



## CBG Australian Equities Fund update – January 2017

### Market commentary

While the Australian market posted a 19-month high during the month, a mid-month reversal in sentiment ahead of Donald Trump taking office saw the overall market decline modestly (-0.8%). However, the market remains up 6.9% since the election of the Trump administration on November 8 suggesting further potential downside if Trump’s policies fail to live up to expectations. Materials outperformed in the month as commodity prices rallied (ex oil) while the AUD advanced 4.4% to US\$0.7558.

Across the Australian market, the strongest sectors were Healthcare (+4.8%), Materials (+4.7%) and Utilities (+0.9%) and while REITs (-4.9%), Industrials (-4.7%) and Consumer Discretionary (-4.3%) lagged the market.

Across the globe, the S&P500 gained 1.9% while the Dow Jones Industrial advanced to 19,864 (+0.4%) after breaching 20,000 during the month for the first time. The NZ50 advanced 2.5%, the Shanghai Composite rose 1.8% and the German DAX rose 0.5%. Conversely, the FTSE 100 declined 0.6% while the Nikkei 225 lost 0.4%.

Ahead of reporting season, January saw a mix of guidance downgrades (BXB, ACX, BAL) alongside a few upgrades (BSL, CSL, SGM). Misses versus expectations have seen sharp share price corrections and we expect this to continue this reporting season. 18% EPS growth is expected in FY17 across the market though this is very heavily skewed to resources companies with median EPSg of 5% expected (source UBS).

Indicators for global economic growth have been improving in recent months. However, 2017 looks to be another year of elevated political risk with President Trump’s early policy (and other) announcements causing uncertainty with key trading partners and allies, the UK Prime Minister announcing that Britain would be looking to exit the European Union single market and key elections to occur across continental Europe over the year. Against this backdrop, we remain relatively defensively positioned with a reasonable holding in cash to take advantage of opportunities that may arise over the year.

### Performance and commentary (to 31 January 2017)

	1 month %	1 year % (pa)	3 year % (pa)	5 year % (pa)	Since inception* % (pa)
CBG Australian Equities Fund	-2.12	-0.26	5.36	10.39	5.79
S&P/ASX200 Accumulation Index	-0.79	17.34	7.40	10.56	5.53
Performance net of fees					
*Inception date 27 March 2006					

