

14 June 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 May 2016	30 April 2016
NTA per share (ex-dividend)	89.2 cents	86.7 cents
Deferred tax asset on carry forward realised losses	4.1 cents	4.5 cents
Deferred tax asset/(liability) on unrealised income and gains	(0.6 cents)	(0.5 cents)
NTA per share after all tax balances (ex-dividend)	92.7 cents	90.7 cents

In addition to the deferred tax asset (DTA) of 4.1 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 \$29.4m of carried forward tax losses as at 31 May 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

May 2016	Return	Benchmark	Excess
1 Month	2.80%	3.14%	-0.34%
1 Year	-5.65%	-2.10%	-3.55%



PERENNIAL VALUE MANAGEMENT COMMENTARY

Market Review

Globally, markets were mixed with the S&P500 up 1.5%, the Nikkei 225 up 3.4%, the FTSE100 down 0.2% and the Shanghai Composite down 0.7%. The Federal Reserve left rates unchanged and commodity prices rolled over as expectations for the resilience of China's first quarter rally waned. Iron ore ended the month down 25.0% and copper was down 7.0%, while Brent oil remained on trend, up 4.6%. In Australia, the Reserve Bank of Australia (RBA) cut interest rates by 25 basis points on a lower outlook for inflation than previously forecast. The Australian Dollar (AUD) finished the month at 72 US cents, down 5.0%.

Cyclical sectors underperformed over the month with metals and mining (down 6.4%), materials (down 3.0%) and energy (down 1.6%) all ending lower. Stronger sectors included healthcare (up 9.4%), information technology (up 7.0%), consumer discretionary (up 5.6%) and financials (up 5.2%).

Portfolio Review

The Century Australia Investment Portfolio (the Portfolio) delivered a positive absolute return of 2.8% for May. The index returned 3.1% slightly exceeding the Portfolio return by 0.3%.

A number of stocks delivered double-digit returns, the most significant including CYBG plc (up 35.1%), which rallied after delivering its first result following its demerger from NAB in February. Management indicated significant cost reduction opportunities which should underpin an improvement in earnings and returns over the coming years. Aristocrat Leisure (up 28.6%) delivered a very strong interim result on exceptional volume, price and fee growth, taking market share from competition in otherwise flat background markets. We expect this strong market dominance to continue for the medium term. The AWE (up 25.2%) board rejected an unsolicited takeover proposal at 80 cents per share from Japanese private equity firm, Lone Star Funds. Macquarie Group (up 21.7%) rallied after delivering a record FY16 profit result of over \$2 billion, up 24.0% on the prior year, with strong growth in its key asset management business, and increasing the full-year dividend by 21.0%.

Negative share price performance was registered by stocks including Rio Tinto (down 13.3%), BHP Billiton (down 7.7%), Wesfarmers (down 5.0%) and Woodside Petroleum (down 3.3%). We remain comfortable in the outlook for each of these companies.

Notwithstanding the solid absolute return, a very strong performing healthcare sector (up 9.4%), where the Portfolio has no holdings on the basis of overvaluation, worked against its performance. Also CSL, a top 10 index stock and not held in the Portfolio as it does not meet our valuation criteria, rose 10.1% impacting relative performance.



Portfolio Activity

The Portfolio reduced bank sector exposure, reflecting lesser confidence in the domestic economic outlook. The key factor in this decision was that the sector's valuation discount has narrowed following the banks' rally from their April lows and, while valuations are still reasonable, the sector has a relatively subdued earnings growth outlook and also faces some risks around rising bad debts and increasing capital levels. Proceeds were reinvested into Resmed and Westfield Holdings. Both are well managed and financially sound companies and would be net beneficiaries were the AUD to continue weakening. On balance, we believe that this may well occur.

Investment Outlook

The Portfolio remains exposed to the ongoing transition to the East coast economy through its overweight positions in retail, building and construction-related stocks. The Portfolio also remains overweight in the large-cap, low-cost, financially-sound resources companies. We remain underweight the "expensive defensive" sectors of the market such as healthcare, infrastructure and REITs. These sectors have become a crowded trade and valuations remain stretched as a result of historically low interest rates. 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 cash flow, gross dividend yield and price to net tangible assets.

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 May 2016

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

Security Name	% of Portfolio
Commonwealth Bank of Australia	7.8
Westpac Banking Corporation	6.4
Telstra Corporation Limited	5.8
BHP Billiton Limited	5.6
ANZ Banking Group Limited	5.5
National Australia Bank	5.1
Wesfarmers Limited	4.5
Woolworths Limited	3.3
Woodside Petroleum	3.0
AMP Limited	3.0

At month end, stock numbers were 45 and cash was 7.1%.

Performance returns

May 2016	Return	Benchmark	Excess
1 Month	2.80%	3.14%	-0.34%
1 Year	-5.65%	-2.10%	-3.55%
2 Years (p.a)	3.58%	3.74%	-0.16%

