

# Alleron Investment Management Limited

## Monthly Report

December 2015

### Portfolio performance and attribution analysis

	Since Inception (Annualised)	Month
Portfolio	+9.527%	+1.100%
Benchmark	+7.103%	+2.610%

### Top 3 and bottom 3 performing stocks

Top 3: Caltex Australia Ltd (CTX), Seek Limited (SEK), Treasury Wine Estates (TWE).

Bottom 3: Resmed Inc (RMD), Suncorp Limited (SUN), Sydney Airport Holdings Ltd (SYD).

### Portfolio changes

Stocks joined or increased:

Xero Ltd (+1.00%; New): A cloud based accounting software provider. The company's subscriber numbers have been growing strongly and new business relationships with National Australia Bank and Ozforex provide opportunities for new revenue streams.

Stocks Removed or Reduced:

Primary Healthcare Ltd (-1.75%; Exit): The company's long term strategy suffered setbacks due to shrinking margins from Medicare cuts and increasing competition and operating costs.

### Market commentary

Global markets fell on low trading volumes as the Federal Reserve raised interest rates for the first time in 7 years. China published weak manufacturing data for November as exports remained weak. Iron ore dipped below US\$40 and ended the month at \$41. Oil fell 12% to US\$36 per barrel as OPEC decided not to lower production targets despite global oversupply. The US dollar strengthened against most currencies on the back of the interest rate rise.

The Australian market rose after stronger than expected September quarter GDP growth of 0.9%. The Federal government's mid-year economic update announced spending cuts to Medicare spending on pathology & diagnostics. BHP's joint venture in Brazil was ordered to establish a US\$5.2bn fund to compensate flood victims of a dam wall collapse. Woodside Petroleum upgraded full year production estimates to 91-93 million barrels and withdrew its takeover bid for Oil Search. Rio Tinto announced further Aluminium cost cuts and the proposed expansion of its Mongolian copper mine. Flight Centre acquired an international online travel company, confirming their overseas expansion plans.

### Portfolio commentary

Positives:

CTX- The company announced a profit upgrade for FY15 with favourable refiner margins and 5% growth in marketing.

SEK - The share price continued to outperform following its successful education IPO.

TWE - The share price continued to outperform following the AGM where it reported 20% first quarter sales growth for its top 15 wine brands and expressed confidence in significantly increasing margins over the next five years.

Negatives:

RMD - The share price fell on concerns of prospective US Medicare price cuts.

SUN - The company announced a profit downgrade due to increased claims costs from 2015 natural hazards and a lower Australian dollar.

SYD - The share price consolidated after a period of outperformance.

### Portfolio focus

Alleron's investment process focusses on companies with a competitive advantage and a developing organic growth profile. An investment will be made once an identified investment trigger occurs.

### Current portfolio Top ten holdings

Stock	31/12/15
Westpac Banking Corporation	6.49%
National Australia Bank	6.34%
Cochlear Ltd	6.04%
Sydney Airport Holdings Ltd	5.62%
Resmed Inc	5.26%
AMP Ltd	5.20%
Seek Ltd	5.08%
Rio Tinto Ltd	5.00%
Caltex Australia Ltd	4.47%
Treasury Wine Estates Ltd	4.39%

### Sector analysis

Industry Classification	Weight
Consumer Discretionary	8.22%
Consumer Staples	6.19%
Energy	7.71%
Financials	35.98%
Healthcare	13.31%
Industrials	13.62%
Information Technology	1.17%
Materials	9.03%
Telecommunications	0.00%
Cash	4.77%
Total	100.00%

### Portfolio analysis:

Top 100 91.42% of fund

Ex 100 3.81% of fund

Tracking error: 4.1%

Breach report: No Breaches to report

### Portfolio Return Dispersion

Notable Differences: No notable differences.