Net tangible assets report and performance update

August 2016

Net tangible assets per share

	Jul-16	Aug-16
NTA pre-tax	$1.0199	$1.0044
NTA post-tax*	$1.0004	$0.9912

*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	-1.5	-1.6	+0.1
3 months	0.6	2.1	-1.5
1 year	7.7	9.3	-1.6
Since inception p.a.	3.3	5.9	-2.6

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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Boardroom
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CBG Capital returned -1.5% in August, compared with the S&P/ASX200 Accumulation Index return of -1.6%.

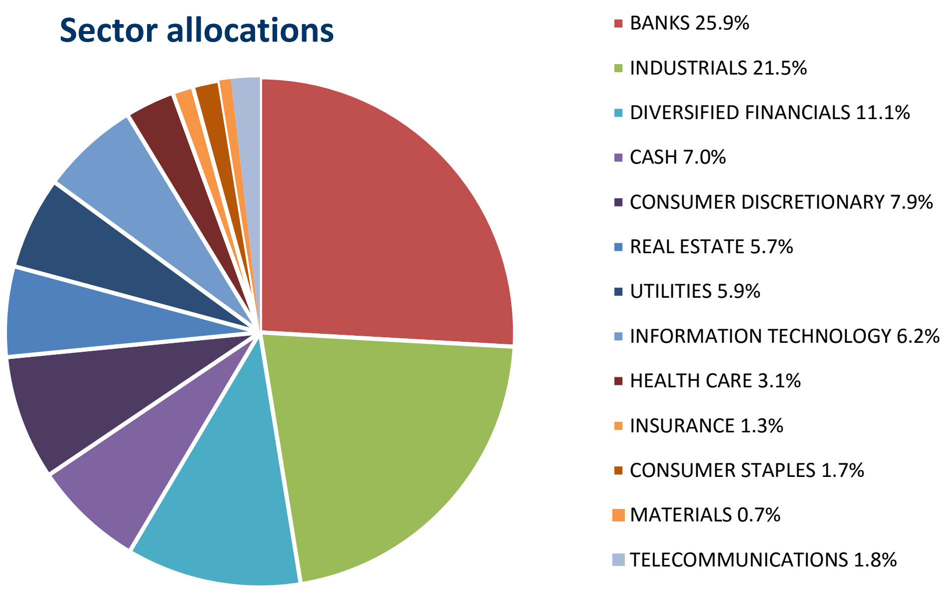
For the financial year to date the portfolio returned 4.9%, comparted to the index return of 4.6%.

The Australian market was weak in August despite reporting season proving largely neutral against market expectations. The RBA reduced the cash rate by a further 25bp in the period to 1.5% as it targeted stubbornly low inflation. The impact on the AUD was only muted with the dollar falling 1% against the USD. Oil rallied sharply in the period (+11%) supporting energy stocks while iron ore fell slightly (-0.8%).

Global indices outperformed the local market in August. The Shanghai Composite rallied 3.6% in the month, the German DAX returned 2.5%, the Nikkei rose 1.9%, the FTSE100 gained 0.8% and the NZ50 added 0.7%. Conversely, the S&P500 fell slightly (-0.1%).

Across the Australian market, the strongest performing sectors were Technology (+4.5%), Staples (+0.8%) and Materials (+0.1%), while Telecoms (-8.9%), Utilities (-5.8%) and Industrials (-4.9%) lagged the market.

Top 10 holdings as at 31 August 2016		
ASX Code	Name	Weight
CBA	COMMONWEALTH BANK OF AUSTRALIA	9.7%
WBC	WESTPAC BANKING CORPORATION	7.0%
N/A	CASH	7.0%
MQA	MACQUARIE ATLAS ROADS GROUP	5.8%
ANZ	ANZ BANKING GROUP LIMITED	5.4%
TCL	TRANSURBAN GROUP	5.2%
HGG	HENDERSON GROUP	4.1%
AIA	AUCKLAND INTERNATIONAL AIRPORT LTD	4.0%
NAB	NATIONAL AUSTRALIA BANK LIMITED	3.8%
MFG	MAGELLAN FINANCIAL GROUP	3.6%



Portfolio commentary

Stocks that delivered strong performance for the portfolio in the month include Bellamy's Australia Limited (BAL, 1.7% weight) which rallied 12.4% for the month. BAL's FY16 result beat guidance and market expectations with robust earnings growth reflecting strong demand, increased distribution, price rises and scale benefits delivering material margin expansion. The outlook remains positive for BAL with the same themes to deliver increased earnings in FY17 in an environment of reduced regulatory risk.

