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CENTURY  
AUSTRALIA  
INVESTMENTS LIMITED



**Annual General Meeting**

**Tuesday 25<sup>th</sup> October 2011**

**2.00pm**

Delivering **regular income** and **long-term growth** to investors through  
a **focused and disciplined** investment strategy

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## Agenda

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- **Chairman's Address**
  
- **Ordinary business**
  - Annual reports and accounts for the year ended 30 June 2011
  - Re-election of director – Stephen Menzies
  - Adoption of the Remuneration Report
  
- **Presentation by John Murray, Managing Director - Perennial Value Management Limited**

## Chairman's Address

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### Financial Performance

- Operating profit \$3.6m compared to \$5.8m in 2010 year
- Net profit \$2.2m compared to \$13m in 2010 year
- Impairment losses \$800K compared to \$3.9m in 2010 year
- Realised gains \$2.8m compared to \$14m in 2010 year
- Net Assets decreased to \$71m from \$162m at June 2010
  - After buy back \$76m
  - After special dividend of \$10.6m

## Chairman's Address

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### Portfolio Performance

- Gross portfolio return of Century year to 30 June 2011 was 2.31%, S&P/ASX300 return was 11.9% for the same period
- Since Perennial Value Management appointment (September 2010) to 30 June 2011
  - Century gross return -1.36%
  - S&P/ASX 300 Accumulation Index 3.69%
- Performance impacted by transitioning of portfolio and high cash balances maintained in the lead up to the buy back

## Chairman's Address

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### Expenses and Indirect Cost Ratio

- Extensive review of all expenses – savings exceed \$100K
- Total directors' fees reduced 39% to \$120K p.a.
- Indirect Cost Ratio (formerly known as MER)
  - Expected to be under 1.2% for 2012 financial year
  - 1.3% in 2011 financial year
  - 1.28% in 2010 financial year

## Chairman's Address

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### Perennial Value Management

- Appointed interim investment manager from 9 September 2010
- Renegotiated management fee from 0.55% management fee to 0.4% and a 10% performance fee for outperformance in excess of benchmark plus a hurdle of 1% subject to recoupment of any accrued underperformance – effective 1 June 2011

## Chairman's Address

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### Dividends

- Prior year final dividend of 5 cents per share paid September 2010
- Special dividend of 6.2 cents per share February 2011
- No tax on next \$35.5m of realised gains
- Based on current portfolio yield, expect a franked dividend of around 3.5 to 4 cents per share for 2012 financial year (subject to market conditions)
- Difficult to forecast dividend payments due to legislative uncertainty
- Preference to flow through 3.5 to 4 cents per annum franked dividend

## Chairman's Address

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### Dividends

- At 30 June 2011 franking credits sufficient to pay 1.5 cents per share fully franked dividend. Not paid due to legislative uncertainties
- Corporations / Taxation Law changes
  - Treasury proposed that dividend payments not constrained by negative retained earnings
- ATO interpretation of changes disallows payment of franked dividends from current year profits where the retained earnings are negative – clearly contrary to intent of Treasury
- Hope for uncertainty to be resolved by Government
- Century has joined other LIC's in making a submission to Government to rectify the difference

## **Chairman's Address**

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### **Capital Management**

- On market buy back up to December 2010
  
- Equal access buy back approved at 2010 AGM
  
- Acceptances representing 53% of issued capital were received

## **Agenda**

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## Re – election of Director

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### Resolution

“To re-elect Stephen Menzies as a Director of the Company, who retires in accordance with the Company’s constitution and being eligible, offers himself for re-election.”

### Director Re-election: Mr Stephen Menzies - Proxies

	Holders	Votes
For	189	10,088,118
Against	14	385,483
Open	77	1,348,000
Abstained	8	196,536

## Adoption of Remuneration Report

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### Resolution

“In accordance with Section 250R of the Corporations Act, the Company adopts the Remuneration Report for the year ended 30 June 2011 in the form set out in the Directors Report.”

