

Investment update

As at 31 January 2019

Snapshot

Pre-tax net tangible assets

95.5c

Gross assets

\$90.5m

ABN: 11 107 772 761

wilsonassetmanagement.com.au

Century Australia

ASX code	CYA
Listed	April 2004
Gross assets	\$90.5m
Market cap	\$86.3m
Share price	\$0.915
NTA before tax	\$0.96
Shares on issue	94,268,790
FY2018 fully franked full year 4.09c dividend	

Investment objectives

- Deliver a regular income stream via fully franked dividends
- Provide capital growth over the medium-to-long term
- Preserve capital

Wilson Asset Management investment and management team

Geoff Wilson AO	Chairman & Chief Investment Officer
Kate Thorley	Chief Executive Officer
Matthew Haupt	Lead Portfolio Manager
Catriona Burns	Lead Portfolio Manager
Martin Hickson	Lead Portfolio Manager
Oscar Oberg	Lead Portfolio Manager
Tobias Yao	Portfolio Manager
John Ayoub	Portfolio Manager
Nick Healy	Equity Analyst
Sam Koch	Equity Analyst
Cooper Rogers	Dealer

Company Overview

On 18 April 2017, shareholders of Century Australia Investments Limited (ASX: CYA) approved the appointment of MAM Pty Limited, a member of the Wilson Asset Management Group, as the new investment manager. Century will provide investors with access to a portfolio predominately comprised of large-cap companies in the S&P/ASX 300 Index and the investment management expertise of Wilson Asset Management.

Merger with WAM Leaders

On 12 February, shareholders of Century Australia voted in favour of the Scheme of Arrangement with WAM Leaders Limited (ASX: WLE). The merger is expected to take place in early March following approval by the Federal Court of Australia on 18 February.

Market overview

The S&P/ASX 300 Accumulation Index closed up 3.9% in January. As is typical during the latter part of an economic cycle, equity markets are being driven by global macroeconomic sentiment and events rather than company fundamentals. Global news that dominated financial markets last year – the US-China trade war, Brexit and the slowdown of the Chinese economy carried into January. China's fourth quarter 2018 GDP figures slipped to 6.4%, the lowest quarterly rate since the global financial crisis. The Chinese economy has been reeling from the US-China trade war and Beijing's crackdown on debt-fuelled corporate spending. We believe the attention given to China's slowdown will be a catalyst for China's central government to stimulate the economy further, as they have through relaxing reserve requirements for banks.

In Australia the sentiment is mixed. The National Australia Bank (ASX: NAB) December Business Survey released its results on Tuesday 29 January, which showed a sharp fall in business conditions, continuing the downward trend in the second half of 2018. The Reserve Bank of Australia (RBA) kept the interest rate unchanged at 1.5% at its recent February meeting, as it has done since August 2016. The minutes of the meeting indicated that they had no change in their future position which was contrary to market sentiment. Since then, RBA Governor Lowe has stated it may reduce interest rates if the economy is weaker than expected based on the central bank's forecast that housing investment will fall by 10% over the next two-and-a-half years.

Portfolio update

The Century Australia portfolio increased 4.6% in January, driven primarily by our tactical iron ore and oil positions. Contributors with exposure to iron ore included Fortescue Metals Group (ASX: FMG), Rio Tinto (ASX: RIO) and BHP Group (ASX: BHP). We increased our investments in FMG, RIO and BHP as the US-China trade wars emerged, believing that a mutually beneficial deal would eventually be struck and we continue to hold this view. FMG, RIO and BHP share prices increased 34.8%, 10.9% and 1.8% respectively for the month of January. BHP's most significant contribution came through a fully franked special dividend of US\$1.02 per share paid on 30 January 2019 from the sale of its onshore oil and gas assets in the United States.

Our investment in Woodside Petroleum (ASX: WPL) was driven by an expectation of higher oil prices and an equity market overreaction to the slowdown in the Chinese economy. We believe China's central government will continue to stimulate the economy in a bid to keep its 1.4 billion citizens content. An example of this is the recent relaxation of reserve requirements for banks to encourage business lending, which is helpful for increased demand for iron-ore and oil, by making capital more available. Meanwhile, Venezuela, the country with the largest proven oil reserves in the world, has teetered on the brink of violent civil unrest following its disputed Presidential election. WTI Crude Oil prices rallied amidst the political uncertainty, increasing 18.5% in January as investors predicted impacts to supply. WPL's share price increased 9.6% during the month.

Performance

Performance at	1	Fin	1	Since
31 January 2019	1	YTD	yr	appointment of
	1			new investment
	1			manager
	1			% pa (April-17)
CYA Investment Portfolio*	4.6%	-3.4%	0.7%	6.5%
S&P/ASX 300 Accumulation Index	3.9%	-3.4%	1.1%	4.7%
Outperformance	+0.7%	+0.0%	-0.4%	+1.8%

*Investment performance and Index returns are before expenses, fees and taxes.

Net tangible assets (NTA) figures

NTA before tax	95.5c [^]
Deferred tax asset on carry forward realised losses	5.8c
Deferred tax asset/(liability) on unrealised income and gains	0.9c
NTA after tax	102.2c

[^]The NTA before tax is after the payment of \$631k (0.7 cents per share) in tax during the month.

In addition to the deferred tax assets on carried forward realised losses of 5.8 cents per share recorded in the accounts, there is a further \$1.9 million or 2.1 cents per share of tax benefit on realised capital losses that is not carried on the Company's balance sheet and is available to be offset against future taxation liabilities.

The fact that Century Australia is currently not liable to pay tax on a portion of its investment portfolio means that the level of franked dividends paid is primarily dependent on the payment of tax on taxable gains derived from the Company's trading portfolio and the level of franking credits received by way of fully franked dividend income. Once the total carry forward losses are utilised, Century Australia will return to paying tax on any taxable gains for the entire investment portfolio. Tax payments generate additional franking credits for shareholders from which franked dividends can be paid.

Diversified portfolio

Investment type	December 2018		January 2019	
	\$m	%	\$m	%
Listed equities	77.8	89.1	74.3	82.1
Fixed interest & cash	9.5	10.9	16.2	17.9
Gross assets	87.3	100.0	90.5[*]	100.0
Total shares on issue	94,268,790		94,268,790	

^{*}This figure is after the payment of \$631k in tax during the month.

Top 20 holdings

Code	Company	Code	Company
AGL	AGL Energy Limited	QBE	QBE Insurance Group
ALL	Aristocrat Leisure Limited	RIO	Rio Tinto Limited
ANZ	Australia and New Zealand Banking Group Limited	TAH	Tabcorp Holdings Limited
BHP	BHP Billiton Limited	TLS	Telstra Corporation Limited
CBA	Commonwealth Bank of Australia	SGR	The Star Entertainment Group Limited
CSL	CSL Limited	TCL	Transurban Group
DXS	Dexus Property Group	TWE	Treasury Wine Estates Limited
GMG	Goodman Group	WBC	Westpac Banking Corporation
MQG	Macquarie Group Limited	WPL	Woodside Petroleum Limited
NAB	National Australia Bank Limited	WOW	Woolworths Group Limited

The top 20 holdings are presented in alphabetical order.