Net tangible assets report and performance update

July 2017

Net tangible assets per share

	Jun -17	Jul - 17
NTA pre-tax	$0.9735	$0.9738
NTA post-tax**	$0.9688	$0.9686

**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	39

Market commentary

The Australian equity market was flat in July, returning 0.0%. A 3c strengthening in the AUDUSD to $0.80 provided a headwind to earnings derived offshore and for domestic economic growth generally.

The S&P/ASX 200 Index has now traded in a +/- 3% range of 5800 since the start of 2017. The most recent reporting season was generally positive, but stronger evidence of an improving earnings environment is required to move the market higher from here. The focus currently is therefore firmly on the August reporting season.

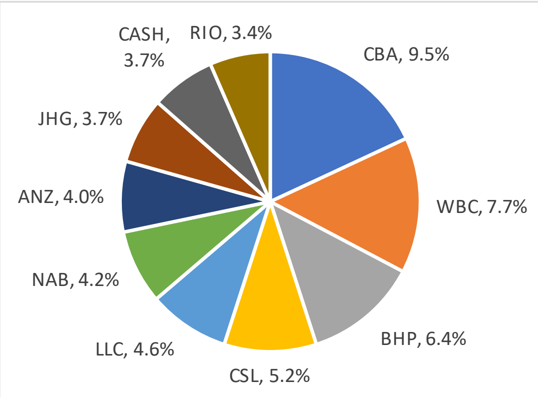
Market earnings multiples are currently 5-10% above 20-year averages, depending on the specific sectors of the market. However, businesses are also earning below mid-cycle returns on capital, providing potential for improving earnings in line with strengthening global economic growth.

International equity markets were quite mixed in July. The S&P500 gained +1.9%, benefiting from a weaker USD; while the German Dax declined -1.7%. The FTSE 100 returned +0.8%; the French CAC40 edged down -0.5%; the Shanghai Composite gained +2.5%, the Nikkei 225 was down -0.5% and the NZ50 gained +1.1%.

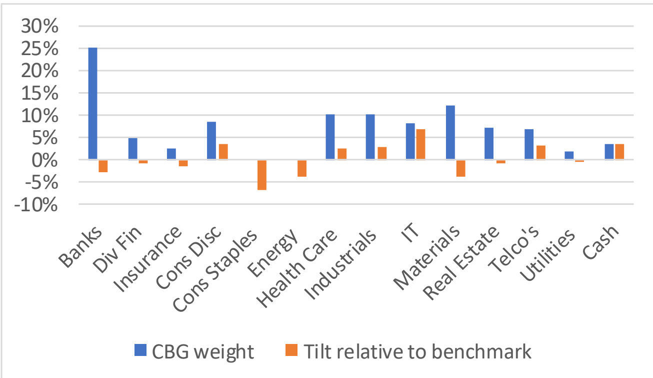
Across Australian industry sectors, Materials (+3.6%), Banks (+2.3%) and Staples (+1.1%) were strongest. Healthcare underperformed (-7.5%) given significant offshore earnings and a strengthening AUD. Utilities (-5.3%) and Telecommunications (-4.3%) also underperformed.

Portfolio overview (as at 31 July 2017)

Top 10 holdings



Sector weights



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Portfolio commentary

The strongest relative contributors within the portfolio in the month were Automotive Holdings Group (**AHG**), BHP Billiton (**BHP**) and Pushpay (**PPH**). The biggest detractors were Speedcast (**SDA**), Janus Henderson (**JHG**) and Technology One (**TNE**).

Automotive Holdings Group (**AHG,** 2.7% weight) returned +14.3%. This built on a strong performance in June, following a fall in May as management reduced guidance for FY2017 net profit.

BHP Billiton (**BHP,** 6.8% weight) returned 11.0%, supported by a strong rally in the iron ore price and the potential for the strong cashflows the company is generating to be returned to shareholders. The iron ore price has now rallied 32% from the 21 June low to the current price of US$73.

Pushpay (**PPH**, 0.7% weight) returned 19.5% after the company raised fresh equity, relieving balance sheet concerns, while also guiding to very strong growth over the period to 31 March 2018. Run rate annualised revenues as at 30 June 2017 were US$63m and management has guided to US$100m by 31 March 2018. The portfolio participated in the equity raising at $1.43.

Speedcast (**SDA**, 2.7% weight) fell -9.7% after announcing an acquisition. Management has guided to double digit EPS accretion from the acquisition, while the market is concerned about the integration task given this comes less than 12 months after the major acquisition of Harris CapRock.

Janus Henderson (**JHG**, 3.9% weight) fell -4.3% given the strength of the AUD, with over 90% of earnings generated offshore. The outlook for JHG is quite positive, with synergies from the Janus merger worth 20% of group earnings and Henderson's retail funds returning to positive flows of +$1bn in the June quarter, after European and UK equities fell out of favour with investors in 2016.

Technology One (**TNE**, 1.5% weight) declined -6.8% in June, following the termination of a contract for the Brisbane City Council, while management pointed to continued strong growth in the software as a service business of over 90% in the last 12 months from a low base.

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