

14 July 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:

	30 June 2015	31 May 2015
<b>NTA per share (ex-dividend)</b>	<b>94.5 cents</b>	<b>102.2 cents</b>
Deferred tax asset on carry forward realised losses	4.9 cents	5.8 cents
Deferred tax liability on unrealised income and gains	(2.9 cents)	(5.2 cents)
<b>NTA per share after all tax balances (ex-dividend)</b>	<b>96.5 cents</b>	<b>102.8 cents</b>

In addition to the deferred tax asset (DTA) of 4.9 cents per share recorded in the accounts **there is a further \$5.94m or 7.40 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 \$24.4m of losses after deducting unrealised gains as at 30 June 2015 of \$7.9m from total available carried forward tax losses of \$32.3m. 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

June 2015	Return	Benchmark	Excess
1 Month	-5.55%	-5.32%	-0.23%
1 Year	9.08%	5.61%	3.47%



## PERENNIAL VALUE MANAGEMENT COMMENTARY

### Market Review:

The Australian equity market sold off in June driven lower by concerns over the Greek financial situation, with the S&P/ASX300 Accumulation Index (the Index) ending the month down 5.3%.

Globally, the month was dominated by events in Greece. Equity markets slumped as uncertainty about Greece's membership of the currency union escalated as it edged towards default. Major markets declined, with the S&P500 (down 2.1%), FTSE (down 6.6%), Nikkei (down 1.6%) and the Shanghai Composite (down 7.3%), all finishing the month lower. US economic data continues to be positive, supported by stronger labour market and manufacturing indicators as well as a continued improvement in homebuilder sentiment. In China, the People's Bank of China reduced its 2015 GDP growth forecasts marginally to 7.0% and cut the benchmark 1 year lending and deposit rates by 0.25% and the banks' reserve requirement ratio by 0.5% in attempt to stimulate growth.

In Australia, the domestic data flow was mixed. Even with strong Q1 nominal GDP growth (up 2.3%), overall nominal growth was still only up 1.2% year on year. Employment in May grew at the strongest rate since April 2011, causing the unemployment rate to fall to a better than expected 6.0%. Business confidence lifted following the popular investment measures announced in the federal budget. Consumer confidence, however, remains fragile and retail sales growth also was consequently weak. The housing market remained strong and the Reserve Bank of Australia left the cash rate steady at 2.0%, with the Australian Dollar closing the month flat at 77 US cents.

In a more defensive environment, the better performing sectors were Telcos (down 1.3%) and REITs (down 4.0%). Financials (down 2.9%) also outperformed, with stronger relative performance from the major banks. The more cyclical sectors underperformed, with Consumer Discretionary (down 10.9%) the worst performing sector, followed by Resources (down 9.7%) and Industrials (down 7.8%).

### Portfolio Review:

The Century Australia Investment Portfolio finished the month down 5.5%, underperforming the benchmark by 0.2%.

The best performing stock in the Portfolio for the month was Sandfire Resources (up 7.7%) following promising drilling results adjacent to its existing copper mine in Western Australia. Other strong performers included Macquarie Group (down 0.4%) and Telstra (down 1.3%) as investors sought its defensive characteristics. Asciano (down 1.6%) also outperformed. During the month, the company hosted a tour of its Port Botany operations which highlighted the efficiency gains being made from its new automated container handling systems. Asciano is one of the Portfolio's largest active positions. Other stocks which outperformed included the major banks which recovered, in a relative sense, post their recent sell-offs, as well as Aristocrat Leisure (down 1.9%), Stockland (down 2.8%) and Orica (down 2.8%).

The worst performing stock was Flight Centre (down 26.7%) which fell sharply after warning that profit would come in at the lower end of its previous guidance. In our view this is an overreaction. Flight Centre is a quality business with strong management and a net cash position of around \$500 million. At the month end price of \$34.11, the stock is trading on a FY16 P/E of 13.3 times and offering a gross yield of 6.5%. Importantly, this dividend is underpinned by the very strong balance sheet and is based on a conservative payout ratio of only 60% of NPAT. Other stocks which underperformed in the risk-off environment included Fairfax (down 20.9%) on no news, Myer (down 18.3%) despite announcing a debt refinancing and BlueScope Steel (down 14.5%). Resource holdings including South32 (down 18.3%), AWE (down 15.4%), Iluka Resources (down 14.7%), Origin Energy (down 10.1%), BHP (down 8.6%) and Rio Tinto (down 7.6%), also underperformed.

During the month we continued to take profits in stocks which had performed strongly in recent times including Henderson Group, Harvey Norman and QBE. Proceeds were reinvested into a number of existing holdings including AGL, CIMIC Group, Origin Energy and Orica.

#### **Investment Outlook:**

The current tribulations in Greece have introduced a heightened level of volatility into markets. However, the economic fundamentals of major markets overall seem to be improving slowly and this should drive economic and earnings growth. The current low interest rates highlight the relative attractiveness of equities.

#### **Top 10 Equity Holdings – 30 June 2015:**

The top ten equity holdings of the Century Australia Portfolio as at 30 June 2015 were as follows:

<b>Security Name</b>	<b>% of Portfolio</b>
National Aust. Bank	7.6%
Westpac Banking Corp	7.5%
Commonwealth Bank	7.3%
BHP Billiton Limited	7.2%
Telstra Corporation	6.2%
ANZ Banking Grp Ltd	6.0%
Macquarie Group Ltd	3.3%
QBE Insurance Group	2.7%
Woodside Petroleum	2.6%
Rio Tinto Limited	2.5%

At month end, stock numbers were 46 and cash was 5.7%.



## Performance returns

June 2015	Return	Benchmark	Excess
1 Month	-5.55%	-5.32%	-0.23%
1 Year	9.08%	5.61%	3.47%
2 Years (p.a)	14.52%	11.28%	3.24%

