



## CBG Australian Equities Fund update – June 2017

### Market commentary

The Australian equity market was flat in June, returning only +0.2%. Strengthening economic data in Europe and the USA suggests that the period of easy global monetary policy is ending. This will likely manifest as less bond buying by the European Central Bank and the US Federal Reserve. In turn, this means bond prices may decline (and interest rates rise).

These developments are encouraging, but also mean a reassessment of equity market valuations. We expect moderate rate rises in the US, while Australian lending rates may rise but remain historically low.

The Fund moved to reduce exposure to interest rate sensitive securities during the month, recognising the strong return these holdings have delivered and where share prices are now close to full valuations.

We have retained positions in companies such as Transurban (TCL) which offer strong growth.

International equity markets were quite mixed in June, reflecting bond market uncertainty. The S&P500 fell -0.6%, the FTSE100 was down -1.5%, the German Dax declined -3.2%, and the Nikkei 225 dropped -0.5%. However, the NZX50 rose 0.8% and the Shanghai composite rose 1.1%.

Across Australian industry sectors, Materials (+2.7%), Banks (+2.0%) and Insurance (+1.6%) were stronger. Interest rate sensitive sectors were the underperformers with REITs down -3.4%, Utilities -2.1% and Consumer Discretionary companies -1.5% for the month.

### Performance and commentary (to 30<sup>th</sup> June 2017)

Unit price (exit): \$1.48 (cum distn)	1 month %	3 months %	1 year %	3 years (pa) %	5 years (pa) %	Since inception (pa) %
CBG Australian Equities Fund	1.9	1.1	7.4	6.7	14.3	7.9
S&P/ASX200 Accumulation Index	0.2	-1.6	14.1	6.6	11.8	5.7

Please note that for comparability, performance figures are shown before fees.  
Inception date 27 March 2006

The strongest relative contributors within the portfolio in the month were Automotive Holdings Group (**AHG**), Vocus Group (**VOC**) and Janus Henderson Group (**JHG**). The biggest detractors were AirXpanders Inc. (**AXP**), Macquarie Atlas Roads (**MQA**) and Brambles Ltd. (**BXB**). This was largely a reversal of last month's positions.

Automotive Holdings Group (**AHG**, 2.3% weight) returned +14.0%. The share price recovered after last month's sell-off, following a reduction in FY2017 net profit guidance. The fund maintained its position with the shares offering a strong dividend yield and further cost-out and growth opportunities in the coming year.

Vocus Group (**VOC**, 1.2% weight) returned +19.5% in June. The company received a non-binding takeover proposal in early June, which has seen the stock price improve. The board of VOC has announced that they will allow non-exclusive due-diligence on the business. We expect further developments in the next few months.

