



**September 2018 Long-Only Monthly Report**

**Portfolio performance and attribution analysis**

	Month	FYTD	Inception p.a.
Portfolio	-1.72%	0.47%	11.66%
Benchmark	-1.30%	1.55%	7.76%
Out/(under) performance	-0.42%	-1.08%	3.90%

**Top 3 and bottom 3 performing stocks**

Top 3: Monadelphous Ltd (MND), Elders Ltd (ELD), OZ Minerals Ltd (OZL)

Bottom 3: Japara Healthcare Ltd (JHC), Treasury Wine Estates Ltd (TWE), Cochlear Ltd (COH)

**Portfolio changes**

Stocks joined or increased:

Computershare Ltd (+1.00%): A share registry and mortgage services company. Employee share plan growth, improving mortgage services profitability and rising interest rates have laid a solid future growth path for the Company.

Woodside Petroleum Ltd (+0.75%): An Australian oil and gas producer. Growth initiatives that exploit existing LNG infrastructure are coming to fruition.

Stocks removed or reduced:

Japara Healthcare Ltd (-2.00%, Exit): An Australian aged facility owner and operator. The imminent Royal Commission into Aged Care Quality and Safety has increased uncertainty for the sector.

Iluka Resources Ltd (-1.00%, Exit): An mineral sands and zircon miner. The Company has reported rising production costs and increased supply from Indonesian producers.

**Current portfolio: Top ten holdings**

Stock	30/09/2018
Commonwealth Bank Ltd	7.20%
National Australia Bank Ltd	6.06%
Cochlear Ltd	5.68%
QBE Insurance Group Ltd	5.13%
Treasury Wine Estates Ltd	4.64%
Xero Ltd	4.51%
Resmed Inc	4.51%
Macquarie Group Ltd	4.04%
OZ Minerals Ltd	3.65%
ASX Ltd	3.37%

**Market commentary**

World markets were mixed from rising global trade tensions while powerful typhoons simultaneously affected parts of the US and Asia. The US and China slapped additional tariffs on each other's imports while China cut tariffs on non-US goods. The US Fed raised interest rates another 25bps while affirming future interest rate hikes in 2019. Fears of contagion hit emerging markets as South African and Indonesian currencies joined the sell off. Low grade iron ore increased 12% as steel futures fell. Oil rose to a 4 year high of US\$73 on the strong US economy and Iranian production cuts. The AUD remained flat at US72c.

The Australian market fell as healthcare and technology stocks underperformed. The Australian economy expanded at 0.9% over the June quarter, the fastest since Sep 2012. 3 of the 4 major banks lifted mortgage rates due to rising funding costs. Macquarie Group announced 1H19 profit is to be broadly inline with pcp subject to the sale of Quadrant Energy and market conditions. Xero announced a US\$300m convertible notes offering to fund complementary acquisitions for its small business platform and ecosystem. Sims Metal announced a profit downgrade due to lower intake volumes and installation of new equipment for its 50% JV, SA Recycling. Rio Tinto announced a \$3.2bn capital return from its disposal of coal assets with an on-market purchase and off-market buy back tender of shares to be completed by Feb 2019.

**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 82.71% of fund  
Ex 100 17.29% of fund

Sydney Airport announced solid passenger growth for August with strong contribution from Indonesian, Japanese and Indian nationals. Auckland Airport also announced strong international passenger growth driven by additional capacity to Asia and the Pacific Islands. The Federal Government announced a Royal Commission into the Aged Care sector after media reports of alleged mistreatment of residents mainly occurring in the not-for-profit sector.

**Portfolio commentary**

Positives:

MND - The share price followed the oil price higher.

ELD - The share price recovered after a period of weakness.

OZL - The share price rose with the copper price.

Negatives:

JHC - The share price fell on the announcement of the Royal Commission into Aged Care.

TWE - The share price fell from profit taking after a strong FY18 result.

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

**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.