



CBG Australian Equities Fund update – May 2018

Market commentary

The CBG Australian Equities Fund returned 2.5% gross in May, compared to a 1.1% rise in the S&P/ASX 200 Accumulation Index. Over the twelve months ending May, the Fund returned 16.8% gross, compared to the Index return of 9.6%.

Global equity markets posted positive returns, despite intra-month volatility due to political events. Two anti-establishment political parties in Italy attempted to form a coalition government, but were blocked by the Italian President, who rejected the appointment of a Eurosceptic Finance Minister. Investors were relieved on the forming of an interim government, headed by former IMF official Carlo Cottarelli.

In the Australian market, Healthcare (+5.6%), Diversified Financials (+5.1%) and Consumer Discretionary (+5.1%) were the best performing sectors. Telecommunications (-10.2%), Insurance (-1.4%) and Banks (-1.0%) underperformed.

Across international equity markets, returns were: S&P 500 +2.1%; Shanghai Composite +0.4%; Nikkei 225 -1.2%; German Dax -0.1%; FTSE 100 +2.2%; French CAC 40 -2.2% and NZX 50 +2.5%.

The iron ore price fell 2% in the month to \$65/tonne, while the Brent crude price rose 4% on supply concerns following the US withdrawal from the Iran nuclear deal. Nickel was the stand out base metal, rising 11% in the month.

Unit price (exit): \$1.5937	1 month (%)	6 months (%)	1 year (%pa)	3 years (%pa)	5 years (%pa)	Since inception* (%pa)
CBG Australian Equities Fund	2.5	7.7	16.8	6.7	11.1	8.5
S&P/ASX200 Accumulation Index	1.1	2.8	9.6	5.9	8.8	6.0

Please note that for comparability, performance figures are shown before fees. *Inception date 24 March 2006

The strongest relative contributors within the portfolio in the month were HUB24 (**HUB**), Lovisa (**LOV**) and Afterpay (**APT**). The biggest detractors were Link Administration (**LNK**), Boral (**BLD**) and James Hardie Industries (**JHX**).

HUB24 (3.5% weight) returned 24.3% as news related to the Royal Commission continues to support a strong long-term outlook for inflows to HUB's independent platform.

Lovisa (3.7% weight) returned 20.4% following an investor day at the company's Melbourne head office, which CBG attended. Presentations by key management highlighted the company's strong business model and the potential to accelerate the store rollout across a number of geographies.

Afterpay (2.5% weight) returned 30.6% on increasing confidence in the prospects for its business in the US. The company commenced trading in the US during the month, with initial retail partners including Urban Outfitters, which has online sales of over US\$1bn.

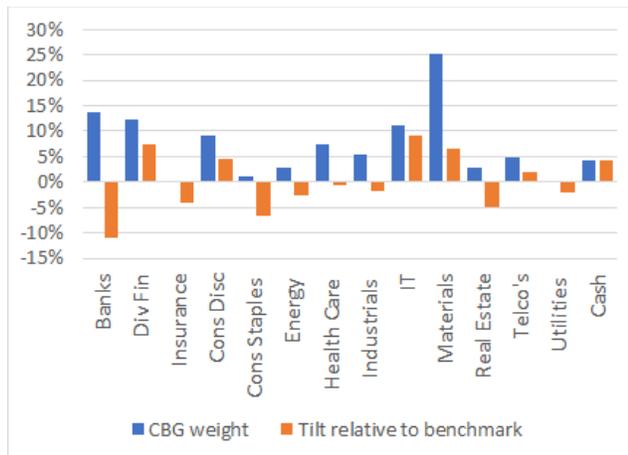
Link Administration (3.8% weight) returned -17.4% following a Federal Budget proposal to transfer inactive super accounts below \$6,000 to the ATO. This would have a negative revenue impact on Link, estimated at \$55m.

Boral (3.9% weight) returned -8.9% after a negative trading update in late April, highlighting weather impacts and costs associated with sourcing new supplies of fly ash in the US. Boral held an investor day in Brisbane during the month, which CBG attended. The CEO cited better recent weather and evidence of operational improvements in the US, but no quick fix for higher fly ash costs.

James Hardie (3.5% weight) returned -6.1% despite reporting a solid FY18 operating result, as the company reported an upward adjustment to its asbestos liability. Pleasingly, the share price has rebounded post month end.

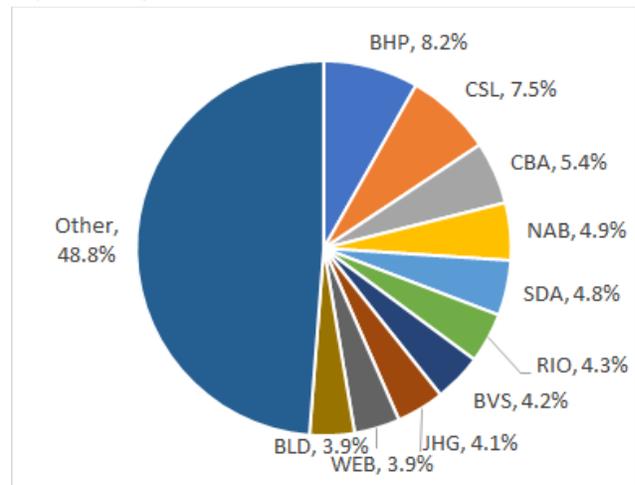
Portfolios statistics (as at 31 May 2018)

Sector allocations vs benchmark



SOURCES: CBG, IRESS

Top 10 holdings



SOURCE: CBG

Value of \$100,000 invested in the CBG Australian Equities Fund compared to the benchmark (before fees)



SOURCE: CBG

Ronni Chalmers

Chief Investment Officer

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.

Responsible Entity Equity Trustees ABN 46 004 031 298 AFSL 240975

Investment Manager CBG Asset Management Limited ABN 12 098 327 809 AFSL 246790

Level 7, 1 Market St Sydney NSW 2000

Tel: 1300 788 568 www.cbgam.com.au Email: enquiries@cbgam.com.au