

11 January 2011

Company Announcements Office
Australian Stock Exchange Limited
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam,

Further to the Net Tangible Asset Backing announcement for December 2010 that was lodged on 7 January 2011 attached is monthly portfolio commentary.

PORTFOLIO COMMENTARY DECEMBER 2010

Market Review

The market was strong in December, with the S&P/ASX 300 Accumulation Index (the Index) finishing up 3.8%. As in previous months, the Resources sector remained strong rising 6.4%, whilst the Industrials sector only increased by 2.5%.

Global markets were positive in December, as sentiment towards the US economy improved on the back of stronger macroeconomic data. The S&P 500 rose 6.5% and the FTSE 100 rose 6.7% to its highest levels since 2008. Commodity prices moved higher, with oil reaching a 12 month high of US\$91 per barrel. Copper also reached an all time high. Increasing merger and acquisition activity was a feature of markets both in Australia and offshore.

Domestic economic indicators were mixed. While GDP growth slowed in the September quarter, employment growth remained strong with a high level of full-time job creation. The Reserve Bank of Australia left interest rates unchanged at 4.75% and the Australian Dollar (AUD) remained strong, finishing the month above parity at 102.3 US cents.

Materials (up 6.8%) was the best performing sector, as mining stocks rallied and steel stocks recovered. The Energy sector (up 4.6%) was also strong, as the oil price rose. The worst performing sector was Telecommunications (down 0.7%). The Consumer Discretionary (down 0.5%) and Consumer Staples (up 0.8%) sectors also underperformed, on weaker consumer spending in the lead up to Christmas.

Portfolio Review

The Century Australia Investment Portfolio (the Portfolio) finished the month up 2.7%, underperforming the Index return by 1.1%. This underperformance was largely due to the Portfolio's overweight position in the lesser performing Consumer Discretionary and Financials sectors and underweight position in the stronger performing Resources sector.

Better performing stocks in the Portfolio over the month included Lend Lease Group (up 13.9%), following its acquisition of construction and engineering group Valemus; Austereo (up 8.1%), on the

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release of data showing that the radio advertising market was growing strongly; and, Boral (up 7.3%), after announcing price increases for concrete and aggregates in Australia.

Stocks which detracted from performance included Qantas (down 3.4%), following the grounding of its A380s; Ten Network Holdings (down 3.4%), after announcing management changes; and, Telstra (down 0.7%) and Telecom New Zealand (down 2.1%), following strong performances last month and despite relatively positive regulatory developments.

During the month, the Portfolio received shares in Westfield Retail Trust following its demerger from Westfield Group.

In recent months, the Team has broadly aligned the Portfolio holdings with those of the Perennial Value model portfolio. To date this has involved the following actions:

1. Increasing holdings of ANZ, CBA, BHP, Amcor and News Corp Voting stock;
2. Reducing the overweight positions in Brambles, AMP, IAG and Telecom New Zealand;
3. Selling out of Woolworths, Primary Healthcare and News Corp Non-voting stock; and
4. Beginning the process of exiting some of the more illiquid small holdings which the Team do not hold in its model portfolio. At 31 December 2010, Perennial Value had completely sold out of holdings in Bunnings Warehouse Property Trust, Dulux Group, Carindale Property Trust, Reef Casino Trust, K&S Corporation, Ruralco Holdings and Guinness Peat Group. Perennial Value had also reduced holdings in Korvest.

Investment Outlook

Economic conditions remain challenging in many developed markets. However, growth in emerging markets is strong and overall global growth is recovering. The Australian economy in particular is performing well, benefitting from its resource exposure to these emerging economies, with falling unemployment, a strong financial system and stable asset prices. As a result of the current uncertainty, the market is currently trading at a very attractive level relative to long term valuations. This offers investors very good opportunities over the medium term.

Top Equity Holdings – 31 December 2010

The top ten equity holdings of the Century Australia Portfolio as at 31 December 2010 were as follows:

Security Name	% of Portfolio
BHP Billiton Limited	10.2
Westpac Banking Corp	7.5
National Aust. Bank	6.2
Commonwealth Bank.	5.8
Telstra Corporation.	5.8
ANZ Banking Group Ltd	5.2
RIO Tinto Limited	4.2
Lend Lease Group	3.4
Fairfax Media Ltd	3.3
Amcor Limited	2.9

At month end, stock numbers stood at 30 with cash at 15.1%.

