

Alleron Investment Management Limited

Monthly Report

August 2015

Portfolio performance and attribution analysis

	Since Inception (Annualised)	Month
Portfolio	+9.302%	-6.718%
Benchmark	+7.052%	-7.933%

Top 3 and bottom 3 performing stocks

Top 3: Fairfax Media Holdings Ltd (FXJ), Sydney Airport Holdings Ltd (SYD), The Reject Shop Ltd (TRS).

Bottom 3: AMP Ltd (AMP), Downer EDI Ltd (DOW), Seek Limited (SEK).

Portfolio changes

Stocks joined or increased:

The Reject Shop Ltd (+0.50%): A discount retailer of consumer goods. The company is showing progress in its new customer engagement approach and leveraging the existing infrastructure.

Flight Centre Travel Group Ltd (+0.25%, New): A leisure and corporate travel agent. The company's international operations are gaining positive momentum.

Treasury Wine Estates Ltd (+0.25%): A premium wine producer and seller. The company's US inventory problems have been rectified and marketing plans are delivering earnings growth.

Stocks Removed or Reduced:

Seek Ltd (-0.50%): An online employment and education company. Management has been unclear about the timeframe and effect on earnings from the planned reinvestment into the company's brands.

South32 Ltd (-0.50%, Exit): A diversified metals and mining company. The company is focussing on cost cutting to offset lower commodity prices.

Current portfolio Top ten holdings

Stock	31/08/15
National Australia Bank	5.94%
Westpac Banking Corporation	5.70%
Rio Tinto Ltd	5.32%
Sydney Airport Holdings Ltd	5.06%
BHP Biliton Ltd	5.04%
AMP Ltd	4.95%
Resmed Inc	4.85%
Cochlear Ltd	4.84%
Seek Ltd	4.42%
Caltex Australia Ltd	4.30%

Market commentary

Global markets fell amidst concerns of slowing Chinese economic growth as well as uncertainty over the timing of an interest rate hike in the US. The oil price fell 18% to US\$38 before recovering to \$48. Falling Chinese manufacturing data weighed on the share market as its continued correction triggered more government intervention including a devaluation of the Yuan by 4% and reduced official interest rates. The Australian dollar fell from US76 cents to 71 cents.

The Australian market fell as banks and energy stocks underperformed. Most outlook statements did not meet market expectations including industrial companies with global exposures which should be positively impacted by a falling A\$. ANZ and CBA reported low single digit earnings growth and raised \$8bn in total to comply with new capital rules. Treasury Wine's brand management and cost cuts generated 22% earnings growth in FY15. Carsales.com acquired a Mexican automobile website to continue its global expansion. BHP and RIO reported strong balance sheets and increased dividends despite significant falls in profits due to lower commodity prices. Oil Search increased its dividend and expects production costs to fall in the first full year of PNG LNG production.

Portfolio commentary

Positives:

FXJ - The company reported revenue growth driven mainly by Domain as well as a positive FY16 outlook.

SYD - The company reported solid passenger traffic growth in addition to the acquiring of domestic Terminal 3 from Qantas for \$535m.

TRS - The company's FY15 result showed turnaround momentum resulting from a new product mix and operational initiatives.

Negatives:

AMP - The share price underperformed due to the falling share market.

DOW - The share price fell due to disappointing profit guidance given by management for FY16.

SEK - The market was impatient with management's decision to reinvest in the company's position as market leader.

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	7.05%
Consumer Staples	5.55%
Energy	10.92%
Financials	32.89%
Healthcare	12.10%
Industrials	15.14%
Information Technology	0.96%
Materials	11.73%
Telecommunications	0.00%
Cash	3.66%
Total	100.00%

Portfolio analysis:

Top 100 94.00% of fund

Ex 100 3.00% of fund

Tracking error: 4.4%

Breach report: No Breaches to report

Portfolio Return Dispersion

Range of Performance: -6.663% to -6.719%

Notable Differences: No notable differences.