

Net tangible assets report and performance update

January 2018

Net tangible assets per share			CBG Capital	
	Dec - 17	Jan - 18	ASX Code	CBC
NTA pre-tax	\$1.0240	\$1.0354	Listing date	19 December 2014
NTA post-tax*	\$1.0028	\$1.0102	Shares on issue	25.1 million
*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.			Benchmark	S&P/ASX 200 Accumulation Index
			Number of stocks held	44

Market commentary

The CBG Capital portfolio returned 1.1% pre-tax in January, compared to a -0.4% fall in the S&P/ASX 200 Accumulation Index. Domestic and global economic data and a strong US reporting season provided support to equity markets in the month. Australian equities underperformed global markets, partly reflecting appreciation of the A\$ (+2.5c against the US\$).

The MSCI World Index returned a very strong +5.3% in January. In this context, the sell-off in equities in early February is not yet a material change in market direction.

The month was notable for the strength in global equity markets and a sell-off in bonds, which saw the Australian Government 10-year bond yield increase 16bp to 2.79% and the US Government 10-year bond yield increase 30bp to 2.71%.

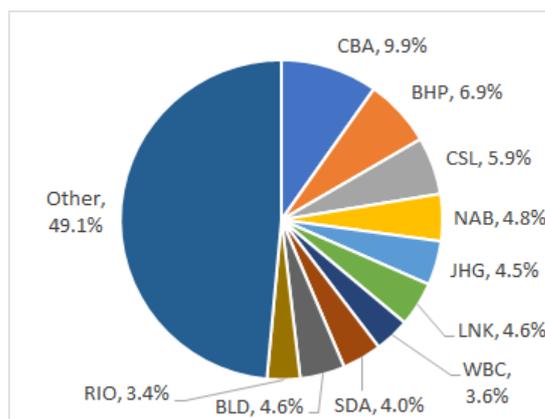
Defensive sectors of the market underperformed, given their correlation with bonds. Real Estate (-3.3%) and Transport (-2.9%) lagged, while Health Care (+3.2%) and Information Technology (+2.0%) led gains.

Domestic economic data was strong in the month, with residential building approvals, employment and retail sales (for November) all exceeding expectations. Most measures of consumer price inflation remained below the target band of 2-3%. The Reserve Bank is not yet under pressure to tighten monetary policy settings.

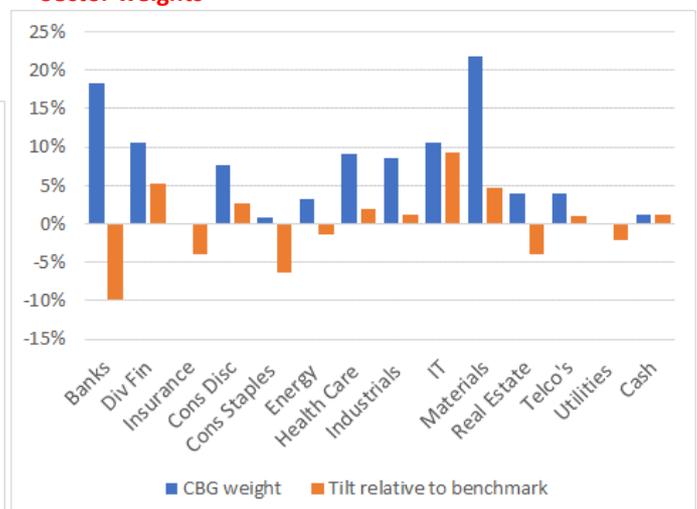
The IMF upgraded both its estimate for global growth in 2017, from 3.6% to 3.7%, and its forecast for 2018, from 3.7% to 3.9%. The upgrade was driven by the US corporate tax reductions (effective from January 2018) and upward revisions to growth expectations in Europe and Asia.

Returns across international equity markets were: S&P500 (+5.6%); Shanghai Composite (+5.3%); Japan (+1.5%); German Dax (+2.1%); FTSE (-2.0%); French CAC 40 (+3.2%) and NZ50 (+0.5%).

Top 10 holdings



Sector weights



Portfolio commentary

The strongest relative contributors within the portfolio in the month were Afterpay Touch (**APT**), Bravura (**BVS**) and Lovisa (**LOV**). The biggest detractors were Macquarie Atlas Roads (**MQA**), James Hardie (**JHX**) and Lend Lease (**LLC**).

Afterpay Touch (2.2% weight) returned 23.3% in the month, after reporting quarterly sales up 50% on the pcp. The company also announced a strategic relationship with US venture capital firm Matrix Partners to further investigate US expansion.

Bravura (2.2% weight) returned 16.8% on increasing confidence in the earnings outlook. The company announced a further contract win with ASB Bank in December 2017 and has guided to mid-teens EPS growth this financial year.

Lovisa (2.5% weight) returned 14% after providing a positive trading update, indicating that EBIT for the half year to December was up 22-24% on the pcp. Lovisa continues to report strong sales growth from existing stores, while progressing its store rollout across existing and new geographies.

Macquarie Atlas Roads (2.3% weight) returned -8.7%, reflecting correlation to bonds in the context of a bond sell-off during the month.

James Hardie (3.0% weight) returned -3.6% after a strong run in prior months. Pleasingly, the stock has gained 5.0% in February at the time of writing, following a strong result.

Lend Lease (2.4% weight) returned -3.1% on concerns that the company may take additional provisions against engineering construction contract.

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Boardroom

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