



January 2017 Monthly Report

Portfolio performance and attribution analysis

	Since Inception (Annualised)	Month
Portfolio	10.41%	0.03%
Benchmark	7.37%	-0.59%

Top 3 and bottom 3 performing stocks

Top 3: Treasury Wine Estates Ltd (TWE), OZ Minerals Ltd (OZL), Fortescue Metals Group Ltd (FMG)

Bottom 3: Carsales.com Ltd (CAR), Monadelphous Group Ltd (MND), Nanosonics Ltd (NAN)

Portfolio changes

Stocks joined or increased:

Lovisa Holdings Ltd (+0.75%, Entry): A fashion jewellery and accessories retailer. The company has continued its international expansion with its low-cost UK store roll out after a successful trial period in the country.

Fortescue Metals Group Ltd (+0.50%): An Australian based iron ore miner. The company's improved operating cashflow and early repayment of debt has brought gearing within target levels.

Stocks removed or reduced:

AMP Ltd (-1.00%): An Australian wealth and investment management business. The performance of the life insurance business continues to disappoint shareholders.

Fairfax Media Ltd (-0.75%): A multimedia, marketing and real estate services company. The company's exposure to a rising property market with slowing listings has dampened growth prospects.

Current portfolio: Top ten holdings

Stock	31/01/2017
Cochlear Ltd	6.44%
Commonwealth Bank Ltd	5.90%
National Australia Bank Ltd	5.72%
Sydney Airport Holdings Ltd	5.56%
Treasury Wine Estates Ltd	5.45%
Woodside Petroleum Ltd	4.96%
Seek Ltd	4.86%
Resmed Inc	4.83%
Rio Tinto Ltd	4.51%
Fortescue Metals Group Ltd	3.69%

Market commentary

World markets were relatively flat to start the year due to the uncertainty surrounding the policies of the new US President. US bond yields stabilised despite a series of positive employment and economic news, as markets paused following the sharp rise since the election.

The Chinese economy grew at 6.8% in the December quarter with retail sales growing at over 10% for the year. The AUD rose 4% to USD76c. Iron ore rose 4% to reach US\$83 per tonne while oil price fell slightly to \$54.

The Australian market underperformed global markets as concern grew about US trade policy and a number of companies downgraded earnings late in the month, including Brambles citing weakness in US retail. Weaker Australian consumer confidence was recorded in January, citing slow wage growth. ANZ bank continued its exit from Asia and sold off 2 non-core assets above book value to increase its capital ratio. Rio Tinto exited power generation coal by selling 2 Australian coal mines for US\$2.45bn. Cleanaway sold 2 closed landfill sites in Melbourne to save \$20m in costs over the next 6 years. Navitas announced a new partnership with a US college and an extension of an existing contract.

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	85.73% of fund
Ex 100	12.59% of fund

Resmed recorded solid revenue growth in its core North America market with a strong contribution from its recent Brightree acquisition. Sydney Airport recorded a growing proportion of international passengers in its annual traffic numbers.

Portfolio commentary

Positives:

TWE - A published survey on Chinese drinkers' growing preference of red wine over beer confirmed the company's Asian expansion.

OZL - The company's share price rose with the copper price.

FMG - The December quarterly production report has reported a continued reduction in C1 cash costs in conjunction with a rising

Negatives:

CAR - The founder and CEO announced his resignation and succession plan.

MND - The share price fell following a period of outperformance.

NAN - The share price consolidated as investors wait for more information regarding UK infection guidelines.

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.