

March 2017 Monthly Report

Portfolio performance and attribution analysis

	Inception p.a.	FYTD	Month
Portfolio	10.75%	22.47%	1.43%
Benchmark	7.76%	16.60%	3.34%

Top 3 and bottom 3 performing stocks

Top 3: Sydney Airport Ltd (SYD), Nanosonics Ltd (NAN), NextDC Ltd (NXT)

Bottom 3: Oz Minerals Ltd (OZL), Downer EDI Ltd (DOW), Fortescue Metals Group Ltd (FMG)

Portfolio changes

Stocks joined or increased:

Elders Limited (+1.00%, Entry): An Australian agricultural products and livestock agency company. The agricultural agency businesses have shown strong growth recently. In addition, management have completed buying back the hybrid securities earlier than expected.

Stocks removed or reduced:

Navitas Limited (-1.00%, Exit): An international education provider. The company recently announced that it had lost a number of long term government contracts for Adult English programs.

Current portfolio: Top ten holdings

Stock	31/03/2017
Cochlear Ltd	6.59%
Sydney Airport Holdings Ltd	6.10%
National Australia Bank Ltd	5.96%
Commonwealth Bank Ltd	5.89%
Seek Ltd	5.62%
Treasury Wine Estates Ltd	4.98%
Resmed Inc	4.77%
Rio Tinto Ltd	3.88%
Suncorp Group Ltd	3.52%
Fortescue Metals Group Ltd	3.27%

Market commentary

World markets rose slightly as the Federal Reserve raised the interest rate target range from 0.75% to 1% on the back of strong economic data. The ECB kept rates on hold as the UK triggered Article 50 to officially start their 2 year exit process from the EU. China's National People's Congress set the target for GDP growth to be 6.5%, 0.2% lower than the growth in 2016. Iron ore fell 11% to US\$81 per tonne due to a buildup in Chinese inventories and oil fell 9% US\$49 per barrel as US shale oil production continues to grow.

The Australian market outperformed global markets for the month as the major banks rallied ahead of results. The unemployment rate increased from 5.7% to 5.9% in February. Seek Ltd increased its investment in Online Education Services to 80% for \$118m in order to bring in multiple education partners onto the platform, after making a bid to privatise its Chinese business Zhaopin with financial partners. Suncorp expects that the financial impact of the recent Sydney hailstorms and Tropical Cyclone Debbie to be manageable within its reinsurance program. Cleanaway expects to receive approval for its Melbourne regional landfill to extend operations until 2038. Sydney Airport's CEO announced her

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 80.70% of fund
Ex 100 14.91% of fund

impending retirement, effective when her replacement has been appointed. Xero doubled its subscriber numbers in the last 2 years, recently surpassing one million subscribers worldwide. Fortescue paid off an additional US\$1bn in debt during the month, saving US\$38m in interest expense per year.

Portfolio commentary

Positives:

SYD - The share price recovered after a period of underperformance.

NAN - The company's share price rose after underperforming in February.

NXT - The company's share price continued to rise after the announcement in February that new projects in Melbourne and Brisbane that will double capacity remain on track.

Negatives:

OZL - The share price fell with increasing uncertainty concerning global copper markets.

DOW - The share price fell after the company announced a \$1.2bn takeover bid for Spotless Ltd, a diversified cleaning and catering business.

FMG - The share price fell with the iron ore price.

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.