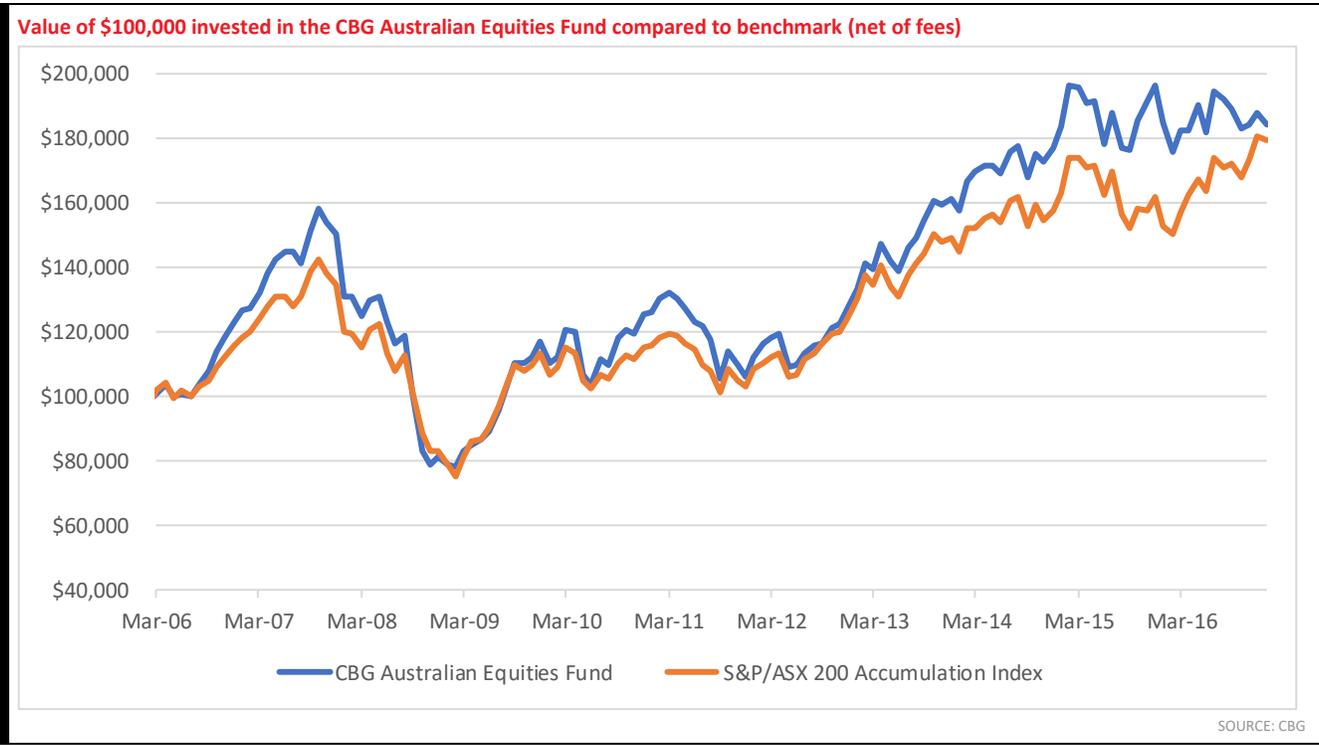
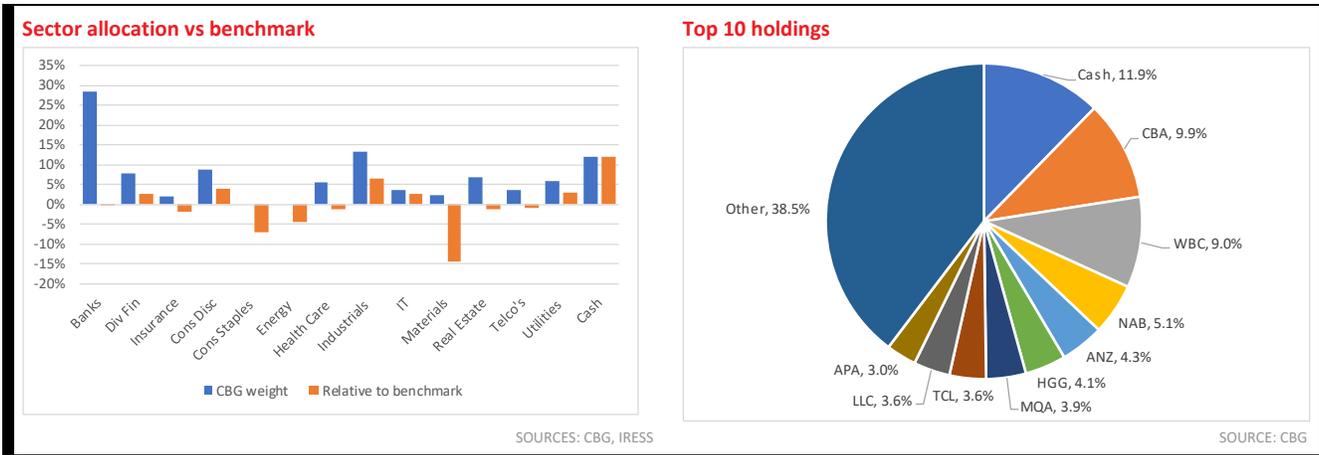
Strongest relative contributors to the portfolio included Wesfarmers (**WES**) which the fund does not hold, Speedcast International (**SDA**) and Millennium Services (**MIL**) while the biggest detractors included BHP Billiton (**BHP**), CSL Limited (**CSL**) (both underweights) and Henderson Group (**HGG**).

Of our portfolio stocks, strongest contribution was recorded by **SDA** (2.9% weight) which returned 2.6% after announcing the early completion of its latest acquisition. **MIL** (1.1% weight), a major supplier of cleaning, security and integrated services to shopping centres, and the commercial, government and education sectors was also a strong performer returning 6.3% while Resmed Inc (**RMD**, 2.0% weight) returned 4.1% after reporting better-than-expected 2Q17 revenues and NPAT during the month.

Portfolio stocks that detracted from fund performance included Brambles Limited (**BXB**, 1.9% weight) which fell 16.0% after the company guided to lower than expected sales revenue and Underlying Profit growth due to weakness in its Pallets Americas business.

Henderson Group (**HGG**, 4.1% weight) returned -10.7% as the market continued to be rattled by the potential negative impact of BREXIT and concerns over potential for higher FUM outflows from HGG’s various funds.

# Portfolios statistics (as at 31 January 2017)



**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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