

Alleron Investment Management Limited

Monthly Report

June 2016

Portfolio performance and attribution analysis

	Since Inception (Annualised)	Month
Portfolio	+9.531%	-2.226%
Benchmark	+6.844%	-2.562%

Top 3 and bottom 3 performing stocks

Top 3: Fortescue Metals Group Ltd (FMG), Resmed Inc (RMD), Monadelphous Group Ltd (MND).

Bottom 3: Treasury Wine Estates Ltd (TWE), AMP Ltd (AMP), Nanosonics Ltd (NAN).

Portfolio changes

Stocks joined or increased:

OZ Minerals Ltd (+1.00%): An Australian based copper and gold miner. The potential low cost copper mine at Carrapateena is to be a new driver of organic growth for the company.

Mineral Resources Ltd (+1.00%): A diversified miner and mining services company. The company exercised its option to increase ownership interest in a lithium mine in Western Australia.

Stocks Removed or Reduced:

Caltex Australia Ltd (-2.00%; Exit): A transport fuel supplier and convenience retailer company. The volatility of refinery margins and increased competition in marketing has decreased stability and growth profile of the company.

Market commentary

The referendum decision of the UK to leave the EU provided the catalyst for a late month sell off as global markets fell for the month. German 10 yr Bund yields fell below 0 for the first time on record. The World Bank cut the global growth forecast from 2.9% to 2.4% for 2016. New Zealand kept interest rates steady at 2.25%. Commodities were mixed with iron ore up from US\$51 to US\$56 per tonne while oil remained flat for the month at US\$49 per barrel. The AUD increased 4% to 74 US cents for the month of June.

The Australian market fell as the aftermath of UK's decision to leave the EU increased uncertainty on earnings outlook with bank stocks underperforming. The Australian unemployment rate remained steady at 5.7%. National Australia Bank became the third big Australian bank to be implicated in the Bank Bill Swap Rate manipulation case with ASIC. Medibank Private announced that the ACCC is investigating the company for failing to notify members of changes to benefits for pathology and radiology services. BHP announced plans to reduce costs and release latent capacity of coal production and increase exploration spend to enhance copper and oil assets. Suncorp reported that the impact of the east

coast Australia storms of early June is expected to be between \$60-80m.

Seek Ltd increased its ownership in its Brasil Online subsidiary from 51% to 100% and reaffirmed FY16 profit guidance.

Portfolio commentary

Positives:

FMG - The company announced a further US\$500m repayment of its 2019 term loan and credit outlook was upgraded to stable by Moody's.

RMD - The share price rose due to the appreciation of the USD.

MND - The share price recovered after a period of sustained weakness.

Negatives:

TWE - The share price fell from profit taking due to recent outperformance.

AMP - The share price fell due to the recent falls in global equity markets.

NAN - The share price fell due to concerns about the effect of the UK exit on its European sales.

Portfolio focus

Alleron's investment process focusses on companies with a competitive advantage and a developing organic growth profile. An investment will be made once an identified investment trigger occurs.

Current portfolio Top ten holdings

Stock	30/06/16
Resmed Inc	6.31%
Sydney Airport Holdings Ltd	6.04%
National Australia Bank Ltd	5.64%
Cochlear Ltd	5.34%
AMP Ltd	5.19%
Rio Tinto Ltd	5.08%
Treasury Wine Estates Ltd	4.27%
Western Banking Corporation	4.21%
Seek Ltd	3.97%
Suncorp Group Ltd	3.96%

Sector analysis

Industry Classification	Weight
Consumer Discretionary	7.43%
Consumer Staples	4.27%
Energy	6.05%
Financials	32.46%
Healthcare	16.21%
Industrials	17.80%
Information Technology	2.01%
Materials	10.74%
Telecommunications	0.00%
Cash	3.04%
Total	100.00%

Portfolio analysis:

Top 100 85.52% of fund

Ex 100 11.45% of fund

Tracking error: 4.1%

Breach report: No Breaches to report

Portfolio Return Dispersion

Notable Differences: No notable differences.