

CENTURY AUSTRALIA

INVESTMENTS LIMITED



TO: AUSTRALIAN STOCK EXCHANGE LIMITED

FROM: CENTURY AUSTRALIA INVESTMENTS LIMITED

DATE: 11 March 2016

SUBJECT: Investment Manager Proposal Update

The Board of Century Australia Investments Limited (CYA) wishes to advise that they have received a non-binding, incomplete proposal from Perennial Investment Management Limited (PVM). PVM advises that this incomplete proposal has been provided with the intention to form a discussion with the Board.

The Board will consider this paper and will advise the market accordingly. The incomplete proposal is attached to this release.

Matthew McShane
Company Secretary



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9 March 2016

Mr Robert Turner
Chairman
Century Australia Investments Limited
Level 3, 99 Bathurst St
SYDNEY NSW 2000

PRIVATE AND CONFIDENTIAL – INCOMPLETE PROPOSAL - NOT FOR PUBLIC RELEASE

Dear Mr Turner,

Re: Proposal for the Restructure of Century Australia Investments Limited (Century)

We refer to our letter dated 26 February 2016. We submit our Restructure Proposal below:

We submit this Restructure Proposal with the intention that it be discussed between Perennial Value Management Limited (**PVM**) and a representative of the Century Board, with the objective of refining the proposal to our mutual satisfaction at which time the agreed terms of the proposal would be released to the market and ultimately submitted to Century shareholders for approval if required. Consequently this Restructure Proposal is an incomplete proposal, it does not constitute a binding or enforceable agreement between PVM and Century or an offer capable of acceptance and it is confidential. PVM has no objection to Century announcing to ASX that it has received a confidential, non-binding proposal from PVM which it is considering.

Century has historically operated independent of the Investment Manager. We believe however, that it would be to the benefit of all shareholders if the company could meaningfully improve its performance by having a more holistic operating relationship with PVM.

Our Restructure Proposal has the following key features:

1 Capital Structure

- 1.1 PVM proposes to maintain the existing corporate structure and for Century to work with the assistance of PVM to undertake a capital raising of between \$30 million and \$125 million to look to significantly grow the capital base of the company. Existing shareholders would be given a priority allocation in the capital raising. It is envisaged that the capital raising would conclude by 30 September 2016, subject to satisfactory market conditions. It is our view that all shareholders would benefit from a larger Century with operational costs being spread over a broader base and the greater liquidity in a larger vehicle.
- 1.2 In addition, PVM will look to support the capital raising and will provide distribution and marketing support via the national PVM sales and marketing team during the capital raising at no cost to Century Shareholders and at no additional cost of the Offer.
- 1.3 We recognise that the Board of Century may be keen to offer a buy back option to shareholders. Therefore, whilst it is our view that the best way to guarantee the long term success of the company is to grow, were the company to undertake such a buy back, our proposal would be conditional that any buyback be capped at 10% of issued capital prior to the capital raising and that is be offered pro rata to all shareholders.

9 March 2016

2 Management Arrangements

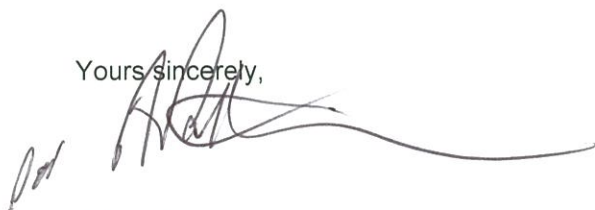
- 2.1 A new management agreement be entered into with PVM for a term of 10 years replacing the 9 September 2010 management agreement (as amended).
- 2.2 The new management agreement will be on the same terms as the existing management agreement with PVM except as set out below.
- 2.3 Base investment management fee of 0.75% per annum plus GST on first \$150 million funds under management and 0.70% per annum plus GST on funds under management above \$150 million. The current performance fee structure would continue.
- 2.4 PVM will provide marketing and distribution support [such as business development, initial and ongoing web site maintenance and roadshows (excluding any costs and fees associated with statutory requirements such as the holding of general meetings),] at no additional cost to Century.
- 2.5 The manager will continue to invest in a portfolio of long only equities. The current mandate Effective Exposure of a minimum of 70% will be amended to be a minimum of 50% with any residual being held in cash.
- 2.6 There will be no change to the authorised investments schedule under the existing management agreement with the exception that the company will not invest in stocks within the S&P/ASX 20 Index.
- 2.7 Benchmark change to the ASX 300 Ex 20 Accumulation Index from the ASX 300 Accumulation Index.

3 Other Matters

- 3.1 PVM proposes that it work with Century to achieve renewal of the current Century Board, to be effective on implementation of the proposal. PVM is seeking Board representation.
- 3.2 PVM proposes that to facilitate the successful renewal of the company and to reflect the changed nature of the relationship between Century and the manager PVM that the company name be changed as a key component of the proposal to grow the business.

We look forward to discussing this Restructure Proposal with you.

Yours sincerely,



John Murray
Managing Director
Perennial Value Management Limited