

14 November 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 October 2016	30 September 2016
<b>NTA per share (ex-dividend)</b>	<b>88.4 cents</b>	<b>90.0 cents</b>
Deferred tax asset on carry forward realised losses	7.0 cents	7.6 cents
Deferred tax asset/(liability) on unrealised income and gains/losses	0.2 cents	(0.5 cents)
<b>NTA per share after all tax balances (ex-dividend)</b>	<b>95.6 cents</b>	<b>97.1 cents</b>

In addition to the deferred tax asset (DTA) of 7.0 cents per share recorded in the accounts **there is a further \$2.94m or 3.60 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 \$27.2m of carried forward tax losses as at 31 October 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

October 2016	Return	Benchmark	Excess
1 Month	-1.52%	-2.17%	0.65%
1 Year	5.84%	6.33%	-0.49%

## PERENNIAL VALUE MANAGEMENT COMMENTARY

### Market Review

The international markets were mixed with the S&P500 down 1.9%, while the Nikkei 225 (up 5.9%), Shanghai Composite (up 3.2%) and the FTSE 100 (up 0.8%) all rallied. The month saw strong rallies in iron ore prices, (up 5.6%) and coal, with thermal coal up 33.0% and hard coking coal up 20.0%, while oil eased (down 1.5%) and gold declined 3.8%. The Federal Reserve left rates unchanged, as did the Reserve Bank of Australia (RBA), with the cash rate remaining steady at 1.5%, while the Australian Dollar finished the month down one cent at 76 US cents.

During October, the better performing sectors included metals and mining (up 2.2%), materials (up 1.2%) and financials (up 0.7%), while healthcare (down 8.1%), REITs (down 7.7%), consumer discretionary (down 6.1%) and telecommunications (down 4.4%) underperformed.

### Portfolio Performance

The Century Australia Investment Portfolio (the Portfolio) fell 1.5% for October, outperforming the Index by 0.7%.

Stocks which performed strongly included miners Rio Tinto (up 5.0%) and BHP (up 3.1%), as well as Downer (up 8.2%) and Orica (up 7.2%) with their mining services exposure. We have been increasing our resources exposure over the last few quarters, seeing good medium-term value in the large-cap end of the resources market, with significant upside should the current strength in commodity prices continue. Gateway Lifestyle (up 8.4%), QBE Insurance (up 7.5%) and Graincorp (up 7.0%) also performed strongly. Woolworths (up 1.6%) rose on evidence that sales performance was improving over the September quarter. This contrasts with Wesfarmers (down 7.0%) in which the Portfolio holds an underweight position, which fell after reporting lower than expected sales growth. The Portfolio also benefited from not holding expensive defensives such as Sydney Airport (down 10.2%), Transurban (down 8.6%) and Ramsay Healthcare (down 7.3%) which all fell as bond yields rose.

Stocks which detracted from performance included Crown Resorts (down 16.9%) which fell sharply following the arrest of a number of its employees in China. While the situation is currently unclear, it is likely that the longer-term impact on the business will be limited, with directly-sourced Chinese VIPs only representing a small proportion of total earnings. AMP (down 13.4%), also fell after announcing further deterioration in their wealth protection business. While this was disappointing, the division now accounts for less than 10.0% of group earnings and will likely be less of an issue going forward. We remain comfortable with the outlook for each of these stocks.



During the month we took profits and reduced our holdings in Wesfarmers and Harvey Norman and exited Boral and Sims Metal. Each of which have delivered strong performances in recent times. We also further reduced our position in Telstra, where we see increasing competitive pressure building. Proceeds were used to increase our holdings in a number of stocks including Vocus Communications, Newcrest, Resmed and Graincorp.

### **Investment Outlook**

The Portfolio is overweight in the large-cap, low-cost, financially-sound resources companies as well as in a range of quality industrial and financial companies where we see attractive valuations. We have reduced our overweight positions in the domestic building and construction-related stocks and moved to a moderate underweight in the banking sector. The Portfolio remains underweight expensive defensive sectors such as healthcare and REITs and heavily underweight infrastructure given that sector's high leverage at a time 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 October 2016

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

Security Name	% of Portfolio
BHP Billiton Limited	8.1
Commonwealth Bank	7.2
Westpac Banking Corporation	6.0
ANZ Banking Group Limited	5.2
National Australia Bank	4.8
Macquarie Group Limited	4.1
Woolworths Limited	3.6
Rio Tinto Limited	3.1
Telstra Corporation	3.0
Woodside Petroleum	2.9

At month end, stock numbers were 45 and cash was 2.9%

## Performance returns

October 2016	Return	Benchmark	Excess
1 Month	-1.52%	-2.17%	0.65%
1 Year	5.84%	6.33%	-0.49%
2 Years (p.a)	2.99%	2.85%	0.14%

