Net tangible assets report and performance update

November 2016

Net tangible assets per share

	Oct-16	Nov-16*
NTA pre-tax	$0.9573	$0.9493
NTA post-tax**	$0.9595	$0.9513

*Ex the 1.5cps dividend to 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	25.0 million
Benchmark	S&P/ASX 200 Accumulation Index
Number of stocks held	48

Portfolio performance (after fees)

	NTA pre-tax %	Benchmark %	Excess %
1 month	0.7	3.0	-2.3
3 months	-2.5	1.3	-3.8
1 year	-2.7	10.0	-12.7
Since inception p.a.	0.9	5.8	-4.9

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CBG Capital returned 0.7% in November, compared with the S&P/ASX200 Accumulation Index return of 3.0%.

For the financial year to date the portfolio returned 0.9%, compared to the index return of 6.0%.

The Australian market was volatile in November, but finished strongly as initial concerns over a Trump Presidency were offset by optimism that his policies would be more pro-business than expected and drive increased spending and therefore growth. A related increase in global inflationary expectations saw bond yields rise across major economies to year highs. Commodities markets rallied strongly (excluding gold) while the USD gained against most major currencies.

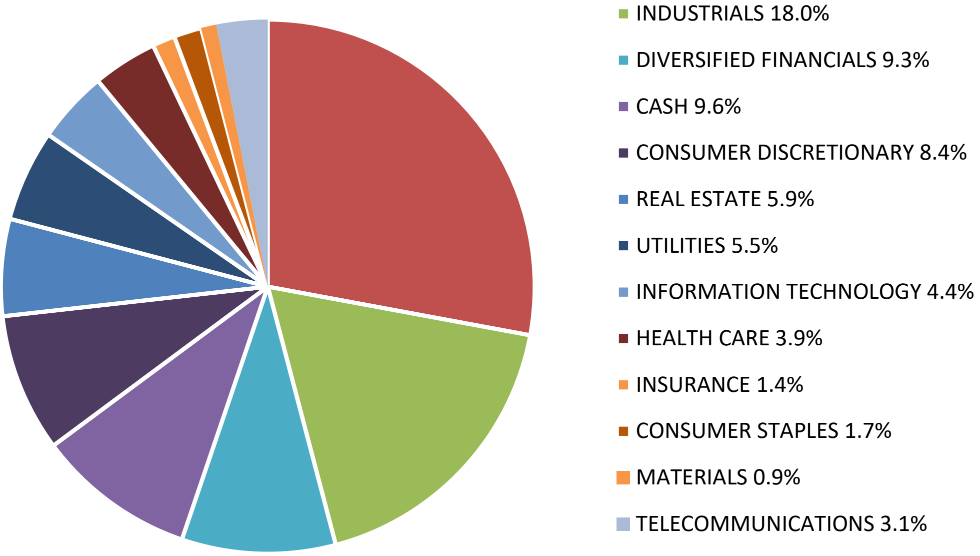
Across the globe, the Nikkei rallied 5.1% in the month, the Shanghai Composite rose 4.8%, and the S&P500 gained 3.4%. Conversely, the FTSE100 declined 2.5%, the NZ50 declined 0.9%, and the German DAX declined 0.2%.

Across the Australian market, the strongest performing sectors were Financials (+6.1%), Utilities (+3.6%) and Materials (+2.5%), while Healthcare (-1.4%), Telecoms (-0.3%) and Consumer Discretionary (+0.1%) lagged the market.

Top 10 holdings as at 30 November 2016

ASX Code	Name	Weight
CBA	COMMONWEALTH BANK OF AUSTRALIA	11.2%
N/A	CASH	9.6%
WBC	WESTPAC BANKING CORPORATION	7.9%
TCL	TRANSURBAN GROUP	5.1%
ANZ	ANZ BANKING GROUP LIMITED	4.6%
MQA	MACQUARIE ATLAS ROADS GROUP	4.4%
NAB	NATIONAL AUSTRALIA BANK LIMITED	4.2%
HGG	HENDERSON GROUP	4.0%
MFG	MAGELLAN FINANCIAL GROUP	3.7%
LLC	LENDLEASE GROUP	3.0%

Sector allocations



Portfolio commentary

Stocks that delivered strong performance for the portfolio in the month include Magellan Financial Group (MFG, 3.7% weight) which returned 6.9% for the month. MFG continues to see strong net fund inflows with A$550m received in October (an annualised growth rate of 15.6%), bringing total FUM to cA$40bn. We continue to see a strong outlook for MFG with the business planning on seeding and launching three new global equities strategies over the next 12-18 months.

