CBG CAPITAL

Net tangible assets report and performance update

October 2016

Net tangible assets per share

	Sep-16	Oct-16
NTA pre-tax	$0.9896	$0.9573*
NTA post-tax**	$0.9820	$0.9595*

*Cum 1.5cps dividend to be paid on 24 November.
**Please note that the post-tax figures are theoretical, assuming that all holdings in the portfolio are sold and then tax paid on the gains that would arise on this disposal.

CBG Capital

ASX Code	CBC
Listing date	19 December 2014
Shares on issue	24.6 million
Benchmark	S&P/ASX 200 Accumulation Index
Number of stocks held	44

Portfolio performance (after fees)

	NTA pre-tax %	Benchmark %	Excess %
1 month	-3.3	-2.1	-1.2
3 months	-6.1	-3.2	-2.9
1 year	-2.4	6.1	-8.5
Since inception p.a.	0.4	4.4	-4.0

Contact

Ronni Chalmers
Chief Investment Officer
rchalmers@cbgam.com.au

Boardroom
Share registry
1300 737 760

CBG Capital returned -3.3% in October, compared with the S&P/ASX200 Accumulation Index return of -2.1%.

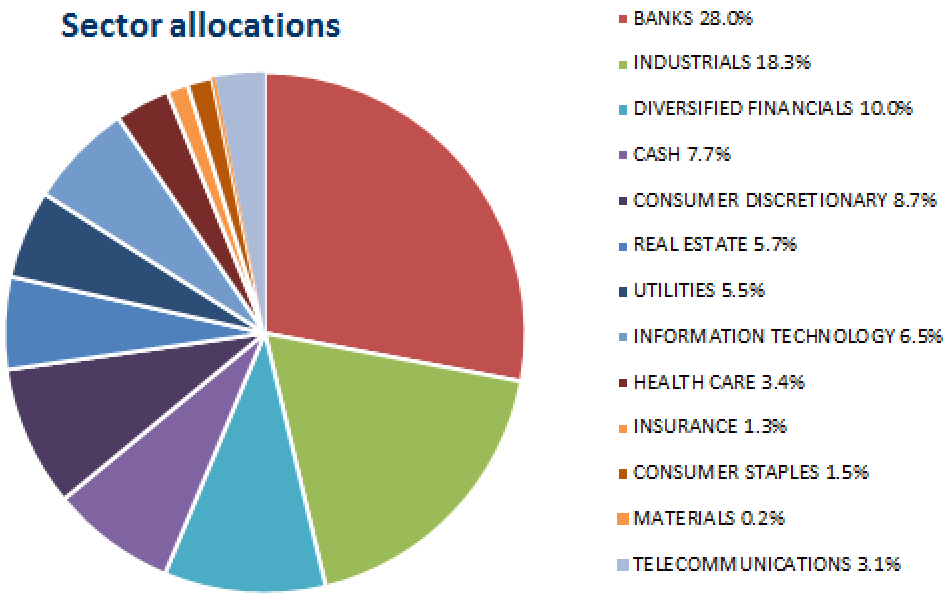
The main theme of the month was the rise in bond yields, which weighed on the stock market generally and particularly on defensive sectors. The Australian government 10 year bond yield increased by 44bp during the month, finishing at 2.34%.

The Australian equity market underperformed most international markets, falling 2.1% while the S&P 500 fell 1.8%, the FTSE 100 rose 1.0%, the German DAX was up 1.8%, the Shanghai Composite was up 3.2% and the Nikkei was up 5.9%. The theme generally of the stronger indices was a weaker currency, in particular Japan, while in China, positive economic data was well received. Australia's underperformance was due to a relatively large weighting to interest rate sensitive stocks, and also weakness in energy, staples and telco's.

Across the Australian market, the strongest performing sectors were materials +1.2%, financials +0.7%, while weaker performers were healthcare -8.1%, real estate -7.4%, information technology -6.6% and consumer discretionary -6.1%.

