

Alleron Investment Management Limited

Monthly Report

November 2016

Portfolio performance and attribution analysis

	Since Inception (Annualised)	Month
Portfolio	+10.215%	+2.799%
Benchmark	+7.145%	+3.262%

Top 3 and bottom 3 performing stocks

Top 3: OZ Minerals Ltd (OZL), Monadelphous Group Ltd (MND), Resmed Inc (RMD).

Bottom 3: Cochlear Ltd (COH), Cleanaway Waste Management Ltd (CWY), Sydney Airport Ltd (SYD).

Portfolio changes

Stocks joined or increased:

Commonwealth Bank Ltd (+3.00%): An Australian bank. The bank's core retail banking segment has been growing strongly.

Next DC Ltd (+0.50%; New): An Australian data centre owner and operator. The company's new proposed data centres in Sydney, Melbourne and Brisbane have positioned the company for future organic growth.

Stocks Removed or Reduced:

Westpac Banking Corporation Ltd (-3.00%; Exit): An Australian bank and financial institution. The company's organic growth has been slowing.

Fairfax Media Ltd (-1.00%): A digital media and real estate company. Property listing volumes for major Australian cities have slowed.

Market commentary

Global markets rose as a surprise election win by Donald Trump drove US markets to record highs. Investors expect tax cuts, deregulation and significant infrastructure spending from the new US government. The USD strengthened against most currencies with the AUD weakening from US76c to US74c. Iron ore was volatile and rose 13% to US\$72 per tonne. OPEC agreed with non-OPEC countries to cut daily production which pushed oil up to US\$49 per barrel.

The Australian market underperformed global markets as income stocks continued their sell off from October. The RBA kept the cash rate steady at 1.50%. Westpac reported a flat FY16 result but maintained a steady dividend despite higher bad debts in the dairy sector. Commonwealth Bank's Q1 update showed strong consumer banking growth but increasing impaired assets especially in New Zealand. AGM season also provided companies with an opportunity to give trading updates. The proposed merger of Fairfax NZ and NZME may be blocked by the Commerce Commission. Rio Tinto revealed a productivity plan to increase free cash flow by \$5bn by 2020. Seek announced a \$8m write off of education assets due to changes in voca-

tional education.

Portfolio commentary

Positives:

OZL - The company announced that its Prominent Hill mine life has extended 3 years and the new Carrapateena project is moving closer to Board approval in 2017.

MND - The company was awarded a new \$200m water infrastructure contract during the month.

RMD - The share price recovered after a period of underperformance in October.

Negatives:

COH - The share price corrected after a period of outperformance.

CWY - The share price consolidated after strongly performing following the FY16 result.

SYD - The company's share price consolidated as the sell off of bond-like equities continued during November.

Portfolio focus

Alleron's investment process focuses 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	30/11/16
Sydney Airport Holdings Ltd	5.71%
National Australia Bank Ltd	5.67%
Seek Ltd	5.18%
Woodside Petroleum Ltd	4.83%
Treasury Wine Estates Ltd	4.70%
Resmed Inc	4.67%
Cochlear Ltd	4.40%
Rio Tinto Ltd	4.06%
Fortescue Metals Group Ltd	3.76%
Suncorp Group Ltd	3.65%

Portfolio Exposures

Major portfolio exposures were to medical devices & services and resource stocks with less portfolio weight in major banks and retailers.

Portfolio analysis:

Top 100	81.93% of fund
Ex 100	14.71% of fund