CBG ASSET MANAGEMENT

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THE AUSTRALIAN FUND MANAGER AWARDS

CBG Australian Equities Fund – November 2015

The CBG Australian Equities Fund returned 3.4% in November, which was a very pleasing result relative to the the S&P/ASX200 Accumulation Index return of -0.7%, representing outperformance of 4.1% for the month.

The fund's performance benefited from investments in companies with strong growth drivers which are somewhat independent of general economic conditions and from avoiding exposure to the resources sector and companies which reported earnings downgrades during the month. OzForex also added to performance after receiving a takeover approach from Western Union.

For the 12 months to 30 November 2015, the CBG Australian Equities Fund returned 10.8%, which compares very favourably to the S&P/ASX 200 Accumulation Index return of 1.9%, representing outperformance of 8.9%.

It is encouraging to see that investors who have been with the fund since inception have benefited from cumulative outperformance of 34.2%. Our aim is to continue to build on this total over the medium and long-term.

International equity markets were broadly positive in November, with the S&P500 gaining 0.1%, the FTSE 100 down 0.1%, the German Dax up 4.9%, the Nikkei up 3.5% and the Shanghai Composite gaining 1.9%. Australian equities underperformed relative to international markets in the month, with the resources sector being a key factor.

Across the Australian market industry sectors, healthcare (+5.3%), banks (+3.5%) and industrials (+1.2%) outperformed. The resources sector (-11.9%) fell sharply with further declines in commodity prices. Property (-2.9%) and utilities (-1.7%) also underperformed given sensitivity to interest rates, with the Australian government 10 year bond rate increasing by 26bp to 2.86% during the month.

Performance (to 30 November 2015)

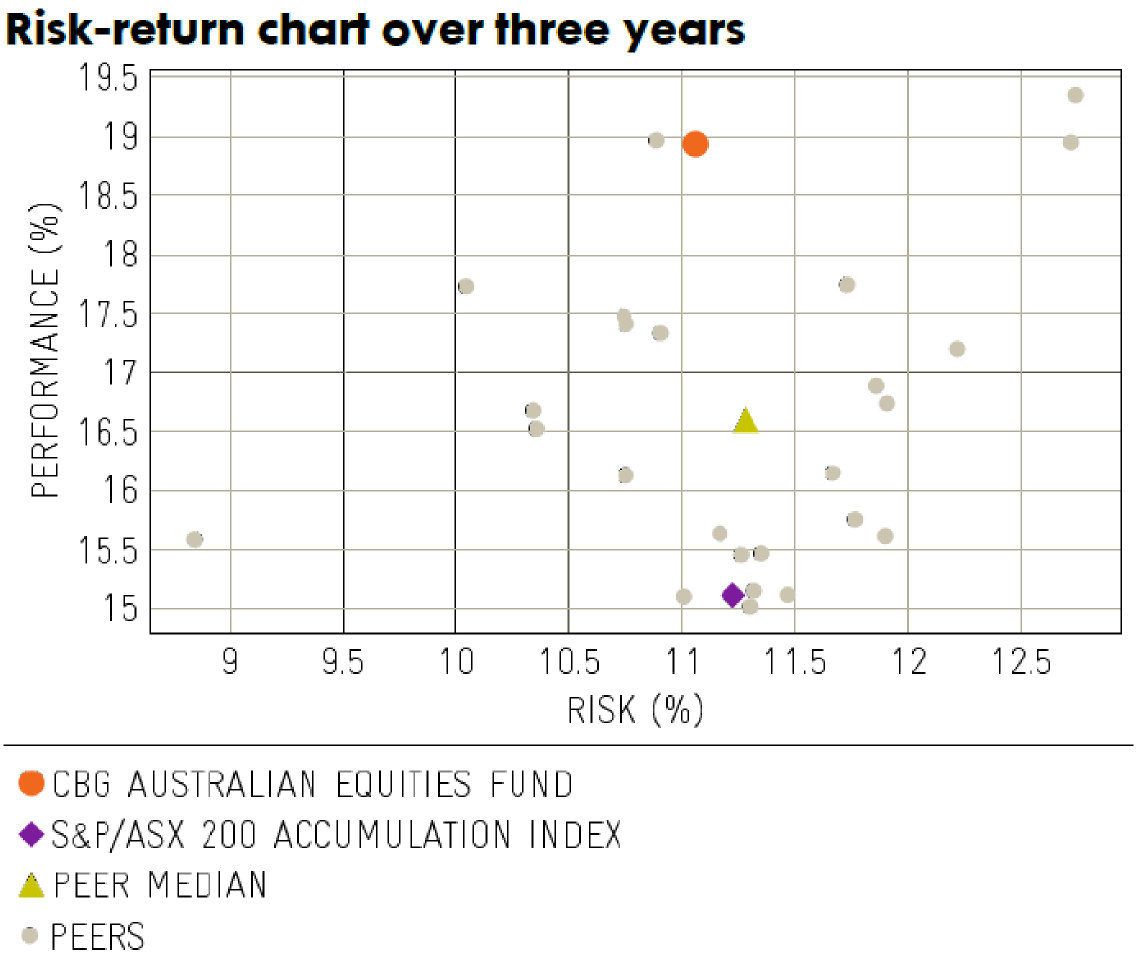
Fund Objective:
To outperform the S&P/ASX200 Accumulation Index over a rolling five-year period before fees, taxes and expenses.

