



May 2017 Monthly Report

Portfolio performance and attribution analysis

	Inception p.a.	FYTD	Month
Portfolio	10.75%	24.54%	0.52%
Benchmark	7.50%	14.58%	-2.81%

Top 3 and bottom 3 performing stocks

Top 3: Xero Ltd (XRO), Sydney Airport Holdings Ltd (SYD), Treasury Wine Estates Ltd (TWE)

Bottom 3: Fortescue Metals Group Ltd (FMG), Nanonsonics Ltd (NAN), Carsales.com Ltd (CAR)

Portfolio changes

Stocks joined or increased:

Lovisa Holdings Limited (+0.50%): An fast fashion jewellery retailer. Management recently announced a profit upgrade due to continued double digit same store sales growth.

NextDC Ltd (+0.50%): A data centre operator. The company announced that advances in technology have decreased costs and the time needed to build its 2nd generation data centres.

Stocks removed or reduced:

Nanonsonics Limited (-1.00%): A medical technology company specialising in infection control. The share price is approaching our valuation target.

Current portfolio: Top ten holdings

Stock	31/05/2017
Sydney Airport Holdings Ltd	6.59%
Cochlear Ltd	6.33%
Seek Ltd	5.87%
Commonwealth Bank Ltd	5.37%
National Australia Bank Ltd	5.30%
Treasury Wine Estates Ltd	5.21%
Resmed Inc	4.75%
Suncorp Group Ltd	3.62%
BHP Billiton Ltd	3.25%
Rio Tinto Ltd	3.15%

Market commentary

World markets rose despite US political uncertainty regarding the FBI Russia investigation and tension from continued nuclear tests in North Korea. Emmanuel Macron won the French presidential election. S&P downgraded China's credit rating due to its high debt levels and slowing growth. Iron ore fell 12% to US\$58 per tonne as Chinese regulators tightened up on credit. Oil fell 2% to \$48 as US production continued to grow despite OPEC extending production cuts for another 9 months. The AUD remained steady at US74c.

The Australian market fell 3% for the month as banks fell after the budget announcement of a \$6.2bn bank levy. S&P downgraded the credit rating of most of the banking sector apart from the majors due to high household debt and house prices. The unemployment rate fell to 5.7%. Three of the four major banks announced half year results, with all maintaining their dividends despite reporting shrinking net interest margins. Cochlear continued its expansion into services by acquiring a audiology practice software management company for \$78m. Elders reported 56% growth in half year profit from growth in its agency and retail business. Downer EDI announced an extension of its takeover deadline from May 31 to

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 82.23% of fund
Ex 100 16.29% of fund

June 14 for Spotless Services. Resmed renewed a patent infringement lawsuit against its rival, Fisher & Paykel. Sydney Airport announced its proposal for Terminal 4 during its AGM. Rio Tinto announced a debt reduction plan, buying back up to \$2.3bn worth of its USD notes to further strengthen its balance sheet.

Portfolio commentary

Positives:

XRO - The company's FY17 result was cashflow positive for the first time and customer Life-Time Value increased \$500m to \$2.2bn.

SYD - The company's April international passenger growth was above 12% due to growth in airline capacity.

TWE - The company announced a senior management reshuffle with both the CEO and COO spending the majority of their time in the US.

Negatives:

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

NAN - The share price fell after a period of outperformance.

CAR - The share price fell after car dealers recently reported new car sales figures were falling from recent highs.

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.