



# **CBG Asset Management Presentation to Bentley Capital AGM**

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*Presentation by:*

**Ronni Chalmers**

AFSL 246790

ABN 12 098 327 809

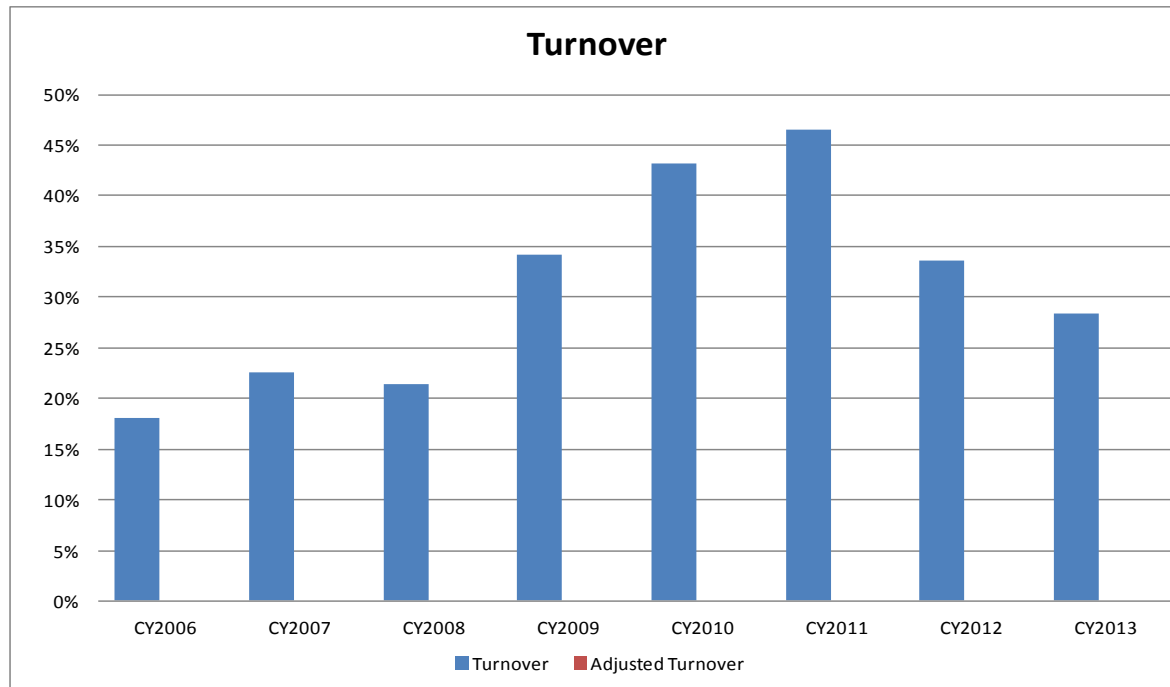
[rchalmers@cbgam.com.au](mailto:rchalmers@cbgam.com.au)

# Investment Philosophy

- Seek stocks that will outperform over 2-3 year time horizon
- Tax efficiency
- Tend to be overweight ex ASX 100
  - Why? Crowding by fund managers to ASX 100
- Seek to position portfolio with active positions. Currently 58%.
- Typically have 30 – 60 stocks in portfolio
- Can have up to 25% of fund ex ASX 200. Currently 9%.
  - Low by historical averages

# Investment Philosophy (cont'd)

- Low portfolio turnover - 2013 was 28%  
→ provides favourable after tax returns



# Competitive Advantage

We believe we can add value through:

- Constructing a portfolio with a high active share, based on detailed bottom up research of individual stocks.
- In addition we have a longer investment time horizon than our peers.
- Our ability to invest up to 25% of the portfolio in non-200 stocks is also a point of difference that creates the potential to add value. There have been numerous examples of stocks in which we have invested that have performed strongly and were subsequently added to the ASX 200.
- The fund also has the flexibility to have up to a 50% cash weighting.

# Competitive Advantage (cont'd)

- The CBG investment team has been very stable:
  - We have been able to keep the team together which has created an environment with shared beliefs and the ability to challenge each other
  - We have also been able to bring junior people on as our investigative process, template and team debate allows the senior members of the team to make sure that nothing is missed, and has allowed the analyst to learn and grow
- We believe that our risk management, which is based on intensive regular monitoring of each stock in the fund, also adds value. We achieve this through regular contact with company management, continuously checking that assumptions underpinning the investment case are valid, and reading various forms of media that may assist/build on the analyst's knowledge.