	Fund %	Benchmark %*	Excess
1 Month net	**3.4**	-0.7	**+4.1**
6 Month net	**0.1**	-8.3	**+8.4**
1 Year net	**10.8**	1.9	**+8.9**
3 Years net annualised	**16.1**	9.4	**+6.6**
5 Years net annualised	**9.9**	7.2	**+2.8**
Since inception net annualised **	**6.9**	4.8	**+2.1**
Since inception net total return **	**91.6**	57.4	**+34.2**

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

Fund Commentary

The below chart highlights an important feature of the fund's performance over the past three years. The fund has generated significant outperformance over this period and this has been achieved with a level of risk (as measured by volatility of returns) at or below the index and peer median.



Stocks which produced notable positive returns in the month included Bellamy's Australia (BAL, 2.5% portfolio weight) which returned 44% given increased confidence in price increases and as demand continues to grow at a rapid pace. BAL announced a 20% increase to the recommended retail price during the month and also entered into a new manufacturing agreement with Fonterra, increasing the security of processing capacity to manage growth over the long term.

OzForex (OFX, 1.8% weight) returned 21% after receiving a takeover approach from Western Union. Western Union's non-binding proposal is for all cash consideration of between $3.50 and $3.70, representing a premium of 35% to 42% above OFX's share price prior to the announcement. The OFX Board is engaging with Western Union, granting exclusive due diligence to the company during the month.

Magellan Financial Group (MFG, 3.9% weight) returned 15% after strong retail flows and anticipated performance fees resulted in consensus earnings upgrades. The recent performance of the Magellan Global Fund has been solid, outperforming its benchmark by 5% on a 12 month rolling basis. Institutional flows have been soft, but retail flows have accelerated as the Global Fund has been added to a number of model portfolios across BT/Westpac and AMP. Retail inflows for the first 4 months of FY16 were equivalent to an annualised 22% of opening retail funds under management.

IPH (IPH, 2.1% weight) returned 14% after the company provided 1H earnings guidance which was well ahead of consensus estimates. The company also completed a $60m institutional placement during the month, providing funding to continue the successful acquisition strategy. The fund partook in this capital raising.

Tamawood (TWD, 0.9% weight) returned -4% given negative sentiment towards stocks exposed to the housing cycle. Despite this, at the company's AGM in November, the Chairman commented that "current enquiry levels indicate that sales in South East Queensland will be maintained or may in fact increase".

Auckland International Airport (AIA, 2.9% weight) returned -3% as interest rate sensitive sectors underperformed during the month. This was despite reporting very strong international passenger growth for October, up 7.3% on the pcp, including 36% growth for passengers from China.

Top Ten Holdings (as at 30 November 2015)

	ASX Code	Stock Name	Weighting	
			Fund %	ASX 200%
1	CBA	COMMONWEALTH BANK OF AUSTRALIA	9.3%	10.1%
2	ANZ	ANZ BANKING GROUP LIMITED	7.6%	5.8%
3	WBC	WESTPAC BANKING CORPORATION	7.5%	8.0%
4	TCL	TRANSURBAN GROUP	5.4%	1.6%
5	HGG	HENDERSON GROUP	5.0%	0.3%
6	BTT	BT INVESTMENT MANAGEMENT LTD	4.4%	0.1%
7	MQA	MACQUARIE ATLAS ROADS GROUP	4.3%	0.1%
8	NAB	NATIONAL AUSTRALIA BANK	3.9%	5.7%
9	MFG	MAGELLAN FINANCIAL GROUP	3.8%	0.2%
10	SYD	SYDNEY AIRPORT	3.1%	1.1%

Market commentary

Further large falls in commodity prices were a significant feature of the month of November. This included iron ore -14% to US$39 per tonne, nickel -14%, copper -10%, hard coking coal -8% and gold -7%, while thermal coal gained +3%. Australian private capital expenditure reported for the September quarter was also worse than expected, down 20% on the previous corresponding period, driven by the slow-down in resources investment.

The iron ore price declined further in November (US$/tonne)

Despite this area of weakness for the domestic economy, labour force data surprised significantly to the upside, with a 59k increase in employment resulting in a 0.3% reduction in the unemployment rate to 5.9%.

Another area of strength for the domestic economy is tourism, with a lower AUD providing support to international arrivals and influencing Australians to spend more of their tourism dollars at home. Since the AUD began to depreciate in early 2013, the delta in net exports of tourism has so far added 0.5% to GDP.

Positive US economic data has continued to firm up expectations of a December lift-off for US interest rates when the Federal Reserve meets next week. The increase in non-farm payrolls reported in the month of 271k exceeded the consensus forecast of 184k, nudging the unemployment rate down 0.1% to 5.0%.

Chinese economic data in the month was generally weak, including the official purchasing manager's index, which was below expectations and signalling continued contraction in manufacturing. Conversely, retail sales were better than expected, +11.0% on the previous corresponding period.

Eurozone GDP reported for the September quarter increased by 0.3% over the previous quarter to be up 1.6% for the year, which was in line with expectations.

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