

Alleron Investment Management Limited

Yearly Report

June 2013

Portfolio performance and attribution analysis

	Since Inception (Annualised)	Year to Date
Portfolio	+9.379%	+23.003%
Benchmark	+6.599%	+24.478%

Top 3 and bottom 3 performing stocks

Top 3: Primary Health Care Limited (ILU), Resmed Inc (RMD), Suncorp Group Limited (SUN).

Bottom 3: Cochlear Limited (COH), FKP Property Group (FKP), Newcrest Mining Limited (NCM).

Portfolio changes

Stocks joined or increased:

Caltex Australia Ltd (+1.75%): An Australian convenience store operator and refiner of petroleum products. The company is reducing risk by shutting down its Kurnell refinery and focussing on its less volatile fuel distribution business.

JB Hi-Fi Ltd (+1.75%; New): A specialty retailer of home entertainment products. As it consolidates its store rollout strategy, the company will be able to extract economies of scale and expand into new product categories.

The Reject Shop Limited (+1.5%; New): A discount variety retailer. The company accelerated its store rollout strategy as a competitor experienced financial difficulties.

Stocks Removed or Reduced:

Newcrest Mining Ltd (-2%): A global gold mining company. The company has downgraded production forecasts and its higher cost operations are under pressure due to the falling gold price.

Market commentary

Global markets rose strongly for the year with US equities setting record highs driven by monetary stimulus in the US, Europe and Japan. The new Chinese government announced plans to rebalance the economy away from infrastructure spending towards consumption by tightening liquidity. China concerns and the 25% fall in the Japanese yen against the US dollar caused a sharp underperformance of emerging versus developed markets. The Eurozone bailed out Cyprus but imposed losses on large depositors in Cypriot banks. At year end, the Federal Reserve announced moves away from monetary stimulus provided the economy continued to recover.

The Australian market rose strongly with a large divergence between income stocks and companies exposed to the slowing Chinese economy. Low interest rates globally and three RBA rate cuts to a record low 2.75% drove gains in banks, telecoms and REITs. Weakness in the domestic economy and the 11% depreciation in the Australian dollar aided the performance of overseas earners such as healthcare and some industrial companies. New CEOs at BHP and Rio Tinto are cutting costs to offset commodity price falls.

Companies with strong balance sheets and cashflows such as CSL, News Corporation and Woodside Petroleum returned capital to shareholders. Kevin Rudd once again leads the Labor Party.

Portfolio commentary

Positives:

PRY: The company expects significant profit growth in FY13 as its large medical centres mature.

RMD: Sales grew strongly as penetration of its products increased.

SUN: Insurance margins have recovered post recent natural disasters and the company continues to return capital to shareholders.

Negatives:

COH: Implant sales disappointed as a competitor returned to the market.

FKP: Sales of retirement units have been impacted by the soft residential market.

NCM: The share price fell following disappointing gold production.

Portfolio focus

Alleron continues to focus on identifying investment opportunities with sustainable medium-term growth strategies and support companies that can implement successfully.

Current portfolio Top ten holdings

Stock	30/06/13
BHP Billiton Ltd	7.34%
Westpac Banking Corp	6.11%
National Australia Bank Ltd	5.90%
Seek Ltd	5.65%
Woodside Petroleum Ltd	5.04%
Suncorp Group Ltd	5.02%
AMP Ltd	4.32%
Primary Healthcare Ltd	4.21%
Stockland Ltd	4.20%
Sydney Airports	3.99%

Sector analysis

Industry Classification	Weight
Consumer Discretionary	7.01%
Consumer Staples	4.35%
Energy	10.45%
Financials	31.12%
Healthcare	13.09%
Industrials	15.10%
Information Technology	0.00%
Materials	14.08%
Telecommunications	1.30%
Cash	3.51%
Total	100.00%

Portfolio analysis:

Top 100 89.13% of fund

Ex 100 7.36% of fund

Tracking error: 4.8%

Breach report: No Breaches to report

Portfolio Return Dispersion

Range of Performance: 22.89% to 23.06%

Notable Differences: No notable differences.