



October 2017 Long-Only Monthly Report

Portfolio performance and attribution analysis

	Inception p.a.	FYTD	Month
Portfolio	11.24%	8.94%	6.03%
Benchmark	7.60%	4.22%	3.79%

Top 3 and bottom 3 performing stocks

Top 3: Treasury Wine Estates Ltd (XRO), Seek Ltd (SEK), Cochlear Ltd (COH)

Bottom 3: Fortescue Metals Group Ltd (FMG), Sydney Airport Holdings Ltd (SYD), Perpetual Ltd (PPT)

Portfolio changes

Stocks joined or increased:

QBE Insurance Group Limited (+2.00%): A global insurance company. Insurance premium growth and the large investment book provide a strong platform for future organic growth.

Altium Limited (+0.50%): A global printed circuit board software designer. The company's annually updated patent software is gaining marketshare from competitors and has been growing at double digit pace in every geographic region.

Stocks removed or reduced:

Suncorp Group Limited (-1.00%), Exit: An Australian insurance company and bank. The company's share price has reached our valuation target.

Perpetual Limited (-0.50%): A financial services company. The company's share price is approaching our valuation target.

Market commentary

World markets rose with strong economic growth in the US and China despite continuing political risks in Spain and North Korea. The European Central Bank confirmed a slowdown of Quantitative Easing with a halving of its government bond buyback program. Shinzo Abe won re-election as Japan's Prime Minister. Iron ore fell 6% to US\$58 per tonne as China continued its cracked down on air pollution from illegal steel furnaces. Oil rose 8% to \$54 per barrel as OPEC considered extending its production restrictions beyond March 2018. The AUD fell 2c to US77c following weak September inflation.

The Australian market rose strongly with mid cap stocks and overseas earners outperforming. NAB and ANZ settled their respective BBSW lawsuits with ASIC. The big iron ore miners reaffirmed annual production and cost guidance in their quarterly reports. Oz Minerals quarterly report showed strong free cashflow and good progress on its Carrapateena mine. Macquarie Bank reported a strong 1H18 result mainly from a rise in performance fees in its asset management division. ANZ sold its wealth management division to IOOF for \$975m. Lovisa announced a new pilot store in the US. Xero announced it had recently surpassed 250,000 subscribers in the UK.

Resmed's quarterly report showed strong mask sales after a weak June quarter and continued strong performance from Brightree. Sydney Airport reported strong September international passenger growth from South East Asian countries. QBE announced a FY17 pre-tax impact of \$600m due to the recent hurricanes and earthquakes in North America.

Portfolio commentary

Positives:

TWE - The share price rose as the premiumisation strategy and rising prices of its latest vintage would continue.

SEK - The share price rose with strong global economic growth and employment numbers.

COH - The share price rose after the company announced it had won a Chinese Government tender.

Negatives:

FMG - The share price fell with the iron ore price.

SYD - The share price consolidated as bond yields rose with prospective rising interest rates.

PPT - The share price pulled back as the company announced net outflows in 1Q18.

Current portfolio: Top ten holdings

Stock	31/10/2017
Commonwealth Bank Ltd	6.71%
Cochlear Ltd	6.55%
Seek Ltd	6.40%
National Australia Bank Ltd	6.09%
Treasury Wine Estates Ltd	5.22%
Sydney Airport Holdings Ltd	4.83%
Resmed Inc	4.44%
Fortescue Metals Group Ltd	3.29%
Rio Tinto Ltd	3.22%
Macquarie Group Ltd	3.07%

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 79.97% of fund
Ex 100 18.08% 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.