



Dear Investor,

It is my pleasure to write to you having recently assumed responsibility for the management of the Century Australia Investments Ltd portfolio. My colleagues and I in Perennial Value are delighted to now be involved with Century and look forward to the opportunity to present to you at your forthcoming AGM.

We believe that our moderate value investment style is ideally suited to the needs of Century Australia investors. Our focus on investing in quality companies, with strong balance sheets and attractive valuations has a proven track record of delivering superior investment returns over the long term.

After taking over management of the Century portfolio, we have reviewed the portfolio and moved to more broadly align the portfolio holdings with those of the Perennial Value portfolio. The most significant change to date has been to reduce the very large underweight position in resources. This has already benefited the portfolio given the recent strength of the resources sector. We have also increased holdings of stocks in which we have a high level of conviction such as ANZ and Amcor and sold out of Woolworths, a stock which we do not believe is trading on an attractive long-term valuation. Finally, we have moved to exit several of the smaller, less liquid holdings which we do not hold in the Perennial Value portfolio.

Perennial Value Management (PVM) was formed in March 2000 and currently manages over \$10 billion for a large number of retail investors, superannuation funds and institutions. We are proud to have been entrusted by investors to manage money for over 10 years.

The firm is half owned by the investment management staff. This both provides a strong alignment of interests with those of our investors and has produced one of the most stable investment teams in the industry. Continuity of the management team and consistent adherence to a disciplined investment process has been a key factor in our ability to deliver consistently good returns for investors. Our team of nine investment professionals is amongst the most experienced in the industry with three of the senior team members each having over 20 years investment experience and the average experience of the team being 14 years. Further details of the Perennial Value's investment process and investment team can be found in the enclosed flier.

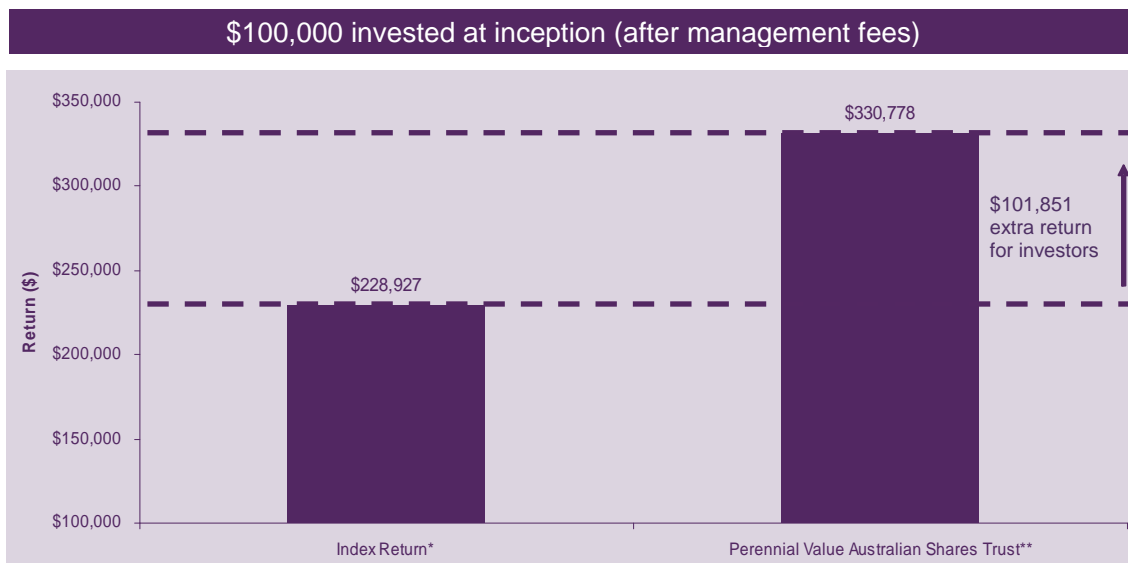
The remaining 50% of Perennial Value is owned by Perennial Investment Partners, a wholly-owned subsidiary of IOOF Ltd, an ASX-listed financial services company with a market capitalisation of over \$1.7bn and a history of over 160 years. Perennial Investment Partners comprises a stable of five separate boutique investment management businesses, with combined funds under management of over \$20bn across a wide range of asset classes. Perennial Value and the other boutiques benefit from the shared resources of Perennial Investment Partners which provides all support services including back office, administration, legal and compliance. This arrangement gives us the best of both worlds, as we are operationally independent, owned and controlled by the investment staff, yet we have the support infrastructure of a larger organisation.

Perennial Value Management is also among the most highly-rated investment managers in Australia, with top ratings from a range of research houses including:

- Lonsec – Highly Recommended
- Morningstar – Highly Recommended
- S&P – 5 Stars
- Van Eyk – A-rated
- Zenith - Recommended

We were also pleased to be awarded the prestigious Morningstar Fund Manager of the Year award for 2009.

