

Alleron Investment Management Limited

Monthly Report

April 2016

Portfolio performance and attribution analysis

	Since Inception (Annualised)	Month
Portfolio	+9.641%	+3.590%
Benchmark	+6.912%	+3.370%

Top 3 and bottom 3 performing stocks

Top 3: Fortescue Metals Group Ltd (FMG), Nanosonics Ltd (NAN), Rio Tinto Ltd (RIO).

Bottom 3: Downer EDI Ltd (DOW), Fairfax Media Ltd (FXJ), Treasury Wine Estates Ltd (TWE).

Portfolio changes

Stocks joined or increased:

Medibank Private Ltd (+0.50%): A private health insurance company. The company announced the appointment of a highly regarded CEO to start in July 2016.

Stocks Removed or Reduced:

ANZ Banking Group (-0.50%): A banking and financial products provider to retail, corporate and institutional clients. The bank has a large exposure to loans from the resources sector.

Downer EDI Ltd (-0.50%): An engineering and mining services company. The company recently reported the loss of a valuable mining services contract with Fortescue.

Market commentary

Global markets were mixed as weak US earnings results and the UK referendum on EU membership fuelled uncertainty. China introduced a new tax on all cross-border e-commerce retail sales. The Yen strengthened 5% after Bank of Japan held interest rates steady. Commodities all rose strongly with iron ore up 15% and oil up 18% despite a summit in Doha with large oil producing countries ending without an agreement on production levels. The AUD remained steady at US76c.

The Australian market rose, led by resource stocks. Australian inflation grew at 1.7% for the quarter, lowest increase since 1998. Caltex successfully completed a \$270m share buy-back program. Sydney Airport announced strong international traffic numbers for the March quarter. Resmed announced a drop in gross margins from unfavourable product mix and foreign exchange effects despite their 7th consecutive quarter of device growth. Both Rio Tinto and Fortescue have initiated early repayment of debt with offers to redeem US\$1.5bn and US\$577m respectively. Oil Search's quarterly report showed increase in production and sales volume but revenue decreased on lower oil and gas prices. BHP and Rio Tinto both lowered iron ore production targets.

Portfolio commentary

Positives:

FMG - The share price rose with the iron ore price and the quarterly report announced C1 costs were down 6% to US\$14.59.

NAN - The share price rose after the company's Q3 update revealed the company was cashflow positive and also achieved record sales.

RIO - The share price rose following the strength in the iron ore prices.

Negatives:

DOW - The share price fell on news of the loss of the Fortescue mining contract.

FXJ - The share price fell on general concerns about the Australian property market.

TWE - The share price stabilised 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	30/04/16
Rio Tinto Ltd	6.89%
National Australia Bank Ltd	6.17%
AMP Ltd	5.94%
Cochlear Ltd	5.81%
Sydney Airport Holdings Ltd	5.74%
Resmed Inc	5.68%
Westpac Banking Corporation	4.47%
Treasury Wine Estates Ltd	4.10%
Suncorp Group Ltd	4.08%
Seek Ltd	3.91%

Sector analysis

Industry Classification	Weight
Consumer Discretionary	7.65%
Consumer Staples	4.10%
Energy	7.70%
Financials	34.05%
Healthcare	16.24%
Industrials	16.22%
Information Technology	0.83%
Materials	10.10%
Telecommunications	0.00%
Cash	3.11%
Total	100.00%

Portfolio analysis:

Top 100 89.36% of fund

Ex 100 7.53% of fund

Tracking error: 4.1%

Breach report: No Breaches to report

Portfolio Return Dispersion

Notable Differences: No notable differences.