by the strong future growth potential of Hong Kong and China.

AXA: Investors were confident that the current equity capital was adequate to support the business.

Negatives

IPL: Investors was uncomfortable with the weakened fertilizer prices.

SUN: Investors were concerned about the current difficult operating environment.

CEU: Investors concerned that the company needed more equity capital.

Portfolio focus

After the current equity capital raising phase, companies with sound management should be at an advantage to grow by acquiring assets at depressed prices for long term value.

Strategic value and organic growth profile are important factors in evaluating investment opportunity.