

AUSTRALIAN  
**RESEARCH**  
INDEPENDENT INVESTMENT RESEARCH

**CBG Australian Equities Fund**

**March 2016**

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## Rating



## Structure

Unlisted Unit Trust

## Investment Area

Australia

## Liquidity

Daily\*

## Distributions

Semi-annually\*\*

## Custodian

J.P Morgan Chase Bank, N.A.

## Responsibility

CBG Asset Management Limited

\*Withdrawal requests can be submitted on any business day. Requests will generally be paid 5 business days after receipt of the request. We note the Fund may elect to suspend withdrawals under certain circumstances.

\*\*Paid on 30 June and 31 December each year. Distributions may comprise income, realised capital gains, tax credits, return of capital or tax deferred amounts

## Investment Information

Inception date	24 March 2006
Benchmark Index	S&P/ASX 200 Accumulation Index

## Fees

Management Fee (%)	1.026
Performance incentives (%)*	20.5
Buy/Sell spread (%)	0.25/0.25

\*20% of the Fund's outperformance of the S&P/ASX 200 Accumulation Index, conditional on returns being positive, and is paid semi-annually. Performance fees are not subject to a high watermark.

## Performance Analytics

	S&P/ASX 200 Acc	
	1 Yr	3 Yr (p.a.)
Excess Per. (%)	6.6	5.9
TE (%)	2.8	2.6
Std Dev (since incept.)	16.3	14.3

## FUND OVERVIEW

CBG Australian Equities Fund (previously known as FSP Australian Equities Leaders Fund) is an unlisted unit trust managed by the boutique fund manager CBG Asset Management Limited. The Fund changed its name after the founder, Ronni Chalmers, acquired the share of the business that he did not already own. While the name and ownership structure has changed the Fund will continue to be managed in the same manner. The Fund invests in a portfolio of Australian equities with a minimum of 75% of the portfolio invested in stocks from the S&P/ASX 200 index and a maximum of 25% invested in stocks outside the S&P/ASX 200 index. The Manager considers its sweet spot in terms of alpha generation to be primarily ex ASX 100 stocks.

## INVESTMENT OBJECTIVE

The fund aims to outperform the S&P/ASX 200 Accumulation Index over a rolling five-year period (before fees and expenses) and seeks to generate capital growth with some income for unit holders. The manager has a medium-term investment horizon, aiming to hold investments for three or more years

## STYLE AND PROCESS

CBG has a benchmark unaware, style neutral approach to investing. The Manager employs a multi-faceted investment process consisting of both quantitative and qualitative screens. The investment process can be broken down into five main steps: (1) a quantitative filtering process eliminates stocks that do not fit the manager's objectives; (2) a qualitative screen is applied to the remaining investment prospects to determine whether or not the stock is undervalued/mispriced by the market. The qualitative assessment focuses on management quality, market position and barriers to entry, among other criteria; (3) a meeting is arranged with senior management; (4) a detailed research report is written and (5) the investment report is presented to the investment committee to determine whether the stock should be added to the portfolio and how much capital is to be allocated to the investment. Positions will be reviewed and potentially exited if the stock reaches the price target, if there is a change in the company's fundamentals or if the stock price falls 20% from the purchase price.

## PORTFOLIO CONSTRUCTION

The portfolio will typically consist of 35-70 stocks. To reduce risk and maintain an element of diversification an individual investment may comprise no more than 10% of the portfolio, unless a stock has an index weighting of greater than 10%. The Manager is also subject to asset allocation limitations (detailed on page 2). As at 30 June 2015, the portfolio comprised 46 stocks with the top ten holdings accounting for approximately 55% of the portfolio, much more concentrated than the benchmark index. The portfolio covers companies of all sizes with generally around 50%, or so, of the portfolio allocated to top 50 stocks and the remainder of the portfolio allocated to ex-50 stocks.

