

Alleron Investment Management Limited

Monthly Report

May 2016

Portfolio performance and attribution analysis

	Since Inception (Annualised)	Month
Portfolio	+9.822%	+2.673%
Benchmark	+7.141%	+3.038%

Top 3 and bottom 3 performing stocks

Top 3: Cochlear Ltd (COH), Fairfax Media Ltd (FXJ), Resmed Inc (RMD).

Bottom 3: AMP Ltd (AMP), Fortescue Metals Group Ltd (FMG), Rio Tinto Ltd (RIO).

Portfolio changes

Stocks joined or increased:

Oz Minerals Ltd (+1.00%; New): An Australian based copper and gold miner. The potential low cost copper mine at Carrapateena is to be a new driver of organic growth for the company.

Xero Ltd (+0.50%): A cloud based accounting software provider. The company's FY15 result showed strong revenue growth in international markets and improving economies of scale.

Stocks Removed or Reduced:

AMP Ltd (-0.50%): An independent wealth management company with retail banking and insurance. The company's Q1 results showed weakening cashflow for its core wealth management division as well as losses for its wealth protection division.

Caltex Australia Ltd (-0.50%): A transport fuel supplier and convenience retailer. The company's new capital management show limited growth options available to the company in the future.

Downer EDI Ltd (-1.00%): An engineering and mining services company. The company's downside risk has increased with the loss of a key contract in April.

Current portfolio Top ten holdings

Stock	31/05/16
Resmed Inc	6.45%
Cochlear Ltd	6.33%
Sydney Airport Holdings Ltd	6.03%
National Australia Bank Ltd	5.63%
AMP Ltd	5.55%
Rio Tinto Ltd	5.14%
Treasury Wine Estates Ltd	4.67%
Western Banking Corporation	4.30%
Suncorp Group Ltd	4.13%
Seek Ltd	3.79%

Market commentary

Global markets experienced high levels of volatility and ended higher for the month as subdued economic growth may delay US interest rate rises. The Chinese market fell as weaker than expected trade numbers reignited fears of a hard landing for the economy. Commodities mostly fell with iron ore down from US\$66 to US\$50 during the month. Oil rose from US\$45 to US\$49 as wildfires in Canada caused supply disruptions. The AUD fell 5% to 72 US cents for the month.

The Australian market rose as the RBA cut the cash rate by 25bps to 1.75%. The federal budget was handed down with a decrease in the company tax rate to be introduced gradually through to 2027. The big banks reported their HY results with most increasing provisions for bad debts in addition to flat or decreasing dividends. Nanosonics announced Scotland's official health authority had released decontamination guidelines which will potentially accelerate European sales. Seek Ltd's Chinese subsidiary Zhaopin received a non-binding proposal from a consortium including some executives of Zhaopin Ltd. Sydney Airport reported continued double digit international passenger growth for April 2016.

Portfolio commentary

Positives:

COH - The share price rose with continued weakness in the AUD.

FXJ - The share price rose after potential merger talks with APN for their respective NZ businesses was announced.

TWE - The company announced new product developments for its flagship brands.

Negatives:

AMP - The share price fell as disappointing Q1 results added to investor concerns about wealth management and insurance divisions.

FMG - The share price fell due to the weakness in the iron ore price.

RIO - The share price fell with continued concerns about weakening 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.

Sector analysis

Industry Classification	Weight
Consumer Discretionary	8.16%
Consumer Staples	4.67%
Energy	6.99%
Financials	33.48%
Healthcare	17.64%
Industrials	16.41%
Information Technology	1.48%
Materials	8.75%
Telecommunications	0.00%
Cash	2.41%
Total	100.00%

Portfolio analysis:

Top 100 87.99% of fund

Ex 100 9.60% of fund

Tracking error: 4.1%

Breach report: No Breaches to report

Portfolio Return Dispersion

Notable Differences: No notable differences.