



CBG Australian Equities Fund - July 2015

The CBG Australian Equities Fund returned +5.3% in July, outperforming the S&P/ASX200 Accumulation Index return of +4.4% for the month.

The Australian market saw Resources underperform (-2.0%), whilst Healthcare (+9.4%), Consumer Staples (+7.5%) and Insurance (+6.8%) outperformed.

International equity market returns were mainly positive in July, with the exception of China, where the Shanghai Composite fell sharply by 14.3%. In July, the S&P 500 returned +2.0%, the German DAX returned +3.3%, and the FTSE 100 returned +2.7%.

Performance (to 31 July 2015)

Fund Objective:

To outperform the S&P/ASX200 Accumulation Index over a rolling five-year period before fees, taxes and expenses.

	Fund %	Benchmark %*	Excess
1 Month net	5.3	4.4	+0.9
6 Month net	2.1	4.2	-2.1
1 Year net	6.9	5.7	+1.2
3 Years net annualised	18.2	15.1	+3.1
5 Years net annualised	11.0	9.7	+1.3
Since inception net annualised **	7.0	5.8	+1.2
Since inception net total return **	87.7	69.8	+17.9

Note: Fund performance is post fees.

* S&P/ASX 200 Accumulation Index

** Inception date 27 March 2006

Fund Commentary

BT Investment Management (BTT) (+15.0%) rose as the company delivered another strong quarter of inflows for the June quarter. The fast growing UK-based J O Hambro business reported A\$2.4B of net inflows, predominantly into the Global Select strategy. Closing June 2015 funds under management also benefited from favourable FX movements.

Sydney Airport (SYD) (+12.7%) outperformed as the market reacted positively to the new aeronautical pricing agreement signed between SYD and BARA (Board of Airline Representatives Australia). BARA represents the large majority of international airlines that use the airport. The agreement results in airline charges falling by ~1% in FY15 and then increasing by an average of 3.8% pa for the next four years. To recap, SYD earns ~75% of EBITDA from international terminal.

Henderson Group (HGG) (+11.7%) reported its 1H15 result on the last day of the month. The result was ahead of analyst expectations and resulted in consensus upgrades for FY15 and FY16. The key driver of the result was continued strong net inflows, at £5.6B or 7% of opening Assets under Management (AUM). Closing AUM for the half was £82.1B. HGG has also benefited from having very strong performance in the key area of investor demand, being European equities.

Retail Food Group (RFG) (-1.7%) fell due to concerns around its growth strategy which has seen the company make several acquisitions in the last 12 months. In a market update, RFG also booked an \$18.5m non cash provision related to underperforming store outlets.

Duet Group (DUE) (-0.7%) declined slightly during the month. The key event for the company was its \$1.4B acquisition of ASX listed Energy Developments (ENE). ENE owns and/or operates distributed power generation facilities, utilising a range of fuel sources, with operations in Australia, USA and Europe. The acquisition should improve DUE's distribution growth profile over the medium term and increases the proportion of earnings that are not regulated, both of which are positive for the stock. DUE raised \$1.7B of equity to assist in funding the acquisition.

Top Ten Holdings (as at 31 July 2015)

	ASX Code	Stock Name	Weighting	
			Fund %	ASX %
1	ANZ	ANZ Banking Group	9.0%	6.1%
2	CBA	Commonwealth Bank of Australia	8.7%	9.5%
3	WBC	Westpac Banking Corporation	7.7%	7.4%
4	TCL	Transurban Group	5.3%	1.4%
5	HGG	Henderson Group	5.0%	0.3%
6	NAB	National Australia Bank	4.7%	6.2%
7	BTT	BT Investment Management	4.2%	0.0%
8	MQA	Macquarie Atlas Roads	3.7%	0.1%
9	SYD	Sydney Airport	3.5%	0.9%
10	LLC	Lend Lease	3.3%	0.6%

Market commentary

International equity markets posted gains in July, though it was the US and European markets which did the heavy lifting as emerging markets, particularly China underperformed. Greece was again a key focus for global equity markets. On 5th of July, Greece overwhelmingly voted no in the referendum on austerity, which was a surprise for global markets given the expectation of a closer result. However, one week later, the Greek Prime Minister bowed to pressure from European finance ministers and accepted a €86B bailout package, the terms of which were harsher than that rejected by Greek voters a week earlier.

The Shanghai Composite Index experienced its biggest one-day fall in over 8 years during the month with more than 60% of all stocks suspended from trading after falling by the daily limit. July was a particularly poor month for commodities, with almost every major commodity posting a price fall. The iron ore price was down 11%, WTI crude oil fell 21%, and gold declined by 7%.

The RBA held the cash rate unchanged at 2.0% in July. Glenn Stevens noted the global economy is expanding at a moderate pace, however some key commodity prices are much lower than a year ago. He also noted the US Federal Reserve is expected to start increasing its policy rate later this year, but some major central banks are continuing to ease policy. Hence global financial conditions remain very accommodative. The Australian economy continues to grow, albeit at a rate below its longer-term average. The RBA expects inflation to remain consistent with its target over the next 1-2 years, even with a lower exchange rate.

The Australian stock market continues to trade at valuation metrics broadly in line with historical averages. Currently the FY16 PE multiple for All Companies ex Resources is 14.9x (source: Macquarie), whilst the FY16 dividend yield is 4.9%.

Ronni Chalmers
Chief Investment Officer

How to invest

The CBG Australian Equities Fund can be purchased inside the FSP Super Fund, FSP Prestige Plus IDPS and Macquarie Wrap. For more information, please contact your Financial Adviser or call (02) 8599 1160.

Disclaimer: Past performance is no guarantee of future performance. Performance shown is net of fees, but before taxes. The content of this fact sheet has been prepared without taking into account any individual's objectives, financial situation or needs. Because of that, before acting you should consider the appropriateness of what is included here, having regard for your own objectives, financial situation and needs. Before making any decision about whether or not to acquire or continue to hold a financial product mentioned in this fact sheet, you should obtain and consider the latest disclosure document for the product. You should also obtain advice from your qualified Financial Adviser.

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