

13 June 2008

# CENTURY AUSTRALIA

INVESTMENTS LIMITED

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

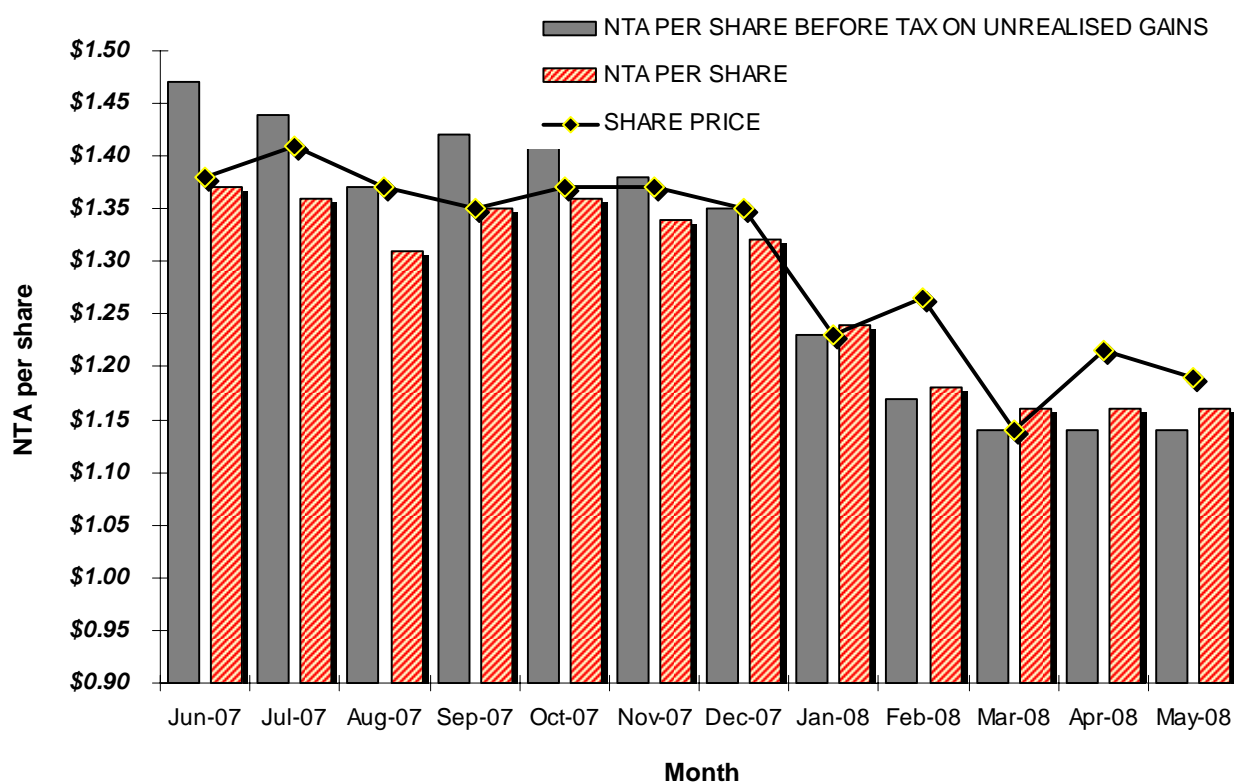
Dear Sir/Madam

## **MONTHLY NET TANGIBLE ASSETS PER SHARE<sup>1</sup>**

The unaudited Net Tangible Asset Backing for Century Australia Investments Limited ("Century Australia") is as follows:

Month	NTA per share before estimated tax on unrealised income & gains <sup>2</sup>	NTA per share after estimated tax on unrealised income & gains <sup>3</sup>
31 May 2008	1.14	1.16
30 April 2008	1.14	1.16

## **NTA Performance**



## Market Review – May 2008

The Australian equity market (as measured by the S&P/ASX 300 Accumulation Index) ended the month of May 2008 up 1.7%. Whilst the market is down 6.7% on a 12 month basis, there is a marked divergence between the performance of resource stocks (up 36%) and industrial stocks (down 19%) over this period.

The US S&P 500 Index rose 1.1% in May with economic data continuing to point to a weak economy albeit with reduced concerns regarding a deep recession after better than expected US payroll numbers. The Australian Dollar continued to rise against the US Dollar closing at US95.60 cents.

On the domestic economic front, the Reserve Bank left interest rates on hold. Economic data released during the month showed the domestic economy is slowing, with retail sales, building approvals and credit growth all declining. However, employment growth continued to be solid.

The rise in the Australian equity market was assisted by merger and acquisition activity. Westpac (down 2.2%) made an all script merger offer for St George Bank (up 28.7%) which if completed will make the combined group Australia's largest bank. The board of Insurance Australia Group (down 7.6%) rejected a proposal from QBE Insurance Group (down 3.4%) as did the board of Origin Energy (up 11.8%) with regards to a takeover offer from British Gas.

