

12 June 2015

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 May 2015	30 April 2015
<b>NTA per share (ex-dividend)</b>	<b>102.2 cents</b>	<b>101.4 cents</b>
Deferred tax asset on carry forward realised losses	5.8 cents	6.1 cents
Deferred tax liability on unrealised income and gains	(5.2 cents)	(5.5 cents)
<b>NTA per share after all tax balances (ex-dividend)</b>	<b>102.8 cents</b>	<b>102.0 cents</b>

In addition to the deferred tax asset (DTA) of 5.8 cents per share recorded in the accounts **there is a further \$5.94m or 8.71 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 are approximately \$20.3m of losses after deducting unrealised gains as at 31 May 2015 of \$11.9m from total available carried forward tax losses of \$32.2m. 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.



## NON-RENOUCEABLE RIGHTS ISSUE

On 12 May 2015, Century Australia Investments Limited announced it is undertaking a non-renounceable 1 for 5 rights issue (Entitlement Offer) at an issue price of \$0.846 per share to raise up to approximately \$11.5 million before costs of the Entitlement Offer. Further details were announced to the ASX and are also available on the company website.

On 11 June 2015, the Company announced details of how any resultant shortfall under the Entitlement Offer will be dealt with. Eligible Shareholders under the Entitlement Offer who are sophisticated or professional investors are invited to lodge an expression of interest by email to [century@whiteoutsourcing.com.au](mailto:century@whiteoutsourcing.com.au) by 5pm (Sydney time) on 25 June 2015, should they wish to take up further shares up to a specified maximum amount. This offer is the same price as the shares offered in the Entitlement Offer (\$0.846 per share). For further details, refer to the ASX announcement.

## PORTFOLIO PERFORMANCE

May 2015	Return	Benchmark	Excess
1 Month	0.96%	0.43%	0.53%
1 Year	13.72%	9.93%	3.79%

## PERENNIAL VALUE MANAGEMENT COMMENTARY

### Market Review:

After a soft start to the month, the Australian equity market recovered with the benchmark S&P/ASX300 Accumulation Index (the Index) finishing the month up 0.4%.

Globally, conditions in the emerging world continued to be soft with trade flows, particularly from Asia, unexpectedly weak in response to muted growth in developed market demand in the first quarter. In fact, the US economy looks likely to have contracted in the first quarter, as it did at the same time last year. China announced more stimulus measures during the month, aimed at lifting growth back up towards the official target. Anxiety about Greece remained a key source of uncertainty, with some important payments to the International Monetary Fund looming in early June. Despite this, global indices were generally positive with the Nikkei 225 (up 5.3%), Shanghai Composite (up 3.8%) and S&P 500 (up 1.0%) all stronger, while the FTSE closed flat and the Hang Seng Index (down 2.5%) fell after a strong prior month.

In Australia, the month of May included some important policy developments, with the Reserve Bank of Australia (RBA) trimming the cash rate again and Treasurer Joe Hockey releasing his second budget. In contrast to last year, the reaction to the budget was broadly positive. The RBA's rate cut and the unthreatening budget helped lift consumer confidence, but business confidence held steady at depressed levels. Most of the other data released during May was on the softer side, with employment falling and the jobless rate rising marginally, and firms reducing their investment intentions. Activity in housing remained strong, with auction clearance rates in Sydney staying close to 90%, boosted by the RBA's latest rate cut. The Australian dollar (AUD) closed the month at US dollar (USD) 0.76 (down 3.8%).



The better performing sectors during the month were Industrials (up 5.4%), IT (up 4.0%), REITs (up 2.7%) and Health Care (up 2.6%). Sectors which underperformed included Consumer Staples (down 2.1%), Financials (down 1.7%), and Telecommunications (down 0.2%).

### **Portfolio Review:**

The Century Australia Investment Portfolio finished the month up 0.9%, outperforming the benchmark by 0.5%.

The best performing stock in the portfolio for the month was Downer (up 16.3%) following a strategy day which highlighted the progress of its infrastructure business. CIMIC Group (up 14.9%) rallied after announcing contract wins and Orica (up 10.3%) rose after delivering a better than expected earnings result. Other solid performers included Iluka (up 10.3%), Henderson (up 9.2%) and Myer (up 8.7%).

The four major banks sold off during the month on the likelihood that the regulator will force them to hold higher capital levels. The Portfolio remains slightly underweight the major banks as a group, with a preference for National Australia Bank (down 2.6%). During the month, NAB undertook a \$5.5 billion capital raising by way of a rights issue. The capital raised was used firstly to fund contingent liabilities in the UK, thereby allowing an IPO of the business later in the calendar year and secondly to lift NAB's overall capital levels to the highest in the sector. We view this development positively as securing a final exit from the UK is an important step for NAB in returning its focus to its core Australian operations. In addition, it is likely that the bank will be required to hold incrementally higher capital levels going forward and NAB is now ahead of the game in this respect. The rights issue was done at \$28.50 and was well-received by the market, with the stock finishing the month at \$34.32.

Stocks which detracted from performance included Westpac (down 5.4%), Aristocrat Leisure (down 5.3%) despite releasing a strong first half result and Stockland (down 2.3%).

In terms of portfolio activity, we secured profits and reduced holdings in some of the stocks which have performed strongly in recent times including Ansell, Aristocrat Leisure, Boral, Fairfax, Lend Lease, Orora and Sandfire Resources. Funds were reinvested into existing holdings in AGL, Orica and NewsCorp.

During the month, the Portfolio received shares in South 32 following its spin-off from BHP. South 32 comprises a suite of assets, principally located in Australia and South Africa, which were deemed to be non-core by BHP. These assets include silver, lead, zinc, manganese, alumina, aluminium and coal. The business is attractive as many of these commodities are likely to currently be close to the bottom of their cycles with limited new supply coming onto the market. In addition, the company has a debt-free balance sheet which will give it flexibility to make acquisitions or undertake capital management. In addition, at the month-end price of \$2.19, the stock is offering a forecast FY16 gross dividend yield of 5.2%.

### Investment Outlook:

The market's strength over recent times highlights the continued relative attractiveness of equities in the current low interest rate environment.

### Top 10 Equity Holdings – 31 May 2015:

The top ten equity holdings of the Century Australia Portfolio as at 31 May 2015 were as follows:

Security Name	% of Portfolio
Westpac Banking Corp	7.8%
National Aust. Bank	7.7%
BHP Billiton Limited	7.5%
Commonwealth Bank.	6.7%
Telstra Corporation.	6.1%
ANZ Banking Grp Ltd	5.9%
Macquarie Group Ltd	3.4%
QBE Insurance Group	2.9%
AMP Limited	2.8%
Woodside Petroleum	2.6%

At month end, stock numbers were 46 and cash was 3.8%.

### Performance returns

May 2015	Return	Benchmark	Excess
1 Month	0.96%	0.43%	0.53%
1 Year	13.72%	9.93%	3.79%
2 Years (p.a)	16.05%	12.98%	3.07%

