CBG ASSET MANAGEMENT

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THE AUSTRALIAN FUND MANAGER AWARDS

CBG Australian Equities Fund – August 2015

The CBG Australian Equities Fund returned -5.7% in August, outperforming the S&P/ASX200 Accumulation Index return of -7.8%.

While this was a sharply negative month, it was pleasing to see the portfolio outperforming through the market correction. Over the past three years, the fund has outperformed the benchmark in 8 out of 11 down months.

The recent fall in equity markets has been precipitated by fears of a faster than expected slow-down in economic activity in China, reflecting recent weakness in economic data and highlighted by the devaluation of the Yuan during the month. The MSCI World Accumulation Index declined 6.6% in August, including a 12.5% fall for the Shanghai Composite. The S&P 500 was down 6.3%, while the FTSE 100 was down 6.7% and the German Dax fell 9.3%.

Across the Australian market industry sectors, information technology (-15.1%), energy (-13.8%) and banks (-11.7%) underperformed, while utilities (-0.2%), property (-4.1%) and staples (-4.1%) outperformed.

Performance (to 31 August 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	**-5.7**	-7.8	**+2.1**
6 Month net	**-9.8**	-10.1	**+0.3**
1 Year net	**-0.3**	-3.2	**+2.9**
3 Years net annualised	**15.3**	11.3	**+4.0**
5 Years net annualised	**10.0**	8.2	**+1.8**
Since inception net annualised **	**6.2**	4.9	**+1.3**
Since inception net total return **	**77.0**	56.5	**+20.5**

Note: Fund performance is post fees.
** S&P/ASX 200 Accumulation Index*
*** Inception date 27 March 2006*

Fund Commentary

Ozforex (OFX) returned 16.5% in August, after reporting first quarter revenue up 32% on the pcp to $26m and announcing a strategic partnership with Xero, with OFX's international payments platform to be integrated into Xero's software.

Bellamy's Australia (BAL) returned 13.5% after reporting a stellar 2015 financial year performance, with sales increasing 153% to $132m and earnings per share increasing 416% to 9.8cps. The sales result was 58% ahead of the prospectus forecast for $84m and NPAT was also 10% above the top-end of the upgraded guidance provided in June 2015.

ANZ Banking Group (ANZ) returned -14.5% after raising new equity and providing a weaker than expected trading update for the June quarter. ANZ raised $3.2 billion through an institutional placement and SPP, which will increase shares on issue by 3.75%.

Invocare (IVC) returned -14.1% after reporting 1H15 NPAT down 2% on the pcp. The performance of the domestic business was in line with expectations, with EBITDA increasing 4.9%, while the NZ and USA segments underperformed relative to expectations.

Technology One (TNE) returned -13.5%, while the stock is up 10.7% for the calendar year to date. TNE has a September financial year end so did not report earnings in August.

Top Ten Holdings (as at 31 August 2015)

	ASX Code	Stock Name	Weighting	
			Fund %	ASX %
1	CBA	COMMONWEALTH BANK OF AUSTRALIA	9.7%	9.7%
2	ANZ	ANZ BANKING GROUP LIMITED	8.6%	6.0%
3	WBC	WESTPAC BANKING CORPORATION	7.7%	7.6%
4	TCL	TRANSURBAN GROUP	5.2%	1.4%
5	HGG	HENDERSON GROUP	4.9%	0.3%
6	NAB	NATIONAL AUSTRALIA BANK LIMITED	4.5%	6.1%
7	BTT	BT INVESTMENT MANAGEMENT LTD	4.5%	0.1%
8	MQA	MACQUARIE ATLAS ROADS GROUP	3.8%	0.1%
9	SYD	SYDNEY AIRPORT	3.6%	1.0%
10	MFG	MAGELLAN FINANCIAL GROUP	3.1%	0.2%

Market commentary

During August, most listed Australian companies reported earnings results for the period to 30 June 2015. Results were slightly better than expected, while outlook commentary and guidance were below expectations, resulting in downgrades to forecasts for FY2016.

Earnings per share for the market ex-resources increased by 8% on the pcp, while resources earnings per share declined by 32%. Current expectations are for 6% growth for the market ex-resources in FY2016, which is 2% lower than the consensus forecast heading into reporting season.

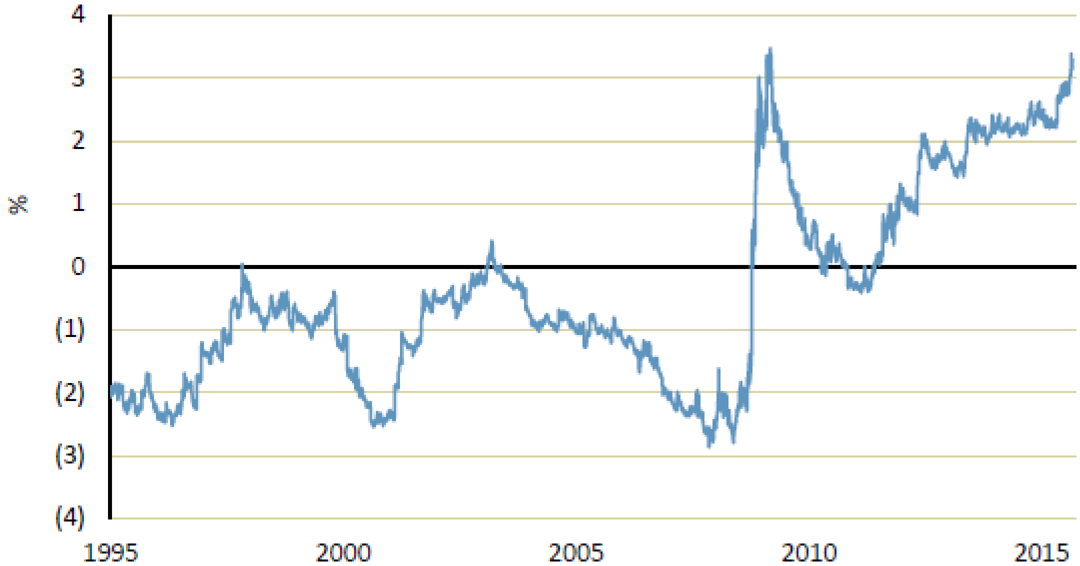
Domestic economic data during the month was mixed, with private new capital expenditure for the June quarter falling a worse than expected 10.5% on the pcp, driven by the resources sector. Positively, 38k new jobs were created in the month, compared to a consensus expectation for 10k.

The RBA held the cash rate steady at 2.0% for the third consecutive month, noting that growth has been below longer-term averages, while employment growth has been somewhat stronger over the past year.

US economic data continued to be strong, including an upward revision to June quarter GDP to a 3.2% annualised rate. However, this was overshadowed by Chinese economic data, which weakened during the month. A preliminary purchasing manager's index came in at 47.1, which compared to consensus of 48.3 and the 50 point mark which separates growth in activity from contraction. Chinese industrial production for July increased by 6.0% on the pcp, which was below the consensus expectation of 6.6%. Exports posted a particularly weak month, down 8.3% on the pcp. On the positive side, new home prices increased for the third consecutive month and housing activity levels were also positive. The People's Bank of China reduced the benchmark lending rate by 25bp during the month to 4.6%, while the Yuan depreciated by 2.6% against the US$.

The aggregate Australian equity market is currently trading on a forward PE of 14.3x, which is slightly below the 20 year average of 14.6x. The forecast dividend yield for the market is currently 5.3%, which represents close to a record high spread to the official cash rate as shown below.

Australian market dividend yield spread to official cash rate



Source: UBS

Ronni Chalmers
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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.

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