



August 2018 Long-Only Monthly Report

Portfolio performance and attribution analysis

	Month	FYTD	Inception p.a.
Portfolio	2.09%	2.23%	11.88%
Benchmark	1.27%	2.88%	7.91%
Out/(under) performance	0.81%	-0.66%	3.96%

Top 3 and bottom 3 performing stocks

Top 3: Altium Ltd (ALU), Xero Ltd (XRO), Cochlear Ltd (COH)

Bottom 3: Iluka Resources Ltd (ILU), Elders Ltd (ELD), Sims Metal Management Ltd (SGM)

Portfolio changes

Stocks joined or increased:

WiseTech Global Ltd (+1.00%, Entry): A global logistics platform provider. The Company's recent organic growth and successful strategic acquisitions have laid a solid foundation for future expansion.

CSL Ltd (+3.00%, Entry): A blood products and vaccine manufacturer & distributor. The Company's successful turnaround of Seqirus has added another growth driver to its core division of blood products.

Stocks removed or reduced:

Stockland Ltd (-1.00%, Exit): A diversified property group. The share price has reached our valuation target.

Seek Ltd (-2.00%): An international job platform operator and education provider. The Company has flagged a flat profit forecast due to heavy reinvestment to consolidate its market leading position.

Market commentary

World markets were mixed as trade tensions continued to dominate. The US threatened China with an additional US\$200bn in tariffs but reached a trade deal with Mexico excluding Canada. President Trump rejected a new tariff deal on cars with the EU. Emerging markets suffered as Argentina and Turkey's currencies remained under pressure. Commodity prices fell on concerns of a slowing global economy while the iron ore price remained flat at US\$66. Oil rose above US\$70 as US sanctions on Iranian oil are expected to lead to tighter global crude supplies. The AUD fell 3% to US72c on trade concerns.

The Australian market rose slightly for reporting season as technology and telecom stocks outperformed while financials and resource stocks underperformed. The Liberal Party changed Prime Minister again, raising political risk as a factor for investors. Carsales.com reported growth in the domestic business with international division also providing a significant contribution. ASX outlined growth opportunities with the imminent implementation of blockchain technology. Computershare's mortgage services division continued its growth path with a 65% profit increase. QBE's FY18 result showed progress with management's turnaround plan combining well with industry tailwinds. Treasury Wines successfully dealt with Chinese import issues and announced a new US operating model to improve profitability.

Resmed experienced robust growth across its entire business with an increasing contribution from its cloud-based Brightree division. Japara reaffirmed their medium term guidance with 1,200 new operational places contributing from FY22 onwards. Lovisa announced a continuation of their international store roll out plans with 7 stores planned for each of their new territories in Spain, France and the US before Christmas 2018.

Portfolio commentary

Positives:

ALU - Management's new goal of 40% market share by 2025 pushed the share price higher during the month.

XRO - The Hubdoc acquisition and a positive cashflow forecast drove the share price to all-time highs.

COH - The share price rose with management's increased focus on the growing adults/seniors market.

Negatives:

ILU - The share price fell as the half year result showed increased operating costs in Sierra Leone.

ELD - The share price fell after a Brazilian court ruled that agricultural products containing glyphosate cause cancer.

SGM - The share price fell due to US tariffs on Turkish steel.

Current portfolio: Top ten holdings

Stock	31/08/2018
Commonwealth Bank Ltd	7.01%
National Australia Bank Ltd	6.03%
Cochlear Ltd	5.96%
Treasury Wine Estates Ltd	5.03%
QBE Insurance Group Ltd	4.96%
Xero Ltd	4.59%
Resmed Inc	4.29%
Macquarie Group Ltd	4.04%
ASX Ltd	3.49%
OZ Minerals Ltd	3.46%

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 82.45% of fund
Ex 100 17.55% 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.