

13 January 2017

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



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 December 2016	30 November 2016
<b>NTA per share (ex-dividend)</b>	<b>94.0 cents</b>	<b>90.2 cents</b>
Deferred tax asset on carry forward realised losses	6.7 cents	6.9 cents
Deferred tax asset/(liability) on unrealised income and gains/losses	(1.0 cent)	0.0 cents
<b>NTA per share after all tax balances (ex-dividend)</b>	<b>99.7 cents</b>	<b>97.1 cents</b>

In addition to the deferred tax asset (DTA) of 6.7 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 \$26.3m of carried forward tax losses as at 31 December 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

December 2016	Return	Benchmark	Excess
1 Month	4.14%	4.34%	-0.20%
1 Year	10.03%	11.79%	-1.76%

## PERENNIAL VALUE MANAGEMENT COMMENTARY

### Market Review

Global markets remained in a buoyant mood, with the S&P500 up 1.8%, Nikkei 225 up 4.4% and FTSE 100 up 5.3%, while the Shanghai Composite declined 4.5%. Commodity prices were generally stronger with oil up 10.0%, iron ore up 10.0% and thermal coal up 14.0%, while coking coal (down 25.0%), copper (down 4.0%) and gold (down 2.0%) declined. As widely expected, the Federal Reserve lifted rates for the first time since the Global Financial Crisis (GFC), raising the Federal Funds Rate by 25basis points to 0.75%. The Reserve Bank of Australia (RBA) left the cash rate remaining steady at 1.5%, while the Australian Dollar (AUD) finished the month down two cents at 72 US cents.

During December, the better performing sectors included utilities (up 8.7%), REITs (up 6.8%), energy (up 6.1%) and financials (up 5.5%), while telecommunications (up 0.5%), healthcare (up 0.9%) and consumer staples (up 1.2%) lagged.

### Portfolio Performance

The Century Australia Investment Portfolio (the Portfolio) delivered a solid absolute return of 4.1% for December, marginally behind the Index return of 4.3%.

Portfolio holdings which performed strongly included QBE Insurance (up 11.2%) with its leverage to rising US interest rates, Graincorp (up 10.4%) as the current east coast grain harvest shapes up to be a record, Ansell (up 9.4%) with its exposure to improving global manufacturing activity and Suncorp (up 8.2%) on evidence of improving premium rates. Other strong performers included Brickworks (up 8.7%), Stockland (up 8.7%), Lend Lease (up 7.4%) and AMP (up 7.2%). The Portfolio also benefited from being underweight healthcare and infrastructure stocks, which underperformed as bond yields rose.

Stocks which detracted from performance included Vocus Communications (down 7.2%) which continued to fall after last month's disappointing FY17 earnings guidance, Flight Centre (down 6.3%) as heavy discounting continues in the airfare market as a result of new capacity additions, Crown Resorts (down 1.4%) and Event Hospitality and Entertainment (down 0.9%). These companies are all underpinned by strong balance sheets and we remain comfortable with the medium term outlook for each.

During the month we took profits and sold out of our holdings in Aristocrat Leisure and Downer. Both of these stocks had been very strong performers for the Portfolio, having delivered total returns over the past 12 months of 54.3% and 75.8% respectively.



Proceeds were predominantly used to establish a position in Boral. We had previously sold out of this stock in October at an average price of \$6.87. The stock subsequently sold off sharply after announcing the acquisition of US building materials company, Headwaters, funded by a \$2.1 billion capital raising. Following the acquisition, Boral will generate nearly 40.0% of its revenue from the US and is one of the few stocks which give exposure to the improving US housing and construction cycle, which is expected to have a significant time to run. At our entry price of \$5.23, the stock represents good long-term value, trading on a FY18 P/E (Price to earnings ratio) of 13.9 times and gross yield of 5.6%.

The improving US economy is a key driver of markets at present and, in addition to our Boral position, the Portfolio is well exposed to this theme via its holdings in Ansell, Henderson Group, Lend Lease, Macquarie Group, NewsCorp and Westfield Corporation.

### **Investment Outlook**

Markets have responded positively to the US election results and the prospect of this leading to more pro-growth fiscal policies as opposed to ongoing monetary easing. Should this eventuate, the Portfolio will likely benefit from being 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. This would also see continued upwards pressure on interest rates which would benefit the Portfolio through its underweight position in the expensive defensive sectors such as healthcare and REITs and infrastructure.

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 December 2016

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

Security Name	% of Portfolio
BHP Billiton Limited	8.3
Commonwealth Bank	7.6
Westpac Banking Corporation	5.9
ANZ Banking Group Limited	5.2
National Australia Bank	4.7
Macquarie Group Limited	3.8
AGL Energy Limited	3.5
Woolworths Limited	3.3
Woodside Petroleum	3.2
Crown Resorts Limited	2.7

At month end, stock numbers were 40 and cash was 2.8%

## Performance returns

December 2016	Return	Benchmark	Excess
1 Month	4.14%	4.34%	-0.20%
1 Year	10.03%	11.79%	-1.76%
2 Years (p.a)	6.87%	7.20%	-0.33%

