

Net tangible assets report and performance update

May 2017

Net tangible assets per share			CBG Capital	
	Apr -17	May - 17*	ASX Code	CBC
NTA pre-tax	\$0.9825	\$0.9626	Listing date	19 December 2014
NTA post-tax**	\$0.9733	\$0.9576	Shares on issue	25.0 million
*Ex a 1.0cps dividend paid on 25 May (ex-date 16 May)			Benchmark	S&P/ASX 200
**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.			Accumulation Index	
			Number of stocks held	42

Market commentary

The Australian equity market returned -2.8% in May, after the announcement of a bank levy and uninspiring profit results precipitated a 10% sell-off in the major banks. Excluding the banks, the market was approximately flat for the month.

The banks reported flat to negative revenue growth for the half year, excluding markets and trading, with CBA outperforming peers on this measure. This was disappointing given mortgage repricing activity, while the banks pointed to a greater repricing benefit in the second half.

Improving cost control was one positive aspect and bad debts also remained at very low levels. This was overshadowed by the Government's bank levy, which is expected to impact earnings by approximately -2%, assuming approximately half of the cost can be passed on to customers.

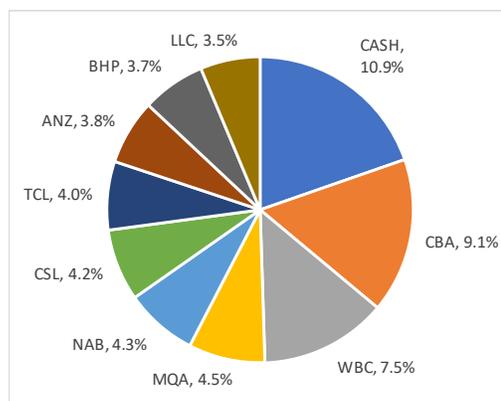
The Fund moved to slightly underweight the banks sector relative to the broad market in late March, given valuations were above long run averages despite a subdued growth outlook.

International equity markets were largely positive in May, with the S&P500 gaining 1.2%, the FTSE100 up 4.4%, the German Dax up 1.4%, the Nikkei 225 up 2.4% and the NZX50 up 0.5%, while the Shanghai composite declined 1.2%.

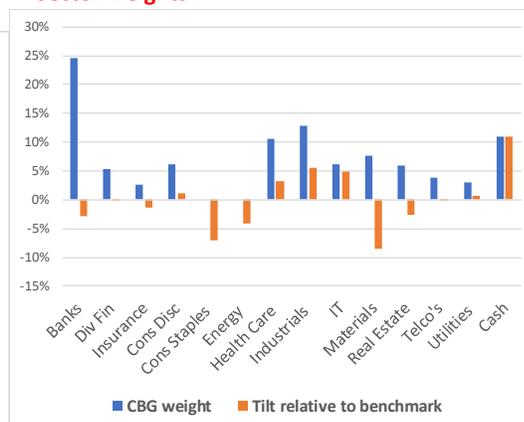
Across Australian industry sectors, telecommunications +3.4%, energy +2.0% and utilities +1.0% led gains, while banks -9.8%, industrials -3.5% and diversified financials -1.6% were the worst performing sectors.

Portfolio overview (as at 31 May 2017)

Top 10 holdings



Sector weights



Portfolio commentary

The strongest relative contributors within the portfolio in the month were Macquarie Atlas Roads (**MQA**) and Janus Henderson Group (**JHG**). The biggest detractors were Automotive Holdings Group (**AHG**) and Vocus Group (**VOC**).

Macquarie Atlas Roads (**MQA**, 4.6% weight) returned 9.6% in May, benefiting from a 19bp reduction in the Australian Government 10-year bond yield and a 4.0% strengthening of the euro relative to the Australian dollar. Approximately 85% of MQA's forecast earnings are derived from the APRR toll road in the east of France.

Janus Henderson Group (**JHG**, 3.7% weight) returned 6.7%, also benefiting from a strengthening euro and as the merger between Janus Capital and Henderson Group was completed. Management is targeting cost synergies from the merger which equate to more than 20% of the combined earnings.

Automotive Holdings Group (**AHG**, 2.0% weight) returned -21.2% after reducing FY2017 net profit guidance by 9% as a result of softer vehicle industry sales, particularly in WA, and tighter consumer credit conditions. With the company continuing to target operational improvements and given upside relative to our valuation, the fund has maintained its position.

Vocus Group (**VOC**, 1.0% weight) returned -16.3% after again downgrading FY2017 net profit guidance. The operational issues at Vocus are well known, but the company owns a number of valuable assets which could generate materially higher earnings once these issues have been worked through. In this context, the company received a non-binding takeover proposal in early June, which has seen the stock price gain 30.5% for the month to date

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Boardroom

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