Sealink Travel Group Limited (SLK, 1.5% weight) returned 12.4%. SLK delivered a strong result in the month with FY16 NPAT of $24.0m, up 150% on the pcp. The result beat market expectations and, while boosted by acquisitions, organic profit growth was achieved across all divisions. Post the recent acquisitions of Transit Marine Systems and Captain Cook Cruises (WA), SLK now has a fleet of 73 vessels. We expect SLK to continue to grow its earnings over coming periods and note positive management commentary that FY17 was trading ahead of expectations and ahead of the same period in the prior year.

Automotive Holdings Group (AHG, 2.4% weight) returned 8.8%. Despite the FY16 result missing market expectations, the stock rallied as the Company announced the retirement of the current CEO, raised capital to retire debt and fund M&A and shifted in its messaging towards the largely underperforming Cold Logistics. Management is looking to drive returns out of the business ahead of a potential sale. While a sale outcome is not assured, increased returns from this business would be a positive catalyst for the stock and we would expect the share price to rerate accordingly.

Stocks that detracted from portfolio performance in the month include Aconex Limited (ACX, 2.2% weight), which returned -20.1%. While reporting a FY16 result in line with expectations, ACX was sold off in the month as the market reassessed its longer term growth outlook. We remain of the view that ACX is a quality growth story with significant upside from current levels. Its revenues are around 4x that of its nearest competitors, which allows it to commit more resources to product development, sales and marketing and significant untapped opportunities remain with global collaboration software penetration <10% globally.

REA Group Limited (REA, 1.8% weight) returned -9.5% as the Company delivered a FY16 result that was slightly below analyst expectations, mainly due to a lower volume of listings across the Australian market in 4Q16 (attributed to the timing of the election). REA also said that lower listings volumes had continued into FY17 with total market listings down 11% in July. With 1Q17 volumes expected to be relatively weaker, management has pointed to revenue growth being skewed towards 2Q17. REA's value proposition remains compelling for customers and we expect REA to continue to drive strong earnings growth over the medium term.

Transurban Limited (TCL, 5.2% weight) returned -8.8% despite posting a solid FY16 result and providing FY17 DPS guidance slightly ahead of market expectations. While the outlook for TCL remains strong, CityLink, one of its key assets is currently experiencing traffic impacts as widening activity is undertaken. This is likely to negatively impact FY17 traffic and revenue growth, before providing a platform for stronger growth in 2018/19.

Monthly market commentary

The ASX200 was relatively volatile over the month having posted a year-to-date high on 1 August, trading largely sideways through reporting season and then selling off later in the month as concerns over the US Federal Reserve's hike path surfaced again. Reporting season saw some mixed results as usual, but was broadly neutral in our view with earnings revisions across the market for FY17 a relatively limited -0.4% (source JP Morgan).

Australian economic data was mixed in the period with Retail sales weaker than expected (+0.1% mom in June vs forecast +0.3%) after rising by +0.2% in May. However, Employment increased by a stronger than expected 26.3k in July, and the ANZ Roy Morgan Weekly Consumer Confidence index increased to 121.8 from 117.6, the highest level since November 2013. The RBA reduced the cash rate by a further 25bp in the month as the Bank continued to target inflation well below its target range of 2-3%. With minutes from the RBA board meeting in August suggesting that "economic growth was expected to pick up to be above estimates of potential by mid 2017", the market lowered its expectations for another cut in the cash rate in the short term.

In the USA, the Fed again left rates on hold in August though expectations have increased for a December hike post comments from Fed Chair Janet Yellen at Jackson Hole where she noted that the case for higher US rates had strengthened. This reflects the largely strong economic data reported including non-farm payrolls for July which increased +255k, with prior months revised upwards, while unemployment remained unchanged at 4.9%. Consumer confidence increased to 101.1 in August, CPI was unchanged and both manufacturing and non-manufacturing ISM indices for July remained comfortably above the 50-level indicating expansion.

In China, activity indicators were broadly weaker than expected with the Caixin manufacturing PMI falling to 50.0 in August (from 50.6 and vs forecast 50.1) and the Westpac MNI consumer sentiment index falling to 111.4 in August from 115.0 in July. New lending trailed expectations materially while fixed asset investment slowed to +3.9% (from 7.4%). In the UK, the Bank of England cut interest rates for the first time since 2009 to a record low 0.25% while also announcing new easing measures by 0.25%. This was done in order to avert potential negative economic impacts from July's Brexit vote.

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