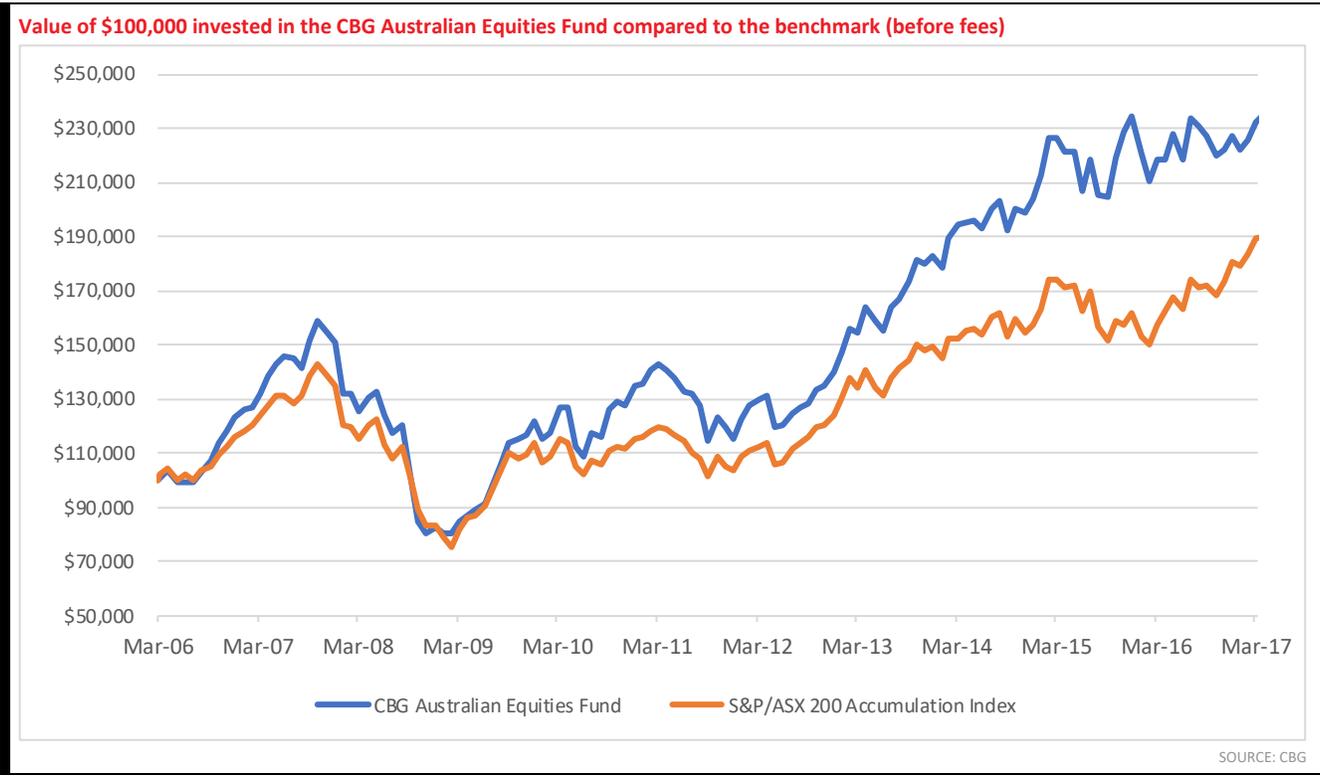
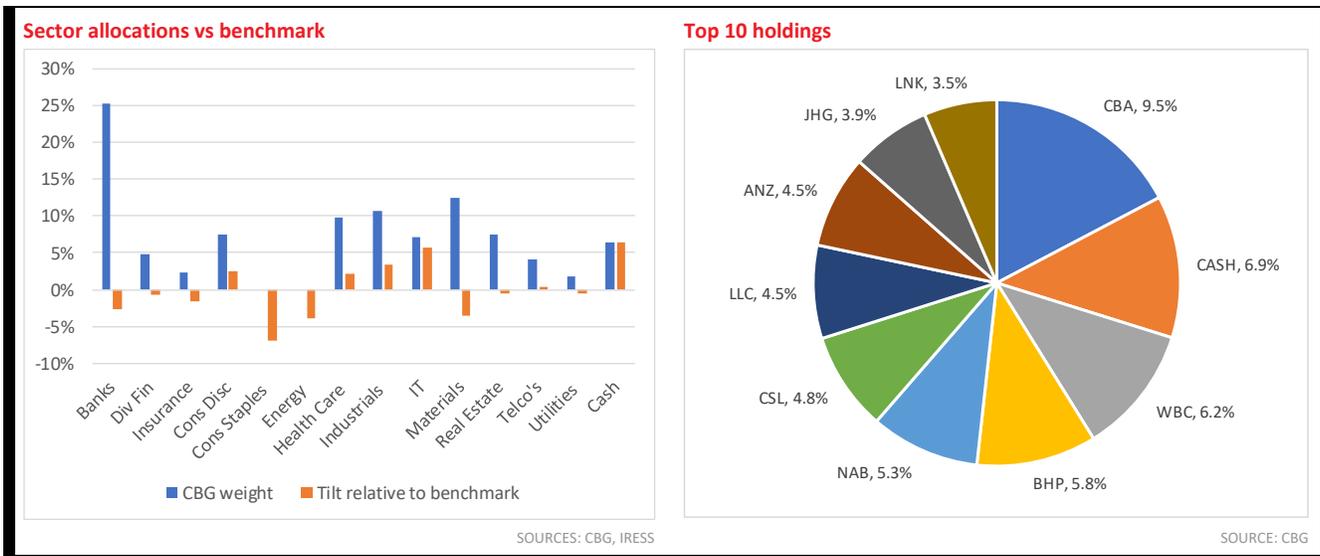
Janus Henderson Group (**JHG**, 3.9% weight) returned 4.8%, building on a strong share price rise in May as the merger between Janus Capital and Henderson Group was completed.

AirXpanders Inc (**AXP**, 0.5% weight) fell -19.4% in June on no news. We await updated sales figures from the company this month. The share price has risen +15.5% this month, following the fiscal year end.

Macquarie Atlas Roads (**MQA**, 3.4% weight) declined -4.1% in June, reversing some of last month's benefit from a reduction in the Australian Government 10-year bond yield. As noted above bond yields rose in June.

Brambles (**BXB**, 2.5% weight) declined -6.2% in June on concerns regarding the outlook for Fast-moving consumer goods volumes (FMCG) in the USA and increased competition. We retain our long term positive view.

# Portfolios statistics (as at 30<sup>th</sup> June 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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