



Jun 2018 Long-Only Monthly Report

Portfolio performance and attribution analysis

	Month	FYTD	Inception p.a.
Portfolio	2.99%	25.86%	11.85%
Benchmark	3.46%	12.05%	7.79%
Out/(under) performance	-0.47%	13.81%	4.06%

Top 3 and bottom 3 performing stocks

Top 3: Xero Ltd (XRO), Seek Ltd (SEK), Altium Ltd (ALU)

Bottom 3: OZ Minerals Ltd (OZL), Fortescue Metals Group Ltd (FMG), Elders Ltd (ELD)

Portfolio changes

Stocks joined or increased:

Auckland International Airport Ltd (+1.00%): A NZ airport owner and operator. Plans for a new 2nd runway and significant expansion in its Departures Hall and Pier B will provide solid drivers for future organic growth.

Stocks removed or reduced:

Stockland Corporation Ltd (-1.25%): An Australian property trust. The share price is approaching our valuation target.

Market commentary

World markets were mixed from global trade tensions along with late profit taking in US tech stocks. Chinese shares entered bear market territory and the Chinese Yuan continued its slide as the US announced tariffs of US\$34bn on Chinese imports with China imposing an equal amount of tariffs on US goods, resulting in a sell off of US carmakers. Bond defaults from Chinese public enterprises rose during June. The iron ore price remained relatively flat at \$65 despite a slowdown in PMI and increasing bad debt concerns. Oil continued its rise to \$74 due to falling inventories and limited spare capacity in OPEC countries. The AUD fell 3% to US73c. The Australian market outperformed global markets as the big banks rallied and energy stocks followed the rising oil price. Annual GDP growth rose above 3% for the first time in 5 years due to an increase in exports. Consumer spending remained weak. Notable profit downgrade announcements in the lead up to reporting season included Telstra and Ramsay Healthcare. Increased M&A activity from overseas investors buoyed the infrastructure and media sectors potentially due to a more attractive exchange rate. CBA announced the simplification of operations and removal of potential regulatory concerns by demerging its wealth management and mortgage broking businesses. CBA also announced a \$700m settlement with AUSTRAC for failure to detect and report money laundering at its ATMs.

Sydney Airport announced strong international passenger growth in May, mainly driven by delivery of additional seat capacity, especially from Vietnam, US and India. OZ Minerals announced its takeover bid of Avanco was successful with all major shareholders accepting the terms before the deadline. Fortescue acquired a 19.9% strategic stake in Atlas Iron.

Portfolio commentary

Positives:

XRO - The share price continued to rise due to momentum from its solid FY18 result last month.

SEK - The share price increased after a period of consolidation.

ALU - The share price rose in anticipation of a positive FY18 result.

Negatives:

OZL - The share price followed the copper price lower after reaching an intra month peak.

FMG - The share price fell on weakness in Chinese markets.

ELD - The share price consolidated after a period of outperformance.

Current portfolio: Top ten holdings

Stock	30/06/2018
Commonwealth Bank Ltd	7.87%
National Australia Bank Ltd	6.01%
Cochlear Ltd	5.96%
Treasury Wine Estates Ltd	5.09%
Seek Ltd	4.95%
Xero Ltd	4.15%
Resmed Inc	4.02%
Macquarie Group Ltd	3.98%
Fortescue Metals Group Ltd	3.75%
OZ Minerals Ltd	3.69%

Portfolio Exposures

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

Portfolio Analysis

Top 100 81.97% of fund
Ex 100 18.03% of fund

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.