## Remuneration Report - Proxies

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	Holders	Votes
For	151	9,446,144
Against	50	1,073,732
Open	31	659,522
Abstained	10	166,261

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## Century Australia Investments Limited

### Perennial Value Australian Shares

John Murray – Managing Director  
Tony Oesterheld – Senior Portfolio Manager

October 2011

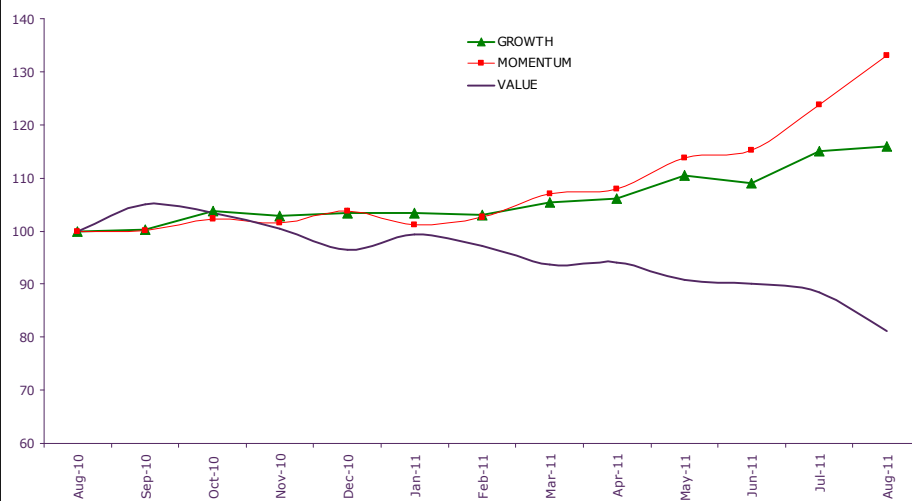
## Current State of Affairs



- Macro concerns around Europe and US absolutely dominating
- Increased risk aversion
- Momentum market with very short term focus
- Cyclical underperforming defensives
- **Complete disconnect between share prices and long-term fundamentals**

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## Investment Style Performance – 12 Months



Source: GS&PA Research, IRESS, I/B/E/S.

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## Reporting Season Snapshot



- Portfolio fared well during reporting season
- Majority of companies continued to grow earnings
- Balance sheets strong
- Valuations undemanding

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## Earnings Growth Trends



EPS Growth	FY09A	FY10A	FY11A	FY12F
Industrials	-11.8%	-0.5%	<b>-3.0%</b>	+11.9%
Banks	-14.9%	+22.4%	<b>+11.4%</b>	+5.5%
Resources	-29.8%	+20.4%	<b>+33.9%</b>	+22.4%
Market	-20.5%	+7.5%	<b>+11.4%</b>	+12.8%

Source: IBES, UBS (Based on ASX100)

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**Amcor** 

**FY11 EPS +33%**


**Positives:**

- Bottom of the cycle purchase of Alcan Packaging
- Global leader in packaging
- Ken MacKenzie (CEO) key driver
- Substantial integration synergies \$200-250m