## INDEPENDENT INVESTMENT RESEARCH COMMENTS

The Manager has a proven ability to generate alpha, outperforming over all time periods using 31 January 2016 as an end point. However, we do note that there is some positive end-point bias here, with three year rolling returns being variable. Volatility is higher, but not materially so, and is likely reflective of the strategy in which there is intentionally a relatively higher concentration of small cap stocks. We regard the investment team as suitably experienced and would describe the culture as flat and democratic. There is a good mix of experience and youthful endeavour. Team stability is clearly strong with only one investment team departure since the inception of the Fund, reflecting well upon team culture. The investment decision

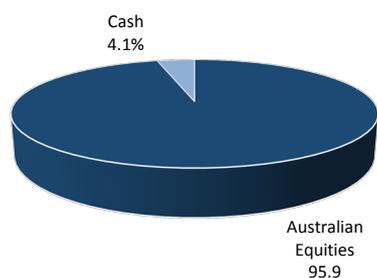
### SECTOR BREAKDOWN

Sector	%
Energy	0.0
Materials	0.0
Industrials	22.4
Consumer Discretionary	7.4
Consumer Staples	3.2
Healthcare	2.9
Financials (ex Property)	51.0
Property	4.4
Information Technology	4.8
Telecommunication Services	0.0
Utilities	3.9

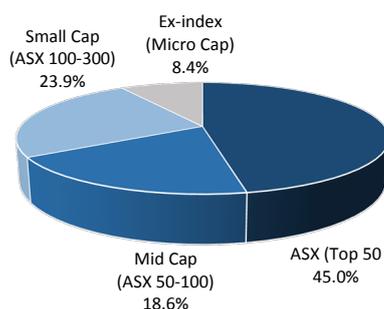
### PORTFOLIO LIMITATIONS

Asset Class	Allocation Limits (%)
ASX-listed stocks	50-100
Cash/Cash securities	0-50
Listed interest rate securities	0-10
IPO's	0-10

### Asset Weighting



### Size Weighting



process is open, with no one individual exercising an overly dominant influence over the process or team members. The investment process is conventional and inherently sensible. Portfolio construction is a function of conviction and consideration of stock and sector concentration. The inclusion of a factor risk tool would however strengthen the process in our view. We also note that the performance fee is at the high-end of the spectrum for an Australian equity fund. This would be our primary criticism of the fund.

### BOARD OF DIRECTORS

Robert Swil	Director (Non-Executive)
James Beecher	Director (Non-Executive)
Ronni Chalmers	Chief Investment Officer (Executive)

### INVESTMENT TEAM

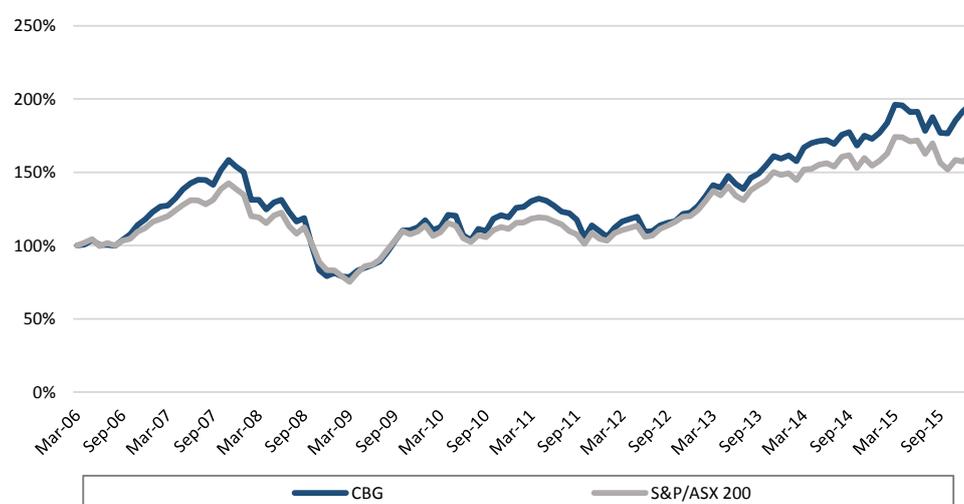
Ronni Chalmers	Chief Investment Officer
Robert Gregory	Portfolio Manager
Vincent Cook	Senior Equities Analyst
Michael Newbold	Senior Equities Analyst

### Portfolio (Top 10) Weighting

Code	Portfolio (%)	S&P/ASX 200 Index (%)
CBA	10.1	10.1
WBC	7.6	7.5
ANZ	6.8	5.2
TCL	6.6	1.8
MQA	5.0	0.1
HGG	4.2	0.3
AIA	3.9	0.0
NAB	3.8	5.1
SYD	3.5	1.1
MFG	3.4	0.2

Source all figures: CBG Asset Management/Independent Investment Research/IRESS. All data as at 31 Jan 2016 unless otherwise specified

### Portfolio Performance



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