11 March 2016

CBG Capital Limited Net Tangible Assets (NTA) per share report and performance update for February 2016

Please find below CBG Capital Limited's monthly NTA per share report as at 29 February 2016, together with a performance update.

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Net tangible assets report and performance update

February 2016

Net tangible assets per share

	Jan-16	Feb-16
NTA pre-tax	$0.9957	$0.9466
NTA post-tax*	$0.9825	$0.9506

*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.

Portfolio performance (after fees)

	NTA pre-tax %	Benchmark %	Excess %
1 month	-4.9%	-1.8%	-3.1%
3 months	-8.5%	-4.6%	-3.9%
6 months	-0.2%	-4.0%	3.9%
1 year	-9.8%	-13.7%	3.9%
Since inception	-2.0%	-3.3%	1.3%

CBG Capital

ASX Code	CBC
Option Code	CBCO
Listing date	19 December 2014
Shares on issue	24.6 million
Options on issue	24.2 million
Exercise price	$1.00
Options expiry	30 September 2016
Benchmark	S&P/ASX 200 Accumulation Index
Number of stocks held	44

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CBG Capital returned -4.9% in February, below the S&P/ASX200 Accumulation Index return of -1.8%.

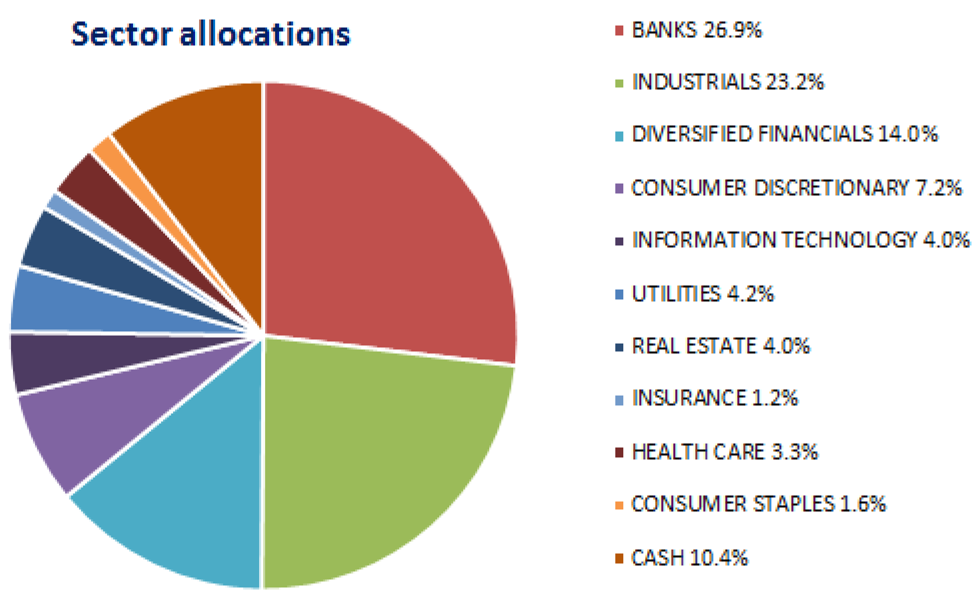
For the rolling 12 months, the portfolio returned -9.8%, outperforming the index return of -13.7%.

Global equity markets have posted negative returns over the past 12 months on concerns about global growth, compounded by the dramatic fall in the oil price. The negative trajectory continued into February, although markets commenced a rally mid-month which has continued into March. This coincided with an intra-month rally in the iron ore and oil prices of 17% and 27% respectively.

Across the Australian market industry sectors in February, resources (+7.2%) and industrials (+6.2%) were the best performing sectors, while banks (-8.2%) and diversified financials (-7.8%) were the worst performing. The relative performance of the portfolio in the month was impacted by an underweight position in resources, whereas this position has served investors well over the past 12 months. The decision of Western Union not to lodge a formal bid for Ozforex also impacted performance in the month of February.