# Competitive Advantage (cont'd)

- The investment team has in excess of 500 meetings each year with management of ASX companies that we follow.
- Many of our peers have a level of FUM which becomes a disadvantage in terms of ability to invest outside the largest cap stocks in the market.
- As an independent boutique, we are more able to solely focus on researching stocks and managing the portfolio.

# Types of Companies Preferred or Avoided

- We prefer to invest in companies with robust business models and quality management, sustainable competitive advantage and barriers to entry, above average EPS growth, strong free cash flow and below average earnings/cash flow multiples relative to growth prospects.
- We tend to avoid stocks that have some or all of the following characteristics:
  - Poor or fundamentally weak business models
  - Companies operating in challenged industries
  - Companies with excessive levels of debt
  - Companies with management that does not act in shareholders' best interests
- In some instances, we believe that companies with high levels of debt are investable if they have, in our view, a high quality defensive earnings stream. As an example, the fund does own some infrastructure stocks that have above average levels of debt – however we believe the predictability of free cash flow from the underlying assets supports a higher level of debt than for conventional industrial companies. We still pay close attention to a number of debt-based metrics (interest cover, net debt / EBITDA and gearing) for infrastructure stocks.

# US Equity Volatility at 7 year Lows





# Net Performance as at 30 June 2014

	CBG AM Fund Net Return	S&P / ASX 200 Accum.	Net Value Added
2013 CY	26.9%	20.2%	+ 6.7%
1 Year	22.2%	17.4%	+ 4.8%
2 Years	23.9% pa	20.1% pa	+ 2.8% pa
3 Years	10.5% pa	10.4% pa	+ 0.1% pa
4 Years	12.3% pa	10.7% pa	+ 1.6% pa
5 Years	12.8% pa	11.2% pa	+ 1.6% pa
Annualised since Inception (April 2002)	10.3% pa	8.5% pa	+ 1.8% pa

# Top 20 Holdings as at 30 June 2014

	Name	CBG Weight	XJO Weight	Active Weight
ANZ	ANZ Banking Group	9.4%	6.3%	3.1%
WBC	Westpac Banking Corporation	8.7%	7.2%	1.5%
CBA	Commonwealth Bank of Australia	8.3%	9.0%	- 0.7%
BHP	BHP Billiton	5.0%	8.4%	-3.4%
HGG	Henderson Group	4.4%	0.2%	4.2%
NAB	National Australia Bank	3.8%	5.5%	-1.7%
TCL	Transurban Group	3.5%	1.0%	2.5%
SUN	Suncorp Group	3.2%	1.2%	2.0%
FLT	Flight Centre Travel Goup	3.2%	0.3%	2.9%
GEM	G8 Education	3.1%	0.1%	3.0%
BTT	BT Investment Management	3.1%	-	3.1%
MQA	Macquarie Atlas Road	3.0%	0.1%	2.9%
DUE	Duet Group	2.5%	0.2%	2.3%
OSH	Oil Search	2.5%	1.0%	1.5%
LLC	Lend Lease	2.5%	0.5%	2.0%
SYD	Sydney Airport	2.1%	0.7%	1.4%
RMD	Resmed	1.9%	0.5%	1.4%
IVC	Invocare	1.9%	0.1%	1.8%
ENV	Envestra	1.9%	0.2%	1.7%
RFG	Retail Food Group	1.9%	0.1%	1.8%
	<b>TOTAL</b>	<b>76.1%</b>	<b>42.6%</b>	<b>44.9%</b>

# How is the Fund Positioned Today?

- 20% overweight financials including fund managers
- 12% underweight resources
- Overweight utilities/infrastructure
- Underweight non 200's vs 8 year average
- No mining services companies

# Disclaimer

*“Performance is influenced by market volatility over time. Past performance is not necessarily indicative of future performance. Neither CBG Asset Management Limited or any related corporation guarantee the repayment of capital or the performance of the CBG Australian Equities Fund. The contents of this report have been prepared without taking into account your individual objectives, financial situation or needs. Because of that, before acting you should consider the appropriateness of what is included here, having regard to your own objectives, financial situation and needs.”*