

12 February 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:

	31 January 2016	31 December 2015
NTA per share (ex-dividend)	84.2 cents	89.7 cents
Deferred tax asset on carry forward realised losses	4.6 cents	4.8 cents
Deferred tax asset/(liability) on unrealised income and gains	0.4 cents	(1.4 cents)
NTA per share after all tax balances (ex-dividend)	89.2 cents	93.1 cents

In addition to the deferred tax asset (DTA) of 4.6 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 \$31.0m of carried forward tax losses as at 31 January 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

January 2016	Return	Benchmark	Excess
1 Month	-5.89%	-5.45%	-0.44%
1 Year	-5.58%	-5.83%	0.25%



PERENNIAL VALUE MANAGEMENT COMMENTARY

Market Review

January was a difficult month for markets, with the S&P/ASX300 Accumulation Index (the Index) finishing the month down 5.4%.

Globally, markets were dominated by concerns around growth, particularly the slowing Chinese economy and the falling oil price. This led to a broad based sell-off with the S&P500 down 5.1%, FTSE 100 down 2.5%, Nikkei 225 down 8.0% and the Shanghai Composite down 22.6%. In Australia, there was another decent job number, with the unemployment rate steady at 5.8% in December 2015. This provides further evidence of the economy successfully transitioning post the resources boom. The cash rate remained at 2% (the Reserve Bank of Australia (RBA) does not meet in January) and the Australian dollar (AUD) fell 2 cents to close at 70.9 US cents.

Better performing sectors over the month tended to be the defensives, with REITs (up 0.9%), utilities (up 0.7%), telecommunications (up 0.7%), consumer staples (down 0.2%) and healthcare (down 2.6%). Cyclical underperformed, with metals and mining (down 10.2%), materials (down 9.1%) and energy (down 6.5%). Financials (down 8.9%) also underperformed.

Portfolio Review

The Century Australia Investment Portfolio delivered a return of 5.8%, under performing the market by 0.4%.

Two of the better performing stocks in the Portfolio were Metcash (up 8.4%) and Harvey Norman (up 6.2%). Both these stocks stand to benefit from improving industry dynamics, with Metcash's Mitre 10 business to benefit from Woolworths' announced exit from the hardware business and Harvey Norman to benefit from the demise of Dick Smith. Other strong performers included AWE (up 3.0%) following the sale of its US shale operations for a very good price, AGL Energy (up 2.9%) and Wesfarmers (up 1.3%).

Stocks which detracted from performance included resource holdings which fell on the back of lower commodity prices, with BHP (down 14.1%) and Rio Tinto (down 12.5%). Financials also detracted with the major banks down an average of 9.5% on negative macro sentiment towards the Australian economy – a view we do not agree with. At current prices, the sector is offering very good value, trading on an average FY16 P/E (Price to Earnings) of 11.3x and gross yield of 9.6%.

In terms of Portfolio activity, we continued to take profits and reduce our holdings in a number of stocks which had performed strongly in recent times including Orora (up 90.6% since listing in December 2013), Henderson Group, Aristocrat Leisure and AGL Energy (all up between 20% and 50% over the past 12 months). Proceeds were used to increase our holdings in BHP and Rio Tinto. Following the recent sell-off, we see long-term value emerging in the large-cap, low-cost, financially sound miners who will ultimately benefit as weaker competitors fail and high-cost capacity is removed. We also added to our position in Lend Lease, with its exposure to increasing infrastructure investment.



Investment Outlook

We continue to hold a cautiously optimistic view on the outlook, expecting ongoing moderate growth in the major economies overall and a continuing transition towards the non-mining sectors of the Australian economy. The Portfolio is positioned to capture these themes with exposure to a recovering east coast economy through overweight positions in retail, building and infrastructure/construction-related stocks. We also hold modest overweight positions in the major banks where we see attractive dividend yields and in the large-cap, low-cost, financially-sound resources companies where we see long-term value emerging. On the contrary, we remain underweight the “expensive defensive” sectors of the market such as healthcare, infrastructure and REITs, where valuations have become stretched as a result of historically low interest rates.

As always, our focus will continue to be on investing in quality companies which are offering attractive valuations and have the ability to deliver high levels of franked dividend income to investors.

Top 10 Equity Holdings – 31 January 2016

The top ten equity holdings of the Century Australia Portfolio as at 31 January 2016 were as follows:

Security Name	% of Portfolio
Commonwealth Bank	9.8 %
Westpac Banking Corp	9.1%
National Aust. Bank	7.2%
Telstra Corporation	6.5%
ANZ Banking Grp Ltd.	6.1%
BHP Billiton Limited	4.7%
Wesfarmers Limited	4.6%
Woolworths Limited	3.3%
AGL Energy Limited	2.5%
Woodside Petroleum	2.4%

At month end, stock numbers were 44 and cash was 3.9%.

Performance returns

January 2016	Return	Benchmark	Excess
1 Month	-5.89%	-5.45%	-0.44%
1 Year	-5.58%	-5.83%	0.25%
2 Years (p.a)	3.53%	2.72%	0.81%