**Valuation:** FY12 forecasts based on \$6.55 share price

- P/E 11.4x
- P/FCF 10.1x
- Gross Yield 6.8%

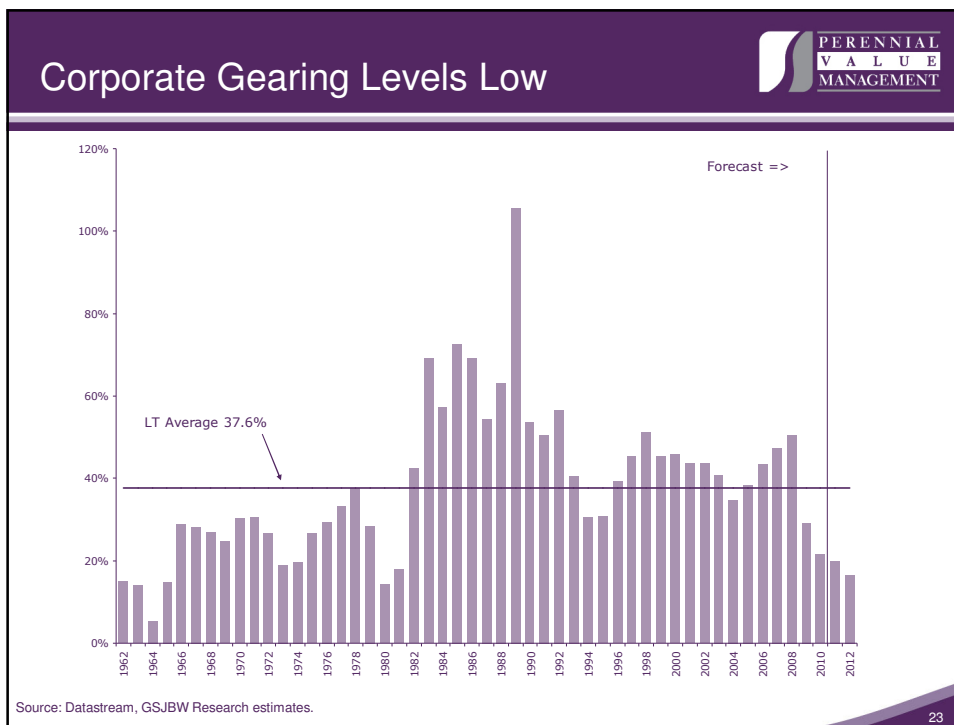
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**Major Banks – 24% of the Market** 


**Key points from CBA FY11 result and Q3 Updates:**

- CBA record NPAT up 12% to \$6.8bn, DPS up 10% to \$3.20
- Lending growth slowing
- Interest margins expanding
- Overall credit quality improving
- Focus shifting to cost control
- Capital positions strong
- Balance sheets highly liquid
- Growth entirely deposit-funded
- Sector average FY12 P/E 9.2x, FY12 Gross Yield 10.7%

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## Portfolio Characteristics



Prospective FY12	Price to Earnings (times)	Price to free cashflow (times)	Gross Yield (%)	Price to NTA (times)	Net Interest Cover (times)	3yr EPS growth (%p.a.)
Market Average	10.4	9.8	6.8	1.9	20.6	9.4
Perennial Value	<b>9.7</b>	8.8	<b>7.5</b>	1.6	22.9	9.8
Premium/ (Discount) to Market	(7%)	(11%)	10%	(13%)	11%	4%

*Portfolio true to label 'Value' style*

Source: Perennial. As at 14 October 2011. The above figures are forecasts only.

## Corporate Governance



- PVM takes an active role in corporate governance issues
- Publicly challenging Boards to benefit our investors:
  - Seven/WesTrac, Fairfax, RIO, NAB
- PVM will vote against company board recommendations when we believe they are not in the interests of shareholders
- Voting Policy – PVM votes on all resolutions at AGMs
- ESG a key risk management tool

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## Conclusion



- Investment staff stake in business
- Capital preservation
- Dividend stream critical
- Buying good businesses for good value

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## Disclaimer



- Investment Manager: Perennial Investment Partners Limited ABN 59 087 901 620, AFSL No. 238763 ("Perennial"). Sub Manager: Perennial Value Management Limited ABN 22 090 879 904, AFSL No. 247293. Perennial International Equities Management Pty Limited ACN 099 336 375, Perennial Fixed Interest Partners Pty Limited ABN 35 099 336 357, Perennial Growth Management Pty Limited ABN 41 099 336 384 and Perennial Real Estate Investments Pty Limited ABN 35 117 913 685 are Subsidiaries and Authorised Representatives of Perennial. Responsible Entity: IOOF Investment Management Limited ABN 53 006 695 021, AFSL No. 230524.
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- Investment in the Trusts must be accompanied by the application form attached to the current product disclosure statement. The current product disclosure statement can be found on Perennial's website [www.perennial.net.au](http://www.perennial.net.au).

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