

## 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.