Top 10 holdings as at 29 February 2016

ASX Code	Name	Weight
N/A	CASH	10.4%
CBA	COMMONWEALTH BANK OF AUSTRALIA	9.1%
WBC	WESTPAC BANKING CORPORATION	7.3%
TCL	TRANSURBAN GROUP	6.5%
ANZ	ANZ BANKING GROUP LIMITED	6.5%
MQA	MACQUARIE ATLAS ROADS GROUP	5.3%
HGG	HENDERSON GROUP	3.9%
AIA	AUCKLAND INTERNATIONAL AIRPORT LTD	3.7%
MFG	MAGELLAN FINANCIAL GROUP	3.5%
NAB	NATIONAL AUSTRALIA BANK LIMITED	3.5%



Portfolio commentary

Auckland International Airport (AIA, 3.7% weight) produced a strong return in the month, gaining 13% following a solid monthly traffic release and first half result where management increased underlying NPAT guidance by 8% at the mid-point of the provided range. The company reported international passenger growth of 7% for the half year and impressive retail income growth of 21%. The strong passenger growth is expected to continue with airlines in the process of adding significant new capacity to their Auckland routes.

Macquarie Atlas Roads Group (MQA, 5.3% weight) was another strong performer, returning 10.5% for the month in the context of a solid full year result. MQA's key asset, the APRR toll road in France, reported EBITDA up 4.5% on the prior year and the company reconfirmed guidance for 2016 distributions of 18cps, up 12.5% on 2015.

Stocks which detracted from performance in the month included Ozforex (OFX, 1.1% weight), which returned -39% following the termination of discussions with Western Union and a disappointing earnings update. Western Union had been in exclusive due diligence with OFX for 10 weeks and OFX management were confident of a deal, but Western Union ultimately did not proceed with an offer. OFX also updated the market that fee and commission income increased by only 9% in the December quarter, which was below expectations, reflecting reduced marketing activity as the company prepared for a rebranding to a single global brand. Management plans to accelerate marketing efforts post the rebranding and has retained a target for $200m in revenues by the 2019 financial year, implying growth of 24% per annum over the next 3 years.

IPH (IPH, 1.1% weight), a leading intellectual property services firm in the Asia Pacific region, returned -22% following a first half result which came in at the lower end of the company guidance range. Nonetheless, the company reported net profit growth of 79% on the prior year, or approximately 23% excluding the benefit of acquisitions and exchange rate changes. The stock returned 49% for the 12 months to the end of February.

Bellamy's (BAL, 1.2% weight) was another stellar 2015 performer which produced a negative return in February, down 21%. The company reported net profit up 294% on the prior corresponding period to $14m and consensus earnings forecasts were upgraded. However, management's guidance on margins for the next half was not as strong as expected. Investors are also concerned about potential regulatory change in China that would disrupt the "grey market" sales channel which has been a key driver of growth. The company does have direct sales channels in place, which provide a significantly higher price point than selling to grey market distributors in Australia. However, the prospect of disruption to the important grey market channel has increased near term earnings uncertainty. Commensurate with this change in the risk profile, the Fund reduced its position in BAL during the month.

Monthly market commentary

The February company reporting season was a key focus for Australian equity investors in the month. Overall, results were slightly ahead of consensus expectations, which provided a measure of relief to investors concerned about the economic environment. The negative return for the market in the month was therefore more a reflection of global macro concerns than company results.

Following reporting season, the consensus expectation for FY2016 EPS growth for the market ex resources is 3.6%, with resources earnings expected to decline by a material 63.7%. The current EPS growth expectation for the market ex resources represents a lower growth year relative to the 6.0% recorded in FY2015. However, this is predominantly due to the largest capitalisation stocks, including the impact of share issuance by the major banks. Median earnings per share growth expected for the market ex resources is a more respectable 6.0%.

Domestic economic data in the month was mixed, with residential building activity remaining strong and private capex intentions providing a rare (in recent times) positive surprise, while employment growth was weaker, with the unemployment rate edging up to 6.0% and retail sales also coming in below expectations. The Australian dollar strengthened during February, rising half a cent against the USD to finish the month at 71.4c, likely assisted by the increase in commodity prices.

Overseas economic data was negative on balance, with US manufacturing indices and payrolls surprising to the downside, while retail sales marginally outperformed expectations. Chinese exports missed expectations, down 11% on the prior year, while lending activity strengthened and the People's Bank of China announced a 50bp reduction to bank reserve requirements. European manufacturing indices weakened, while remaining in positive territory.

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