

# Investment update

As at 31 January 2018

## Snapshot

Pre-tax net tangible assets

**\$1.02**

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Gross assets

**\$96.7m**

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## Century Australia

ASX code	CYA
Listed	April 2004
Gross assets	\$96.7m
Market cap	\$92.4m
Share price	\$0.98
NTA before tax	\$1.02
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
Catriona Burns	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.

### Save the date: Investor conference calls

We look forward to our upcoming investor conference call on Tuesday 6 March at 4:30pm (Sydney time). We will discuss our LICs, equity market outlook and highlights from the February reporting season and hold a Q&A. On 15 March 2018 at 11:00am (Sydney time) investors interested in WAM Global can hear from Lead Portfolio Manager Catriona Burns.

## Market overview

The S&P/ASX 300 Accumulation Index closed down 0.4% for the month of January, underperforming the US market, which was up 5.8%. A typically quiet January led to a volatile trading period on light volumes. While the US equity market rallied strongly, the Australian dollar reached its highest level against the greenback in almost three years. Globally, bond yields increased during the month, impacting defensive sectors such as utilities and real estate investment trusts, which underperformed heavily both in Australia and overseas. Healthcare was by far the best performing sector domestically with discretionary retailers also performing strongly.

While we continue to find attractive investment opportunities we remain cautious about the direction of the equity market over the short-to-medium term following the sell-off in early February. The US Dow Jones Industrial Average is now down more than 10% from its January highs, a technical correction. Data released on US wage growth in early February sparked expectations of higher inflation, in turn leading to a sell off of bonds given concerns about the pace of interest rate increases. Equity markets around the world followed suit, Australia included. In our opinion, the major risk for global equity markets in the near-term is the contraction in price-to-earnings multiples due to faster than expected increases in interest rates resulting from stronger global macroeconomic conditions.

Times of heightened volatility can provide attractive investment opportunities. Over the next two months the team will meet with over 100 large-cap companies allowing the investment team to assess current positions and search for new investment ideas to enter the portfolio.

## Net Tangible Assets (NTA) figures

NTA before tax	102.1c
Deferred tax asset on carry forward realised losses	6.0c
Deferred tax liability on unrealised income and gains	(1.8)c
NTA after tax	106.3c

In addition to the deferred tax assets of 6.0 cents per share recorded in the accounts there is a further \$1.9 million or 2.1 cents per share of tax benefit on realised losses that 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 reliant on 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.

## Performance

Performance at 31 January 2018	1 mth	3 mths	6 mths	Fin YTD	Since appointment of new investment manager (April-17)
CYA Investment Portfolio*	-0.4%	4.5%	9.6%	9.8%	10.6%
S&P/ASX 300 Accumulation Index	-0.4%	3.2%	8.2%	8.2%	7.0%
<b>Outperformance</b>	<b>+0.0%</b>	<b>+1.3%</b>	<b>+1.4%</b>	<b>+1.6%</b>	<b>+3.6%</b>

\*Investment performance and Index returns are before expenses, fees and taxes.

## Portfolio update

In January, positive contributors to the portfolio included Nine Entertainment Company (ASX: NEC), following strong free-to-air viewership data, and Seven Group Holdings (ASX: SVW), after a positive quarterly report from US mining service equipment provider Caterpillar. We also capitalised on holdings in the trading side of the portfolio in advance of the upcoming reporting season. During the month the investment portfolio's performance was impacted by a retreat in December of some of our best performers, including Tabcorp Holdings (ASX: TAH) and Santos (ASX: STO).

## Diversified portfolio

Investment Type	December 2017		January 2018	
	\$m	%	\$m	%
Listed Equities	86.7	89.0	89.8	92.9
Fixed Interest & Cash	10.7	11.0	6.9	7.1
<b>Gross Assets</b>	<b>97.4</b>	<b>100.0</b>	<b>96.7</b>	<b>100.0</b>
Total Shares on issue	94,268,790		94,268,790	

## Top 20 holdings

Code	Company	Code	Company
BHP	BHP Billiton Limited	ANZ	Australia and New Zealand Banking Group Limited
CSL	CSL Limited	BLD	Boral Limited
WOW	Woolworths Limited	RIO	Rio Tinto Limited
ORG	Origin Energy Limited	AMC	Ancor Limited
NAB	National Australia Bank Limited	PRY	Primary Health Care Limited
WBC	Westpac Banking Corporation	SGR	The Star Entertainment Group Limited
WPL	Woodside Petroleum Limited	JHG	Janus Henderson Group Plc
JHX	James Hardie Industries Plc	QBE	QBE Insurance Group Limited
AMP	AMP Limited	TAH	Tabcorp Holdings Limited
MQG	Macquarie Group Limited	TLS	Telstra Corporation Limited