

Alleron Investment Management Limited

Yearly Report

June 2010

Portfolio performance and attribution analysis

	Since Inception (Annualised)	Year to date
Portfolio	+11.413%	+21.454%
Benchmark (ASX 100)	+ 5.194%	+13.245%

Top 3 and bottom 3 performing stocks

Top 3: AXA Asia Pacific (AXA), West Australian Newspapers Ltd (WAN), SEEK Ltd (SEK)

Bottom 3: Australian Stock Exchange Ltd (ASX), CSL Ltd (CSL), QBE Insurance Group Ltd (QBE)

Portfolio changes

Stocks joined or increased significantly:

Stockland Group (3.75%): A Diversified Property group. The company outlined the opportunity in their retirement living portfolio highlighting the significant growth potential with minimal capital outlay.

Coca-Cola Amatil Limited. (3.00%): A beverage company. The company has demonstrated the improving growth rates in developing markets. This is expected to continue to add to earnings growth in the future.

Stocks removed or reduced significantly:

Fosters Group Limited (-1.50%; Removed): A beverage company. The company has stated that they are facing headwinds in the wine business. Hence, the stock met our expectation.

Telstra Limited (-1.75%): A Telecommunications Company. The fall in the fixed line revenues decreased the level of confidence in the cash flow and earnings outlook.

Current portfolio Top ten holdings

Stock	30/06/10
BHP Billiton Ltd	10.99%
National Australia Bank Ltd	5.92%
Westpac Banking Corp	5.86%
Suncorp-Metway Ltd	4.83%
Stockland Ltd	4.63%
Cochlear Ltd	4.52%
Telstra Ltd	4.23%
QBE Insurance Group Ltd	4.19%
Computershare Ltd	4.10%
AXA Asia Pacific Holdings Ltd	3.79%

Market commentary

After reaching a low in March 2009, equity markets globally continued to rally for the remainder of the calendar year. Driven by strong doses of quantitative easing in major Anglo nations and record fiscal stimulus measures, global economic activity expanded at rates which were above expectations. Companies throughout the world began to restock thus spurring industrial production. This along with continuous cost cutting resulted in earnings reports that were above expectations. While governments helped save developed world economies, the emerging economies of China and India reacted robustly to government stimulus. Both countries have recently tightened monetary policy to stop their economies from overheating. Strong emerging market growth helped lift commodity prices and commodity investments and enabled Australia to avoid an economic recession. The RBA lifted official interest rates from 3% to 4.5% in response to the strong domestic economic activity. While markets finished the year with a positive return, global public sector debt concerns eased sentiment and equity markets fell from their highs.

Portfolio commentary

Positives

AXA: The share price was strongly supported by the two different approaches to take over the company.

WAN: Investors were positive on the outlook for growth in WA and the flow through to earnings for WAN on the back of an improved resources sector.

SEK: The Company benefited from the significant growth in the training and education business.

Negatives

ASX: Investors concerned that regulation allowing new exchange competitors will hurt earnings growth.

CSL: The growth in their successful HPV vaccine began to slow.

QBE: The earnings growth was hampered by both falls in interest rates and foreign exchange rates.

Portfolio focus

With markets remaining volatile, the focus will remain on individual companies that can deliver new growth avenues. Once confirmed, these growth businesses should add additional shareholder value.

Sector analysis

Industry Classification	Weight
Consumer Discretionary	9.22%
Consumer Staples	3.21%
Energy	6.27%
Financials	36.43%
Healthcare	10.00%
Industrials	7.30%
Information Technology	4.31%
Materials	17.43%
Telecommunications	4.23%
Cash	1.58%
Total	100.00%

Portfolio analysis:

Top 100 94.97% of fund

Ex 100 3.45% of fund

Tracking error: 4.5%

Portfolio Return Dispersion

Range of Performance: 21.25% to 21.49%

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

