Net tangible assets report and performance update

August 2018

Net tangible assets per share	Jul – 18	Aug – 18
NTA pre-tax*	$1.0993	$1.1390
NTA post-tax*	$1.0565	$1.0863

*Please note that the above figures are theoretical, assuming all holdings in the portfolio are sold and then tax paid on the gains that would arise on this disposal.

On 23 July 2018, the company declared a one for twenty-five bonus issue. The shares traded ex-bonus on 3 September. The NTA numbers disclosed above is cum-bonus and cum-dividend.

CBG Capital	
ASX Code	CBC
Listing date	19 December 2014
Shares on issue	25.1 million
Benchmark	S&P/ASX 200 Accumulation Index
Number of stocks held	31

Market commentary

The CBG Capital portfolio returned +3.6% after fees pre-tax in August, compared to a +1.4% rise in the S&P/ASX 200 Accumulation Index. Over the twelve months ending August, the portfolio returned 22.6% after fees pre-tax.

Company reporting season dominated securities performances in August. The portfolio on average benefited strongly from some relatively large price changes. Analysts have noted that share price volatility on the day of a result was the highest for a decade.

Earnings reports showed evidence of increasing costs for energy and transport fuels but little domestic evidence of rising wages. Overall company profits were in line with recent expectations however forecasts for the 2019 fiscal year have reduced.

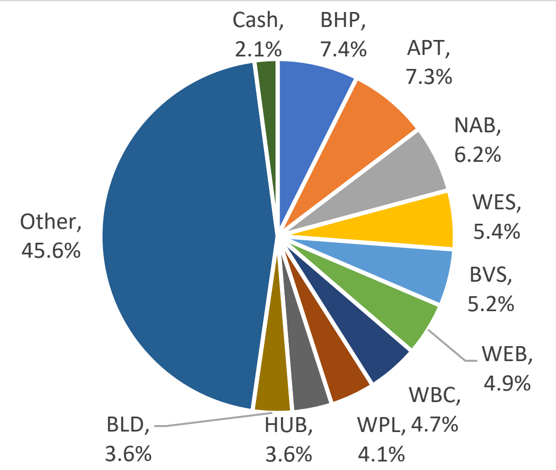
We retain the view that we are benefiting from a positive global economic cycle and expect to see continued growth in company earnings generally in FY19 and FY20.

Across the Australian market industry sectors, Information Technology (+12.3%), Telecommunications (+10.9%) and Healthcare (+10.6%) outperformed, while Materials (-5.3%) and Energy (-2.1%) underperformed.

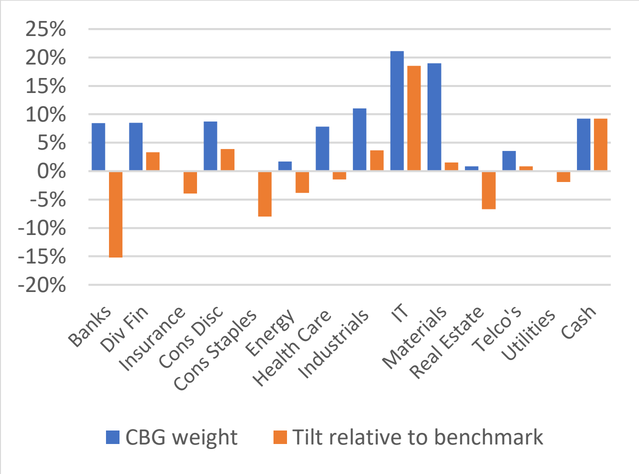
Returns in international markets were: S&P 500 (+3.0%), German Dax (-3.5%), FTSE 100 (-4.1%), Shanghai Composite (-5.3%), Japan's Nikkei 225 (+1.4%) and New Zealand's NZX 50 (+4.1%).

Performance and commentary (to 31st August 2018)

Top 10 holdings at month end



Sector weights



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Portfolio commentary

The largest relative contributors within the portfolio in the month were Jumbo Interactive (**JIN**), Bravura Solutions (**BVS**) and Afterpay Touch (**APT**). The largest detractors were Speedcast (**SDA**) and Eclipx Group (**ECX**).

Jumbo (2.9% weight) returned 64% following a strong annual result to June 30 and positive outlook for FY19. Lottery jackpots have driven increased sales through Jumbo's portal and on-line use continues to grow strongly.

Afterpay (7.3% weight) returned +28%. The company confirmed growth rates in their initial foray in to the US market and continuing success in Australia. A capital raising during the month highlighted that the company is now more than adequately capitalised to take advantage of its first mover advantage in the retail "lay-by" sector.

Bravura (5.2% weight) rose 31% following the company annual result report which highlighted continuing revenue growth from a pipeline of pending new contracts and rising usage from existing customers. Bravura's fund administration platform is the market leader in Australia and growing well in the UK.

While Speedcast and Eclipx suffered sharp price declines during August we view these as over-reactions to short-term issues and retain our positions. Both share prices bounced strongly after the initial price drop and have improved further post month-end.

Speedcast (2.8% weight) declined 31% as the market was disappointed by an acquisition announcement and a dip in the company's revenue from the energy sector. Offshore drill-rig activity has been slower growing to recover than on-shore and consequently use of satellite bandwidth has been lower than hoped. We view this as a timing issue, with the higher price of oil expected to bring an increase in offshore exploration.

Eclipx (1.7% weight) declined -13%. The stock fell sharply on downgraded earnings guidance due to a weaker short-term outlook for two recently acquired businesses. The over-reaction prompted a takeover bid by a rival causing a sharp bounce during the month. We feel it is unlikely the bid will proceed at these prices and expect the business recovery to deliver greater value.

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Contact

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