



January 2019 Long-Only Monthly Report

Portfolio performance and attribution analysis

	Month	1 yr	Inception p.a.
Portfolio	4.70%	3.51%	10.98%
Benchmark	3.66%	1.61%	7.23%
Out/(under) performance	1.04%	1.90%	3.75%

Top 3 and bottom 3 performing stocks

Top 3: Fortescue Metals Group Ltd (FMG), Cochlear Ltd (COH), OZ Minerals Ltd (OZL)
Bottom 3: Resmed Inc (RMD), Elders Ltd (ELD), Commonwealth Bank of Australia Ltd (CBA)

Portfolio changes

Stocks joined or increased:

Fortescue Metals Group Ltd (+0.50%): An Australian iron ore miner. The Company's continued ramp up into higher grade iron ore have resulted in higher realised prices and sustained low production costs.

Reliance Worldwide Group Ltd (+0.50%): An Australian plumbing supplies company. Synergy benefits from successful integration of the John Guest acquisition have laid a solid platform for future organic growth.

Stocks removed or reduced:

Resmed Inc (-0.60%): A respiratory medicine solutions company. The combination of the increased debt from recent acquisitions and lower Rest of World sales have slowed profit growth.

Seek Ltd (-0.50%): An multinational job seeking platform. Despite strong topline growth, large reinvestment in the Australian and Chinese platforms has resulted in consecutive years of flat profits.

Current portfolio: Top ten holdings

Stock	31/01/2019
Commonwealth Bank Ltd	7.44%
Cochlear Ltd	6.30%
National Australia Bank Ltd	5.45%
QBE Insurance Group Ltd	5.43%
Xero Ltd	5.05%
Treasury Wine Estates Ltd	4.92%
Fortescue Metals Group Ltd	4.10%
OZ Minerals Ltd	4.01%
Macquarie Group Ltd	3.91%
CSL Ltd	3.65%

Market commentary

World markets recovered with US markets rising 7% despite weak industrial production numbers being released by US, China and Eurozone countries. The Fed signaled less urgency with future rate hikes as the US government shutdown continued into January. China announced a series of stimulus measures such as private sector tax cuts and US\$120bn worth of new rail infrastructure projects to combat the economic slowdown. The iron ore price rose 17% as Vale suffered a second major tailings dam disaster in Brazil. The oil price rose 18% to US\$54 as US sanctions on Venezuela and a fall in US fuel stockpiles boosted demand. The AUD rose 2c to US72c. The Australian market recovered as resources companies rose offset by a fall in the big banks with the upcoming release of the Banking Royal Commission report. Unemployment fell to a 7 year low of 5%. Oil Search recorded increased revenue from higher gas prices but lower annual production numbers after operations were temporarily shutdown by the PNG earthquake early in 2018. OZ Minerals announced favourable production and cost numbers while maintaining their net cash balance and strong operating cashflow. Fortescue announced higher Q2 production with a 7% increase in average realised price. Rio Tinto achieved the upper end of iron ore production guidance with 338mt. BHP encountered issues with a train derailment and unplanned outages at its copper mines.

Sydney Airport's Dec 18 traffic showed a slight decrease in total passenger numbers due to the lower domestic traffic from storms and adverse weather. Resmed released 1H19 numbers with the US market still providing double digit growth. Treasury Wine Estates reaffirmed its 1H19 profit numbers in the wake of continued trade war between its two biggest markets, China and the US. Wesfarmers announced that divestments had reduced net debt to \$0.3bn while same store sales of Kmart had turned negative for 1H19.

Portfolio commentary

Positives:

FMG - The share price followed the iron ore price higher.

COH - The share price recovered after a period of underperformance.

OZL - The share price rose after the Company reaffirmed the start of operations at Carrapateena in 4Q19.

Negatives:

RMD - The share price fell on slowing profit growth at its HY19 result.

ELD - The share price was weaker after a large strategic shareholder reduced their stake.

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

Portfolio Exposures

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

Portfolio Analysis

Top 100 85.63% of fund
Ex 100 14.37% 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.