

14 March 2016

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

CENTURY
AUSTRALIA
INVESTMENTS LIMITED



Dear Sir/Madam

MONTHLY NET TANGIBLE ASSETS PER SHARE

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

	29 February 2016	31 January 2016
NTA per share (ex-dividend)	81.7 cents	84.2 cents
Deferred tax asset on carry forward realised losses	4.5 cents	4.6 cents
Deferred tax asset/(liability) on unrealised income and gains	1.5 cents	0.4 cents
NTA per share after all tax balances (ex-dividend)	87.7 cents	89.2 cents

In addition to the deferred tax asset (DTA) of 4.5 cents per share recorded in the accounts **there is a further \$5.94m or 7.26 cents per share of tax benefit on realised losses which is not carried on the Company’s balance sheet** and is available to be offset against future taxation liabilities.

In total there is approximately \$30.6m of carried forward tax losses as at 29 February 2016. Until all carried forward tax losses are recouped, Century Australia will not be paying tax.

The fact that Century Australia is currently not liable to pay tax means that the level of franked dividends paid is restricted by the level of franking credits received by way of fully franked dividend income. Once the total carry forward tax losses are utilised, Century Australia will return to paying tax on any realised gains. Tax payments will generate additional franking credits from which franked dividends can be paid.

Notes:

1. The Net Tangible Asset Backing calculation is based on the Company’s interpretation of law relating to ASX Listing Rule 4.12.
2. ‘NTA per share after all tax balances’ represents investments at market value, less associated selling costs and less all other accrued expenses.
3. ‘NTA per share’ this is the value per share should the Company be liquidated at the relevant month end.

PORTFOLIO PERFORMANCE

February 2016	Return	Benchmark	Excess
1 Month	-3.10%	-1.72%	-1.38%
1 Year	-15.90%	-13.45%	-2.45%



PERENNIAL VALUE MANAGEMENT COMMENTARY

Market Review

The S&P/ASX300 Accumulation Index (the Index) finished the month down 1.7%.

Globally, markets struggled in the early part of the month on concerns around global economic growth before recovering somewhat. The S&P500 was down 0.4%, the Shanghai Composite was down 1.8% the Nikkei225 fell 8.5% while the FTSE100 was up 0.2% over the month. The Brent oil price ended the month 4.0% higher and the iron ore price rose 18.0%. In Australia, the employment report was soft after a number of strong months and the unemployment rate increased from 5.8% to 6.0%. However, forward looking job advertisements data remained solid and auction clearance rates in Sydney and Melbourne had a strong start to the New Year. The Reserve Bank of Australia (RBA) cash rate remained at 2.0% and the Australian Dollar (AUD) closed the month up slightly at 71.4 US cents.

Better performing sectors over the month included resources (up 11.2%), industrials (up 5.8%) and REITs (up 2.8%). The weaker sectors included financials (down 7.0%), telecommunications (down 5.5%) and consumer staples (down 4.8%).

Portfolio Review

The Century Australian Investment Portfolio was down 3.1%, underperforming the market by 1.4%.

What worked against the Portfolio during the month was the strong performance of a range of non-held stocks, the large majority of which we cannot justify owning on valuation grounds. The Portfolio fared well through reporting season and a number of holdings delivered good gains for the month. A large number of companies reported during the month and, on the whole, reporting season was solid with 44.0% of Earnings per Share (EPS) results ahead of expectations and 32.0% in line with expectations. While resources companies reported weaker results given falls in commodity prices, the results were largely in line with expectations. Portfolio holdings Newcrest Mining (up 35.9%), Downer (up 10.9%) and Rio Tinto (up 6.8%) performed well over the month. The profit results of a number of industrial holdings confirmed that the transition to an improving east coast economy is occurring. These included Harvey Norman (up 7.7%), Boral (up 6.3%) and Flight Centre (up 5.9%), with Myer (up 11.6%) also benefitting from this theme.

Stocks which detracted from performance included News Corporation (down 12.8%) which delivered a weak result and Woodside Petroleum (down 7.2%) which fell despite delivering a result in line with expectations and a higher oil price. Our overweight position in the major banks also detracted. CBA delivered a rock solid result during reporting season and the other banks provided reassuring updates as well.

In terms of Portfolio activity, we sold out of CIMIC (formerly Leightons) and sold down Fairfax, both largely on valuation grounds. The former had performed very well over the holding period, having delivered a return of some 20.0% since purchase in mid-2015.



Proceeds were predominantly reinvested into Henderson and Macquarie Groups while Ansell was re-introduced into the Portfolio. In the case of both Henderson and Macquarie, we had taken significant profits in the December/January period. Both stocks were subsequently sold off by some 20.0% and this led us to again increase our holdings in these stocks during the month. We remain confident in the medium term prospects of both companies and current valuations are attractive, with both companies trading on forecast FY17 Price to Earnings (P/E's) of 11.8 times and 10.7 times respectively. Readers may recall that the Portfolio sold out of Ansell in July 2015 at an average price of \$25.00. Again, the share price subsequently experienced a sharp sell-off of some 30.0%. This partly reflected an adverse reaction to its reported profit result. Having met with senior management post-result, we like the company's medium term prospects and bought back into this company during February at an average price of \$17.20. Based on a forecast FY17 P/E of 11.3 times, this represents an attractive valuation.

Investment Outlook

As noted, reporting season has confirmed the ongoing transition to a recovering east coast economy and the Portfolio continues to be exposed to this theme through overweight positions in retail, building and infrastructure/construction-related stocks. The Portfolio remains overweight both in the major banks as noted, and in the large-cap, low-cost, financially-sound resources companies, where the recent very substantial sell-off has opened up medium-term value. We remain underweight the "expensive defensive" sectors of the market such as healthcare, infrastructure and REITs. This group has become a crowded trade and valuations have become increasingly stretched as a result of historically low interest rates. Transurban is a stark example of this 'flight to earnings' certainty with the stock currently trading on a FY17 gross dividend yield of 4.4%. This compares poorly to the Portfolio's forecast FY17 gross yield of 7.7%.

Overall the Portfolio continues to exhibit Perennial Value's true to label value characteristics, with the Portfolio offering better value than the overall market on each of our four valuation characteristics; price to earnings, price to free cashflow, gross dividend yield and price to net tangible assets.

Top 10 Equity Holdings – 29 February 2016

The top ten equity holdings of the Century Australia Portfolio as at 29 February 2016 were as follows:

Security Name	% of Portfolio
Commonwealth Bank of Australia	8.8
Westpac Banking Corporation	8.6
National Australia Bank	6.3
Telstra Corporation	5.9
ANZ Banking Group Limited	5.7
BHP Billiton Limited	4.8
Wesfarmers Limited	4.2
Woolworths Limited	3.2
Macquarie Group Limited	3.0
Woodside Petroleum Limited	2.6



At month end, stock numbers were 44 and cash was 5.7%.

Performance returns

February 2016	Return	Benchmark	Excess
1 Month	-3.10%	-1.72%	-1.38%
1 Year	-15.90%	-13.45%	-2.45%
2 Years (p.a)	-0.66%	-0.58%	-0.08%