Top 10 holdings as at 31 October 2016

ASX Code	Name	Weight
CBA	COMMONWEALTH BANK OF AUSTRALIA	10.4%
N/A	CASH	7.7%
WBC	WESTPAC BANKING CORPORATION	7.7%
ANZ	ANZ BANKING GROUP LIMITED	5.9%
TCL	TRANSURBAN GROUP	5.0%
MQA	MACQUARIE ATLAS ROADS GROUP	4.4%
NAB	NATIONAL AUSTRALIA BANK LIMITED	4.0%
HGG	HENDERSON GROUP	3.8%
MFG	MAGELLAN FINANCIAL GROUP	3.4%
LLC	LENDLEASE GROUP	3.0%



Portfolio commentary

Stocks that delivered strong performance for the portfolio in the month included Millennium Services Group (MIL, 0.9% weight), which returned 26.5%, driven by a positive market reaction to the materially earnings accretive acquisition by MIL of WA based cleaning business Airlite Group at a cost of $25m. The acquisition, which was debt funded, gives MIL exposure to the WA economy. With the announcement, MIL gave updated earnings guidance for FY17, which at the current stock price, implies an attractive valuation for the company.

Tamawood (TWD, 1.1% weight) increased 10.7% in the month. During October, TWD issued a brief ASX release stating adjusted pre tax profit for the 2016 September quarter will be in excess of 20% above the 2015 September quarter.

BT Investment Management (BTT, 1.1% weight) was up 4.0%. During the month, BTT released its September quarter flows and FUM. The update showed that despite concerns around sentiment towards equities products in the UK and Europe, the group continues to generate healthy inflows into its funds. In particular, the group said ~$2.0B of inflows will occur post 30 September.

Stocks that detracted from fund performance in the month included Auckland International Airport (AIA, 2.0% weight), which fell 12.1% as investors sold off defensive assets. AIA has arguably been one of the biggest beneficiaries of the flight to defensives (having rerated markedly over the past 2-3 years) and we have been trimming our exposure over recent periods as its premium to historical multiples increased. We still see a positive industry thematic for airports (the real cost of travel continues to decline while disposable income and propensity to travel continues to increase, particularly in emerging economies) and see them as an attractive asset class over the longer term.

Aconex (ACX, 2.0% weight) fell 16% in the month, despite releasing a trading update and forward looking earnings guidance that generally pleased the market. The stock has significant operations in the UK and Europe economies and in addition trades on an above average earnings multiple, which saw it sold off in the month.

Transurban (TCL, 5.0% weight) declined 9.0% as Australian 10-year bond rates increased by 44bp in the period. There has been much press about TCL's status as a bond proxy and while TCL has been well supported through the low interest rate cycle, we believe the sell-off is over-done as the outlook for ongoing earnings growth remains solid and its interest rate sensitivity is modest in the short to medium term. The weighted average maturity of TCL's debt profile is 8.7 years and it has 99.5% hedging of its entire debt book. This means that inflation can pick up before TCL sees a material impact on its cost of debt, but in the meantime toll increases drive top line growth (tolls increase generally at CPI/CPI+ levels on a quarterly basis). We continue to expect double digit DPS growth from TCL over the coming periods.

Monthly market commentary

Australia's economic data was mixed during the month, with better than expected building approvals, retail sales and trade offset by weaker than anticipated housing finance approvals and a surprise fall in employment in the September labour force data.

The 3Q16 headline inflation number was stronger than anticipated, lifted by a jump in fruit and vegetable prices. This would tend to reduce prospects for further interest rate cuts, although underlying measures of inflation were in line.

The RBA left rates unchanged during the month and expectations of a further rate cut were trimmed, with the market moving to a more balanced view of the monetary policy outlook.

Commodities had another strong month. Hard coking coal was again up sharply (+20%) during the month, with thermal coal also up strongly (+33%). The other commodity highlight during the month was iron ore, which rose 14% in October to a six month high of US$63.10 per tonne. The gold price fell 3.1% on rising bond yields and rising interest rate expectations. Oil fell 2.9% in the month, due to concerns around OPEC adhering to production cuts emerging. Copper was flat during the month, ending at US$4,841 per tonne.

With the ASX200 having declined in recent months, valuations are becoming increasingly attractive in our investment universe. The investment team remains focussed on identifying companies with strong business models and growing earnings streams run by capable management teams.

Ronni Chalmers

Chief Investment Officer