

Investment update

As at 30 June 2017

Snapshot

Pre-tax net tangible assets

94.1c

Gross assets

\$89.1m

ABN: 11 107 772 761

wilsonassetmanagement.com.au

Century Australia

ASX Code	CYA
Listed	Apr 2004
Gross assets	\$89.1m
Market cap	\$87.7m
Share price	93.0c
NTA before tax	94.1c
Shares on issue	94,268,790

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	Chairman & Portfolio Manager
Kate Thorley	Chief Executive Officer
Chris Stott	Chief Investment Officer & Portfolio Manager
Matthew Haupt	Portfolio Manager
Martin Hickson	Portfolio Manager
Oscar Oberg	Portfolio Manager
Tobias Yao	Senior Equity Analyst
John Ayoub	Senior Equity Analyst
Cooper Rogers	Assistant 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.

Market overview

The S&P/ASX 300 Accumulation Index increased 0.2% in June, to finish the financial year up 13.8%. The sectors that drove the advance during FY2017 were materials (+20.6%), utilities (+14.7%), banks (+11.9%) and healthcare (+11.8%).

Global equity markets ended the month down as central banks foreshadowed the end of easy monetary policy. The US Federal Reserve raised interest rates for the third consecutive time to between 1% to 1.25% in response to improving confidence in the US economy. In China, the official purchasing managers' index data was stronger than expected, which helped support the sentiment in the Australian market.

In Australia, the unemployment rate fell to a lower than expected 5.5% from 5.7% the previous month, the lowest level since February 2013. The political attack on banks continued with the South Australian Government announcing it would introduce a bank tax in addition to the Federal Government's levy. The policy was met by widespread criticism across the industry. In July, the SA opposition announced it would block the tax in parliament.

Portfolio update

In June, the investment portfolio increased 0.6%, outperforming the Index by 0.4%. The portfolio has outperformed the Index by 1.8% in the period since Wilson Asset Management became the investment manager in April 2017.

A contributor to the outperformance was our exposure to insurance companies, which are benefitting from increased premiums. We increased our exposure to Insurance Australia Group Limited (ASX: IAG) before the company surprised the market with an increased profit forecast arising from better than expected claims costs. We believe the sector will deliver further earnings upgrades. IAG represents 1.1% of the investment portfolio.

We selectively added to existing positions during periods of market weakness during the month. We capitalised on the declining oil price, which fell to seven-month lows, to increase our holdings in Woodside Petroleum (ASX: WPL) and Oil Search (ASX: OSH).

Net Tangible Assets (NTA) figures

NTA before tax	94.1c
Deferred tax asset on carry forward realised losses	5.3c
Deferred tax asset/(liability) on unrealised income and gains/losses	(0.3)
NTA after tax	99.1

After tax NTA figures have been calculated at a corporate tax rate of 30%. The Company is currently assessing whether it is eligible for the reduced corporate tax rate of 27.5% for the 2017 financial year in accordance with the Governments Enterprise Tax Plan Bill which became effective on 19 May 2017.

In addition to the deferred tax assets (DTA) of 5.3 cents per share recorded in the accounts there is a further \$2.94m or 3.12 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.

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 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.

Diversified portfolio

Investment Type	May 2017		June 2017	
	\$m	%	\$m	%
Listed Equities	65.2	84.7	69.4	77.9
Fixed Interest & Cash	11.7	15.3	19.7	22.1
Gross Assets	76.9*	100.0	89.1**	100.0
Total Shares on issue	81,865,704		94,268,790**	

*These figures are after the 2.7 cents per share fully franked interim and special dividends which traded ex dividend on 21 April 2017 and was paid 10 May 2017.

**These figures are after the allotment of 52,200,282 shares issued for the capital raising and cancellation of 39,797,196 shares under the buy-back on 2 June 2017.

Top 10 holdings

Code	Company	Market value \$	Market value as % gross assets
CBA	Commonwealth Bank of Australia	4,136,856	4.6%
ANZ	Australia and New Zealand Banking Group	3,722,974	4.2%
BHP	BHP Billiton Limited	3,528,945	4.0%
NAB	National Australia Bank Limited	3,459,367	3.9%
WBC	Westpac Banking Corporation	3,343,072	3.8%
JHG	Janus Henderson Group PLC	3,205,003	3.6%
RIO	Rio Tinto Limited	2,968,755	3.3%
CTX	Caltex Australia Limited	2,846,733	3.2%
WPL	Woodside Petroleum Limited	2,728,744	3.1%
WOW	Woolworths Limited	2,657,999	3.0%