The best performing sectors during the month were Energy (up 19.9%), Information Technology (up 9.5%) and Telecoms (up 4.4%). Performance in the Energy sector was driven by a 12% rise in the WTI spot oil price which closed the month at US\$127.30. The oil price is now up 32.7% for the calendar year to date and 98.9% on a one year rolling basis. Energy stock gains included Paladin Energy (up 37.4%), Santos (up 32.7%) and Woodside Petroleum (up 16.3%).

The weakest sector during May was Property Trusts (down 8.9%) led by Mirvac Group (down 21.7%), Stockland (down 12.7%) and Westfield Group (down 6.5%) due to concerns regarding dividend cuts and high gearing levels. Other sectors to underperform were Industrials (down 2.6%) and Healthcare (down 2.3%) after budget changes that negatively impacted private hospital operators and health insurers.

The Materials sector (up 4.1%) outperformed with a strong contribution from resources stocks, partly mitigated by a weak performance from building materials companies. Fortescue Metals Group (up 43.7%) rose after the company loaded its first shipment of iron ore from the Pilbara. BHP Billiton (up 2.9%) continued to outperform the market with the announcement of new growth opportunities.

The Financial (ex Property) sector (down 0.2%) underperformed with diversified financials recording large declines led by Allco Finance Group (down 58.1%) and Babcock and Brown Ltd (down 15.2%) as investors continue to be wary of stocks with high levels of debt and potential short term refinancing risk (452 Capital has not owned either Allco or Babcock and Brown). Mixed performances from the banks with National Australia Bank (up 6.9%) and Westpac Banking Corporation (down 2.2%) posting better than expected 1st half results. The operating results for ANZ Banking Group (up 1.8%) and St George Bank (up 28.7%) were disappointing on a number of fronts. The recurring theme in the banking sector results was deteriorating asset quality and higher ongoing funding costs.



## Portfolio Review – May 2008

Century Australia's underlying investment portfolio returned 0.3%, underperforming the benchmark S&P/ASX 300 Accumulation Index which returned 1.7%. The strong contribution from resources to the market's return again in May held back returns for the investment portfolio. Positive contributors to performance during May included the portfolio's overweight positions in Telstra Corporation and Foster's Group as well as an underweight position in Commonwealth Bank of Australia and not holding Westfield Group or Macquarie Bank. Detractors from performance for the month came from an overweight position in Insurance Australia Group as well as not owning Fortescue Metals Group or Woodside Petroleum.

## Investment Outlook

The Australian equity market (as measured by the S&P/ASX 300 Accumulation Index) rose 1.7% during May despite continued market volatility. The Investment Manager expects the heightened volatility in equity markets to continue over the medium term and retains its cautious outlook.

The performance of the overall market is being increasingly supported by the resources sector as the divergence in performance between Industrial stocks and Resources stocks has increased markedly. Over a twelve month period the resources component of the index is up 36% whilst industrial stocks are down 19%.

If sentiment toward the resources sector turns negative, a real likelihood in the Investment Manager's view, market performance will come under significant pressure. As reiterated previously, the Investment Manager continues to remain underweight resources on a through-the-cycle view with the following concerns;

- most commodity prices remain near record highs in USD terms despite the global economic downturn,
- some commodities are experiencing an asset price type bubble due to speculative buying from investment funds; and,
- large transactional sized merger activity is supporting sector share prices as some investors focus on the splendour of takeover rather the underlying long term value of the transaction.

The Investment Manager is beginning to see relative value emerge in some non-bank industrial stocks, based on a through the cycle view of earnings, particularly those stocks with a US dollar exposure. However, the Investment Manager remains cautious that equity markets may have recovered too quickly, not making enough allowance for the continued impacts of deteriorating credit markets and slowing global growth.

452 Capital continues to hold a conservative portfolio in that the companies are not highly geared and have valuations which are relatively attractive on a through the cycle basis. As such, the Investment Manager holds overweight positions in the media, telecommunications, insurance and gaming sectors, whilst significantly underweight resource companies and to a lesser extent banks. It should be noted that 452 Capital may construct the portfolio quite differently to the benchmark.



## Top Equity Holdings – May 2008

The top ten equity holdings of the Century Australia portfolio as at 31 May 2008 were as follows:

Security Name	% of Portfolio
National Australia Bank	7.9
Telstra Corporation	7.2
AMP	5.8
BHP Billiton	5.0
News Corporation	4.6
Fairfax Media	4.6
Brambles	4.5
Foster's Group	3.9
Insurance Australia Group	3.6
Westpac Banking Corporation	3.5

As at 31 May 2008, the portfolio held 12.0% in cash.

Peter Roberts  
Company Secretary

### Footnotes

<sup>1</sup> The calculation is based on the Company's interpretation of law relating to ASX Listing Rule 4.12.

<sup>2</sup> The Net Asset Backing is based on investments at market value and is after provision for tax on net realised gains and before providing for deferred tax on unrealised gains on its long term investments. Deferred tax on unrealised gains was a deferred tax asset during the period from 31 January 08 until the current reporting date.

<sup>3</sup> Century Australia is a medium to long term investor and does not intend disposing of its total portfolio. However, under AIFRS the Company is required to provide for estimated tax on gains that would arise on such a disposal.

