

Alleron Investment Management Limited

Monthly Report

January 2016

Portfolio performance and attribution analysis

	Since Inception (Annualised)	Month
Portfolio	+9.065%	-3.798%
Benchmark	+6.498%	-5.483%

Top 3 and bottom 3 performing stocks

Top 3: Resmed Inc (RMD), Sydney Airport Holdings Limited (SYD), Treasury Wine Estates Ltd (TWE).

Bottom 3: Downer EDI Ltd (DOW), Perpetual Limited (PPT), Rio Tinto Ltd (RIO).

Portfolio changes

Stocks joined or increased:

Nil

Stocks Removed or Reduced:

Nil

Market commentary

Global markets fell on growing concerns of Middle East tensions, Chinese economic slowdown and concerns of more US interest rate rises in 2016 despite signs of cooling consumer confidence. China announced economic growth was 6.9% for the last calendar year, the lowest in 25 years. The Bank of Japan caused markets to rally at month end by introducing negative interest rates. The oil price fell to its lowest since 2003 to US\$26 per barrel before recovering to \$34. Iron ore fell below \$40 per tonne before ending the month flat at \$41.

The Australian market fell with resources and banks underperforming the market. CPI rose 0.4% for the December quarter and the RBA kept interest rates steady. BHP announced a US\$4.9bn US oil asset impairment and maintained production guidance on all divisions except iron ore. Rio Tinto sold a thermal coal mine to an Indonesian conglomerate for US\$224m plus royalties. Medibank Private upgraded HY profit guidance due to better cost management and slowdown in hospital utilisation rates. Nanosonics Ltd's quarterly cashflow statement showed record sales with over 1,000 units added to its installed base in the US. Xero reported quarterly customer receipts growing at a lower rate than in the September

quarter.

Portfolio commentary

Positives:

RMD - The company's quarterly update showed a 7% increase in revenue with a strong contribution from the Americas.

SYD - Monthly traffic numbers reported strong international and domestic passenger growth from increased airline capacity.

TWE - The company upgraded HY profit guidance due to a strong contribution from the Asian business.

Negatives:

DOW - The share price fell with concerns about miners cost cutting.

PPT - The share price underperformed due to weakening investor sentiment.

RIO - The share price fell with continued investor concerns about weak commodity prices.

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	31/01/16
Resmed Inc	6.76%
Sydney Airport Holdings Ltd	6.57%
Cochlear Ltd	6.15%
AMP Ltd	5.80%
Westpac Banking Corporation	5.78%
National Australia Bank Ltd	5.72%
Suncorp Group Ltd	5.46%
Rio Tinto Ltd	5.43%
Woodside Petroleum Ltd	4.46%
Caltex Australia Ltd	4.27%

Sector analysis

Industry Classification	Weight
Consumer Discretionary	10.06%
Consumer Staples	5.75%
Energy	8.73%
Financials	36.71%
Healthcare	16.79%
Industrials	11.65%
Information Technology	0.92%
Materials	5.88%
Telecommunications	0.00%
Cash	3.51%
Total	100.00%

Portfolio analysis:

Top 100 91.53% of fund

Ex 100 4.96% of fund

Tracking error: 4.1%

Breach report: No Breaches to report

Portfolio Return Dispersion

Notable Differences: No notable differences.