As an active value-based stockpicker, Perennial Value has certainly been put to the test on many occasions over the last decade, such as during the virtually unprecedented volatility of the last three years. We would like to think that we have served our investors well. For example, a \$100,000 investment in the Perennial Value Australian Shares Trust at inception would now be valued at \$330,778 after management fees. This is \$101,851 more than the value of a similar investment in ASX300 Accumulation Index which would now be worth \$228,927. Expressed differently, Perennial Value has delivered a return (after-fees) of 12.0% pa over this period, some 3.9% pa above the index return of 8.1% pa.

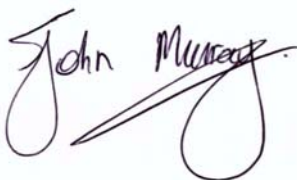


\*S&P/ASX 300 Accumulation Index. \*\*\$100,000 invested on 31 March 2000 in the Perennial Value Australian Shares Trust showing the value of the investment at 31 October 2010. Based on the assumption that distributions are reinvested. Source: Perennial Investment Partners Limited.

Of course, that is all in the past now and what matters is what we do going forward. We will continue to invest in a prudent and pragmatic fashion, continually seeking to invest in good businesses which represent good value.

Finally, Perennial Value has a track record of actively engaging with companies on corporate governance issues and you can rest assured that holding company directors and senior management to account will remain as strong a focus as ever.

Yours faithfully



**John Murray**  
Managing Director  
**Perennial Value Management Limited**

## Investment Philosophy and Objective

Perennial Value is a specialist active Australian equities manager, with a 'value' stockpicking investment style. Perennial Value believes that investment markets are not fully efficient, as asset prices are sometimes driven by irrational influences. Perennial Value aims to buy good businesses that are undervalued, with a belief that they are eventually recognised by markets and re-rated to reflect their value. Perennial Value aims to outperform the S&P/ASX300 Accumulation Index (the Index) by 3% p.a., over rolling 3 year periods.

### At a Glance

Index	S&P/ASX300 Accum. Index
Number of Stocks	20 to 70
Tracking Error (ex ante)	3% to 5%
Investment Horizon	Minimum 3 years
Cash Holding	Maximum 10%
Lonsec Rating	Highly Recommended
van Eyk Rating	A rating
Morningstar Rating	Highly Recommended
Zenith Rating	Recommended
Standard & Poor's	*****

## Stock Selection Process

Perennial Value's investment process begins with screening approximately 400 stocks in the Index. Stocks which have a market capitalisation of \$50 million or greater and are eliminated due to factors such as expensive P/E's, high debt and lack of earnings track record. Detailed modelling and research is then conducted on approximately 170 stocks. To qualify for investment, stocks must have sustainable businesses and offer good value at the current share price. Every potential investment opportunity is assessed on key qualitative and quantitative criteria. The following key qualitative criteria are assessed:

- Sound financial position (low debt)
- Good management
- Demonstrable profit track record
- Strong market positions

Relative value is measured by Perennial Value's proprietary stock ranking model, the 'Perennial Value Screen'. Six key financial measures from each stock are considered in by the Value Screen:

1. Price to earnings
2. Price to free cash flow (a more rigorous measure than gross cash flow)
3. Gross dividend yield
4. Price to net tangible assets
5. Net interest cover (to measure financial strength)
6. Earnings growth

For each of the six measures, stocks are assigned a ranking; each measure is evenly weighted. Stocks are then assigned a weighted average final score, which determines final rankings. The outcome of this detailed research process is a list of stocks which are eligible for inclusion in the Perennial Value Australian Shares Trust.

The next phase of Perennial Value's process is portfolio construction. The major driver of portfolio construction is Perennial Value's desire to deliver a 'true to label' value portfolio. This means that the Trust has a strong bias towards the highest ranking, or best value, stocks in the Value Screen.

## Investment Team

**John Murray** founded Perennial Value in 2000 and has been involved in investment management for 25 years, specialising in Australian equities analysis. John has a strong background in value investing. His previous roles include Director of Australian Equities at Westpac Investment Management. John also spent time at Maple Brown Abbott, where he held senior portfolio management and research responsibilities. John joined MBA from Perpetual Investments, where he was Head of Australian Equities for over four years. John is supported by a team of eight investment professionals.



**Tony Oesterheld**, who has 24 years experience managing Australian shares, working with AMP, GIO and QBE Insurance before joining Perennial Value. **Stephen Bruce**, a Chartered Accountant and a CFA Charterholder. Prior to joining Perennial Value, Stephen was a Treasury Accountant with ABN Amro. **Paul Durham** has 23 years investment experience and prior to joining Perennial worked as a Senior Analyst at Ord Minnett for 12 years. **Grant Oshry** brings to the team analysis and dealing experience from his previous roles at MLC, Deutsche Asset Management and Arthur Anderson. Grant is a Chartered Accountant. **Damian Cottier** is a corporate lawyer, having practiced with law firms Freehills, Baker & McKenzie and Gilbert & Tobin. **Andrew Smith** as a Senior Equity Analyst. Andrew focuses on researching smaller companies. **Terry Couper** is a Chartered Accountant and brings to the team a strong grounding in financial analysis from his previous roles at JP Morgan, General Electric and Deloitte. **Steven Yee** comes to Perennial with six years dealing experience for Australian equities portfolios.