Commonwealth Bank of Australia (CBA, 11.2% weight) returned 7.2%. CBA reported its 1Q17 operating result during the month which was largely in line with expectations. The financials sector was a key beneficiary of the positive sentiment towards the election of Trump as US President and CBA saw the strongest rally of Australia's big four banks. The sector also benefited from comments by APRA appearing to push out the timeframe for higher Basel IV capital requirements.

Westpac Banking Corporation (WBC, 7.9% weight) returned 5.7%. WBC reported its FY16 result during the month which, while flat on the pcp, was seen by the market as a reasonable result. WBC also rallied during the period on a steepening yield curve, expectations of stronger global growth following the election of Trump to the US Presidency and APRA capital requirement commentary.

Stocks that detracted from performance in the month included Speedcast International Limited (SDA, 2.3% weight), which returned -14.9% as it undertook a company transforming acquisition and subsequent capital raising. SDA acquired Harris CapRock, a global leader in the maritime and energy satellite services markets. The transaction immediately makes SDA the largest satellite services provider globally with the No 1 position in energy and 1 to 2 position in maritime. While risks remain around the outlook for the energy sector, SDA has best in class service and a low-cost base to drive ongoing growth across other verticals.

Automotive Holdings Group (AHG, 2.2% weight) returned -9.4% as it gave a trading update with its 2016 AGM. AHG disclosed operating EBITDA of A$62.7m for the four months ended 31 October 2016, 7.8% lower than the pcp, principally due to a reduced contribution from AHG's Refrigerated Logistics division. However, the Company expects annual operating NPAT to beat FY16's A$97m, largely driven by a 2H turnaround in refrigerated logistics on the back of aggressive cost cuts. The issues around the Refrigerated Logistics division are well known and should management look to sell the business, we would expect AHG to see a rerating.

CBG CAPITAL

Monthly market commentary

2016 has been an eventful and somewhat unpredictable year with the Brexit vote and November witnessing one of the least widely forecast events of the year in the election of Trump to the US Presidency. While initially responding weakly, the market rallied strongly on perceptions of a more pro-business Trump agenda and the return of growth and inflation on the back of fiscal stimulus, corporate tax cuts and lower regulation.

Australian economic data was again mixed in the period with retail sales moderate (+0.6% mom in September vs forecast +0.4%) after rising by +0.5% in August while building approvals fell 8.7% mom in September (forecast -3.0%) having declined by 1.8% mom in August. On a yoy basis, approvals were down 6.4% (vs forecast +2.1%), in a reversal of the 10.3% increase recorded in August. Employment was weaker than expected with the labour force expanding by a fewer than expected 9.8k, though this was an improvement on September's 29k decline. The main mover in the period, however, was the Australian 10-year bond which rose 35bp to close at 2.73%, some 91bp ahead of its August 2016 all-time low.

In the USA, the Fed again left rates on hold in October though expectations have increased for a December hike with the market's pricing of the probability this rising to 100% by the end of the month. This reflects the largely strong economic data reported including the ISM manufacturing index increasing to a better-than-expected 51.9 (consensus 51.7) and the unemployment rate falling by 10bp to 4.9% in line with forecasts. Retail sales also surprised on the upside (+0.8% mom vs expected +0.6%) while durable goods orders for October beat expectations at +4.8% mom (vs consensus 1.5%) and real GDP growth for Q3 was revised upwards to 3.2% annualised (from 2.9%), its strongest level in two years. Conversely, the ISM non-manufacturing index slipped (but remains strong) and payrolls grew by a weaker than expected 161k (consensus 174k).

In China, activity indicators were broadly stronger-than-expected with manufacturing PMI rising to 51.2 in October (forecast 50.3), its strongest print in over two years, providing fuel for the current rally in commodity prices, while non-manufacturing PMI increased to 54.0 from 53.7. Conversely, trade data was a little weaker-than-expected with exports declining 3.2% yoy (though an improvement on the 5.6% decline seen in September) while imports grew at 3.2% yoy after rising by +2.2% previously.

Ronni Chalmers

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